

15 May 2009

Invitation to the Annual General Meeting 2009. Condensed Report 2008.

Staying on Track.



Invitation to the Annual General Meeting of the Linde Aktiengesellschaft

Dear Shareholders,

You are invited to attend the
Annual General Meeting of Linde Aktiengesellschaft
to be held on **Friday, 15 May 2009, at 10 a.m. CEST**,
in the ICM – Internationales Congress Center München,
Messegelände (Trade Fair Grounds), 81823 Munich, Germany.

Agenda

1. Presentation of the adopted financial statements of Linde Aktiengesellschaft and the approved consolidated financial statements for the year ended 31 December 2008, the management reports for Linde Aktiengesellschaft and the Group as well as the Report of the Supervisory Board for the 2008 financial year and the explanatory report on the information pursuant to sections 289 para. 4 and 315 para. 4 German Commercial Code

These documents are available for inspection on the Internet at

www.linde.com/annualgeneralmeeting

and at the offices of Linde Aktiengesellschaft, Klosterhofstrasse 1, 80331 Munich, Germany. They will also be sent to any shareholder upon request.

2. Appropriation of the balance sheet profit (dividend payment)

The Executive Board and the Supervisory Board propose that the balance sheet profit of EUR 885,937,808.02 from the 2008 financial year be appropriated as follows:

Payment of a dividend of EUR 1.80 per no-par value share entitled to a dividend	EUR 303,286,492.80
Profit carried forward	EUR 582,651,315.22
Balance sheet profit	EUR 885,937,808.02

3. Approval of the acts of the Executive Board

The Executive Board and the Supervisory Board propose that the acts of the Executive Board members holding office in the financial year ended 31 December 2008 be formally approved for this period.

4. Approval of the acts of the Supervisory Board

The Executive Board and the Supervisory Board propose that the acts of the Supervisory Board members holding office in the financial year ended 31 December 2008 be formally approved for this period.

5. Appointment of public auditors

The Supervisory Board proposes that KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, be appointed auditor and group auditor as well as auditor for the limited review of interim financial reports for the financial year ending 31 December 2009.

6. Authorisation to acquire and appropriate treasury shares under revocation of the existing authorisation to acquire treasury shares

The authorisation for the acquisition and appropriation of treasury shares resolved at the last Annual General Meeting on 3 June 2008 will expire on 2 December 2009. The Company shall again

be authorised to acquire and appropriate treasury shares under revocation of the existing authorisation to acquire treasury shares.

The Executive Board and the Supervisory Board propose that it be resolved as follows:

1) The Executive Board shall be authorised until 14 November 2010 to acquire for any permitted purpose treasury shares with a pro-rata amount of the share capital attributable to such treasury shares totalling up to 10 percent of the present share capital or – if this value is lower – of the share capital existing at the time when the present authorisation is exercised.

2) The acquisition may be effected via 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 price for the acquisition of shares (not including incidental acquisition costs) must in the case of acquisition via the stock exchange not exceed by more than 10 percent and not fall below by more than 20 percent the average closing price of the Linde share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last three trading days before the obligation to acquire the shares.

In the case of a public purchase offer or a public invitation to all shareholders to submit sale offers the price (not including incidental acquisition costs) must not exceed by more than 20 percent and not fall below by more than 20 percent the average closing price of the Linde share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last three trading days before the date at which the offer or the invitation is published. If in the case of a public purchase offer or a public invitation to all shareholders to submit sale offers the volume of shares offered for sale exceeds the buyback volume, the acquisition must be effected on a pro-rata basis. A privileged acquisition or take-up of small quantities of up to 100 offered shares per shareholder and a rounding based on commercial principles can be provided for.

3) The Executive Board is authorised to appropriate as follows the treasury shares acquired under this authorisation:

a) They can be sold via the stock exchange or by an offer to all shareholders.

b) They can, subject to the approval of the Supervisory Board, also be sold otherwise, if sold against cash payment at a price which at the time of sale does not fall substantially below the stock

exchange price of Linde Aktiengesellschaft shares of the same kind (sections 71 para. 1 no. 8 sentence 5, 186 para. 3 sentence 4 German Stock Corporation Act). The time of sale shall be deemed to be the time at which the obligation to transfer title in the shares is assumed, even if still conditional, or the time of the transfer in title itself if no separate obligation precedes or if such time is designated as relevant in the agreement containing the obligation to transfer. The final sale price for the treasury shares shall be determined according to this requirement at a time shortly before the sale of the treasury shares. This authorisation to sell treasury shares in accordance with sections 71 para. 1 no. 8 sentence 5, 186 para. 3 sentence 4 German Stock Corporation Act is limited to a pro-rata amount of the share capital that must not exceed 10 percent of the share capital. Decisive is the present share capital or – if this value is lower – the Company's share capital existing at the time the present authorisation is being exercised. Such maximum of 10 percent of the share capital has to be deducted by the pro-rata amount of the share capital attributable to shares which are, during the term of this authorisation, issued under exclusion of subscription rights pursuant to section 186 para. 3 sentence 4 German Stock Corporation Act on the basis of an authorised capital. The maximum of 10 percent of the share capital further has to be deducted by the pro-rata amount of the share capital attributable to shares being issued upon the conversion of any option and/or convertible bonds which are issued under exclusion of subscription rights on the basis of authorisations pursuant to sections 221 para. 4, 186 para. 3 sentence 4 German Stock Corporation Act during the term of this authorisation.

c) They may, subject to the approval of the Supervisory Board, be offered and transferred in the context of the direct or indirect acquisition of business entities, parts of business entities or participating interests in business entities and in the course of corporate mergers.

d) They may be appropriated to settle option and/or convertible bonds which the Company or an indirect or direct subsidiary of the Company has issued or will issue.

e) Furthermore, in the case of a sale of acquired treasury shares by an offer to all shareholders, subscription rights to the shares can be granted to holders of option and/or conversion rights issued by the Company or a direct or indirect subsidiary of the Company in the same amount as they would be entitled to after having exercised the option or conversion right or after settlement of a conversion obligation.

f) They may be granted in fulfilment of the Company's obligations under the Linde Management Incentive Programme resolved by the Annual General Meeting on 14 May 2002, under item 8 of the agenda. If treasury shares are to be transferred to members of the

Company's Executive Board, the aforementioned authorisation shall apply to the Supervisory Board.

The key points of the Linde Management Incentive Programme resolved by the Annual General Meeting are available for inspection at the Commercial Register in Munich as part of the notarial record of the Annual General Meeting on 14 May 2002. The minutes of this meeting are also available for inspection at the offices of Linde Aktiengesellschaft, Klosterhofstrasse 1, 80331 Munich, Germany, and on the Internet at www.linde.com/annualgeneralmeeting. A copy will also be sent to any shareholder upon request.

g) They may be granted in fulfilment of the Company's obligations under the Performance Share Programme resolved by the Annual General Meeting on 5 May 2007, under item 7 of the agenda. If treasury shares are to be transferred to members of the Company's Executive Board, the aforementioned authorisation shall apply to the Supervisory Board.

The key points of the Performance Share Programme resolved by the Annual General Meeting are available for inspection at the Commercial Register in Munich as part of the notarial record of the Annual General Meeting on 5 June 2007. The minutes of this meeting are also available for inspection at the offices of Linde Aktiengesellschaft, Klosterhofstrasse 1, 80331 Munich, Germany, and on the Internet at www.linde.com/annualgeneralmeeting. A copy will also be sent to any shareholder upon request.

h) They may, subject to the approval of the Supervisory Board, be redeemed without further resolution by the General Meeting on the redemption or its implementation. The Executive Board is granted authorisation, subject to further approval by the Supervisory Board, to decrease the Company's share capital by the respective amount which is represented by the redeemed shares.

4) The right of shareholders to subscribe to treasury shares is excluded to the extent that these shares are appropriated in accordance with the aforementioned authorisations in subsections 3) lit. b) up to and including lit. g).

5) All the aforementioned authorisations for the acquisition and appropriation of treasury shares may be utilised independently of each other in each case once or more than once, in full or in parts by the Company but also be carried out by its direct or indirect subsidiaries or by third parties for the Company's or the subsidiaries' account.

6) The current authorisation for the acquisition of shares given by the Annual General Meeting on 3 June 2008, which is limited

until 2 December 2009, shall be revoked with effect as from the time at which the new authorisation enters into force. The authorisations given in the aforementioned resolution of the Annual General Meeting on 3 June 2008 for the appropriation of any acquired treasury shares shall remain unaffected.

7. Revocation of the authorisation to issue convertible and option bonds and revocation of the conditional capital pursuant to number 3.9 of the Articles of Association

The existing conditional capital pursuant to number 3.9 of the Articles of Association resolved by the Annual General Meeting on 17 May 2000 served the purpose of issuing convertible or option bonds which were to be issued by the Company or companies in which the Company holds a direct or indirect majority interest until 16 May 2005. In May 2004, convertible bonds in the total amount of EUR 550,000,000 were issued under the exclusion of the shareholders' subscription rights via the 100 percent subsidiary Linde Finance B.V. Such bonds have been converted in full in the financial year 2008. In addition to that, no further convertible or option bonds had been issued by 16 May 2005. Since there are no longer any conversion or subscription rights, the remaining conditional capital pursuant to number 3.9 of the Articles of Association, totalling EUR 25,071,910.40 shall be cancelled in full.

The Executive Board and the Supervisory Board propose that it be resolved as follows:

The remaining conditional capital pursuant to number 3.9 of the Articles of Association resolved by the Annual General Meeting on 17 May 2000 shall be cancelled in full. Number 3.9 of the Articles of Association shall be deleted without replacement. The existing numbers 3.10 through 3.12 of the Articles of Association become numbers 3.9 through 3.11 in the same order.

8. Amendment of number 14.4 of the Articles of Association for adjustment to ARUG

Pursuant to number 14.4 of the Articles of Association, the decision whether to record and broadcast the General Meeting currently falls within the competence of the chairperson of the General Meeting. In contrast, the draft of the Act on the Implementation of the Shareholder's Directive (ARUG) issued by the German Federal Cabinet on 5 November 2008 states that in the future the Articles of Association itself shall permit the video and audio transmission or authorise the Executive Board to decide on that. The legislative procedure has not been concluded yet. However, the ARUG will probably come into force prior to the next Annual General Meeting of the Company in the year 2010.

For the sake of clarity with respect to the video and audio transmission of the Annual General Meeting 2010, the Articles of Association shall be adjusted to the ARUG. The Executive Board will,

however, apply for the registration of the amendment of the Articles of Association in the Commercial Register only and to the extent that, with respect to such amendment, the ARUG comes into force as proposed by the draft issued by the German Federal Cabinet.

The Executive Board and the Supervisory Board propose that it be resolved as follows:

1) Number 14.4 of the Articles of Association is restated as follows:

"14.4 The Executive Board may permit the video and audio transmission of the General Meeting."

2) The Executive Board is instructed to apply for the registration of the amendment of the Articles of Association in the Commercial Register only if, with respect to this amendment, the ARUG will be announced in the Federal Law Gazette as proposed by the draft issued by the German Federal Cabinet. Differences between the ARUG as announced in the Federal Law Gazette and the draft issued by the German Federal Cabinet shall be disregarded if they are not relevant for the amendment under 1) above.

Report by the Executive Board to the General Meeting on agenda item 6 regarding the exclusion of subscription rights in connection with the appropriation of treasury shares pursuant to section 71 para. 1 no. 8 German Stock Corporation Act in conjunction with section 186 para. 3 sentence 4, para. 4 sentence 2 German Stock Corporation Act

The Executive Board hereby submits the following report to the General Meeting on agenda item 6 in accordance with section 71 para. 1 no. 8 German Stock Corporation Act in conjunction with section 186 para. 3 sentence 4, para. 4 sentence 2 German Stock Corporation Act, setting forth the reasons for authorising the Executive Board to exclude the subscription rights of shareholders if the Executive Board exercises its authority. This report is available for inspection at the offices of the Company as of the calling of the Annual General Meeting, and will be promptly mailed to each shareholder at no charge upon request. The report is announced as follows:

Under item 6 of the agenda, we propose to authorise the Company pursuant to section 71 para. 1 no. 8 German Stock Corporation Act and in accordance with common corporate practice to acquire until 14 November 2010 treasury shares up to an amount of 10 percent of the current share capital or – in case this should be lower – the share capital of the Company as of the time when such authorisation is exercised. Since the existing authorisation in accordance with the resolution of the General Meeting of 3 June 2008 is effective only until 2 December 2009,

a new authorisation shall be granted and the existing authorisation to acquire treasury shares shall be revoked by this Annual General Meeting.

When acquiring treasury shares, the principle of equal treatment under section 53a German Stock Corporation Act is to be observed. The proposed acquisition of shares through the stock exchange, by a public purchase offer or by the public invitation to make offers to sell, is in line with this principle. If a public offer is oversubscribed, offers must be accepted by quota. A privileged acquisition or acceptance of small quantity offers for up to 100 offered shares per shareholder and a rounding based on commercial principles may be provided for. These options serve to avoid fractions when fixing the acceptance quotas and to avoid smaller residual quantities and, by doing so, to facilitate the technical processing.

Pursuant to the proposed authorisation, treasury shares may either be redeemed or be resold by way of a public offer to all shareholders or via the stock exchange. With the last two options the equal treatment of shareholders is observed.

1) The proposed authorisation further provides in accordance with the provisions of section 71 para. 1 no. 8 sentence 5 German Stock Corporation Act that the Executive Board, with the approval of the Supervisory Board, may undertake a sale of treasury shares other than through the stock exchange or by an offer to all shareholders if the treasury shares are sold in accordance with section 186 para. 3 sentence 4 German Stock Corporation Act for a consideration in cash at a price which does not fall substantially below the stock exchange price of the shares of the Company of the same kind at the time of such sale. The time of sale shall be deemed to be the time at which the obligation to transfer title in the shares is assumed, even if still conditional, or the time of the transfer in title itself in case such transfer is not preceded by a separate transfer obligation or is determined to be decisive in such transfer obligation. The final determination of the issue price for the treasury shares shall be made in accordance with these provisions shortly before the sale of the treasury shares.

The option of a sale in a form other than through the stock exchange or by an offer to all shareholders is in the interest of the Company and the shareholders since by such sale, e.g. to institutional investors, additional domestic and foreign shareholders can be gained. The Company will further be enabled to adjust its equity capital to the respective business conditions and respond quickly and flexibly to favourable stock market situations. The economic and voting right interests of the shareholders are preserved. Due to the small volume the shareholders will not suffer any disadvantage, since the shares sold under exclusion of the shareholders' subscription rights may be sold

only at a price which does not fall substantially below the stock exchange price for shares of the Company of the same kind at the time of sale. When exercising the authorisation, any other issue or sale of shares or issue of conversion or option rights is to be taken into consideration if and to the extent such issue is made under the exclusion of subscription rights pursuant to section 186 para. 3 sentence 4 German Stock Corporation Act during the term of this authorisation. Interested shareholders can therefore acquire any shares necessary to maintain their participation quota through the stock exchange at virtually the same conditions.

2) The Company shall further have the option to offer treasury shares as consideration in connection with any merger and any (direct or indirect) acquisition of business entities, parts thereof or participations in business entities.

The price at which treasury shares are used in such event depends on the respective circumstances of the individual case and on the point in time. When determining the price, the Executive Board and the Supervisory Board will adhere to the Company's interests.

As in the past, the Executive Board continuously examines opportunities for the Company to acquire business entities or participations in business entities. The acquisition of such business entities or participations therein for consideration in shares is in the Company's interest if the acquisition leads to a strengthening or reinforcement of Linde Group's market position or enables or facilitates the entry into new fields of business. In order to timely and flexibly meet the interest of a seller or the Company to receive or offer payment in the form of shares in the Company in the event of a successful conclusion of such acquisitions, it is necessary, in case no authorised capital shall be used for such purpose, that the Executive Board is authorised to grant, with the approval of the Supervisory Board, treasury shares under exclusion of the subscription rights of the shareholders. As the volume of treasury shares will be limited and the shares should be issued at a value that takes into account the stock exchange price, interested shareholders have the option to acquire shares at the stock market price, and thus essentially on comparable terms and conditions when treasury shares are sold under the exclusion of the shareholders' subscription rights for the aforementioned purpose of a merger or the acquisition of business entities or participations in business entities.

In light of the aforementioned considerations, the proposed sale of treasury shares is, in the view of the Executive Board, in the Company's and the shareholders' interest and may in the individual case justify the exclusion of the shareholders' subscription rights. The Executive Board and the Supervisory Board will in each

individual case examine and weigh whether the merger or the acquisition in consideration for treasury shares under the exclusion of the subscription rights is in the interest of the Company.

3) Furthermore, the Company shall be given the option of using treasury shares to settle option or conversion rights and conversion obligations arising from option and/or conversion bonds issued by the Company or a direct or indirect subsidiary of the Company.

The proposed resolution does not create a further authorisation to issue option or conversion rights. It merely serves the purpose of providing the management with the option to settle option or conversion rights or conversion obligations which will be issued under other authorisations by providing treasury shares instead of using the otherwise available conditional capital, if, as the case may be, the Executive Board and the Supervisory Board determine that this is in the Company's interest.

4) Moreover, the Company shall be given the option to partly exclude the shareholders' subscription rights in case of the sale of shares through an offer to all shareholders in favour of the holders of option and conversion rights. By doing so, these holders can be granted subscription rights for the shares to the extent that they would be entitled to after exercising their option or conversion right or after settlement of a conversion obligation. This enables the Company to avoid a reduction of the option or conversion price, as would be the case in the event of an issue of treasury shares without the granting of subscription rights to the owners of option and conversion rights pursuant to the terms and conditions of the option and conversion rights.

5) Furthermore, the Company shall be given the option to use treasury shares to settle the subscription rights resulting from the Linde Management Incentive Programme (LMIP) resolved by the General Meeting on 14 May 2002. This option shall be granted alongside the existing option of settling these subscription rights with shares from the Conditional Capital 2002 resolved together with the LMIP. The Company will decide whether shares from the conditional capital or treasury shares are to be offered or transferred to the holders of subscription rights resulting from the LMIP in the individual case on the basis of the specific liquidity and market situation. The possibility of settling the subscription rights under the LMIP with treasury shares does not lead to the creation of a new stock option plan or an amendment of the LMIP.

Under the LMIP approximately 3 million subscription rights for the same number of shares are outstanding. With currently more than 168 million no-par value shares outstanding, this corresponds to approximately 1.8 percent of the share capital. Therefore, there will be no noticeable dilution of the stake of the share-

holders in case LMIP subscription rights are settled with treasury shares. Subscription rights may further only be exercised if the absolute stock market price of the shares of the Company has increased materially since the issuance of the subscription rights.

6) Finally, the Company shall be given the option to settle option rights issued by the Company to managerial staff under the Performance Share Programme resolved by the General Meeting on 5 June 2007 with treasury shares held by the Company. The Programme allows for the issuance of up to approximately 3.5 million option rights during a period of five years. The possibility of settling the subscription rights under the Performance Share Programme with treasury shares does not lead to the creation of a new stock option plan or an amendment of the Performance Share Programme.

Whether, in the individual case, it serves the Company's best interest to settle the option rights out of the conditional capital, by means of treasury shares or by settling the obligation to grant shares by means of a substitute cash payment, shall be decided by the Executive Board or, if members of the Executive Board are affected, by the Supervisory Board. Currently issued are approximately 520,000 option rights which may be exercised no earlier than 3 August 2010. In addition to that, approximately 460,000 option rights are issued which may be exercised no earlier than 6 June 2011.

Availability of the report

The report of the Executive Board regarding item 6 of the agenda is available for inspection by the shareholders as of the calling of the Annual General Meeting at the offices of Linde Aktiengesellschaft located at Klosterhofstrasse 1, 80331 Munich, Germany. This document will also be displayed for inspection by the shareholders during the Annual General Meeting. Upon request, copies of this report will be mailed free of charge to each shareholder. It is further available on the Internet under www.linde.com/annual-generalmeeting.

Total number of shares and voting rights

As of the calling of the Annual General Meeting, the total number of shares amounts to 168,492,496 with the same number of voting rights.

Right to attend the Annual General Meeting upon registration and proof of shareholding

Pursuant to number 12 of Linde Aktiengesellschaft Articles of Association, such shareholders shall be entitled to attend the Annual General Meeting and to exercise their voting rights who register with the Company prior to the meeting and provide special proof of their shareholding issued by their depository bank

or financial services institution with which the respective shares are deposited.

The proof of the shareholding must relate to ownership at the beginning of 24 April 2009 (00:00 hrs CEST). The registration and the proof of shareholding must be received by Linde Aktiengesellschaft at the latest at the end of 8 May 2009 (24:00 hrs CEST) at the following address:

Linde Aktiengesellschaft
c/o Deutsche Bank AG
– General Meetings –
P.O. Box 20 01 07
60605 Frankfurt am Main
Germany
Fax + 49.69.12012-86045
E-mail WP.HV@Xchanging.com

The registration and the proof of the shareholding must be furnished in text form (Section 126b German Civil Code) in German or English.

Following receipt of the registration and the proof of their shareholding, tickets of admission for the Annual General Meeting will be sent to the eligible shareholders. In order to facilitate the organisation of the Annual General Meeting, we kindly ask the shareholders to send the registration and the proof of their shareholding to Linde Aktiengesellschaft under the aforementioned address at an early stage.

Proxy voting

Shareholders may exercise their voting rights by a proxy, e.g. the depository bank, a shareholders' association or a person of their choice. Powers of attorney granted to other persons than a banking institution, a shareholders' association or persons or bodies equated pursuant to German stock corporation law, or the representatives named by the Company (as further explained below) must be in writing.

We offer our shareholders the option to exercise their voting rights by representatives who are employees of the Company named by Linde Aktiengesellschaft. In order to do so, a power of attorney and explicit and unambiguous instructions on the exercise of the voting rights with respect to every single relevant agenda item must be issued. If no explicit and unambiguous instruction has been issued, the representative named by the Company will abstain from voting on the respective agenda item. The representatives named by the Company are bound to vote in accordance with such instructions. The power of attorney and the voting instructions to the representatives named by the Company may be issued through the Internet or in writing using the form pro-

vided for this purpose on the ticket of admission. Powers of attorney and instructions to the representatives named by the Company must be fully entered by 14 May 2009, the evening before the Annual General Meeting, 8 p.m. CEST. Powers of attorney and instructions to the representatives named by the Company issued in writing must be received by the Company at the address Linde Aktiengesellschaft, Legal Services, Klosterhofstrasse 1, 80331 Munich, Germany, no later than 13 May 2009.

Alongside the ticket of admission, the shareholders will be provided by their depository banks with a brochure with more detailed information on proxy voting, in particular the periods to be adhered to, the procedural steps and the technical requirements for issuing a power of attorney and instructions on the exercise of the voting rights to the representatives named by the Company through the Internet as well as on the procedure of changing the instructions. Relevant information is also available on the Internet at www.linde.com/annualgeneralmeeting.

Motions and election proposals

Motions and election proposals to a specific item of the agenda must be addressed exclusively to

Linde Aktiengesellschaft
Investor Relations
Fax + 49.89.35757-1398
E-mail hauptversammlung@linde.com

Motions and election proposals by shareholders which are to be made accessible will be published including the shareholder's name, the reasoning and possible comments of the management on the Internet at www.linde.com/annualgeneralmeeting.

Live stream of the Annual General Meeting

The statements of the Chairman of the Supervisory Board and the Chairman of the Executive Board will be transmitted on the Internet at the stated address (www.linde.com/annualgeneralmeeting).

Munich, April 2009

Linde Aktiengesellschaft
The Executive Board

Condensed Report

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Letter to shareholders

Ladies and Gentlemen,

The year 2008 was characterised by the onset of the financial and economic crisis. Even our Group began to feel the effects of the global recession. Towards the end of the year, a significant decline in demand became apparent in some regions. Nevertheless, we were able to meet our targets for the 2008 financial year in full. Group sales increased by 8.4 percent after adjusting for exchange rate effects to EUR 12.663 bn, while Group operating profit, also after adjusting for exchange rate effects, rose by 10.3 percent to EUR 2.555 bn. We have therefore continued to grow and, as announced, increased our profitability at a faster rate than sales. Significant increases were also to be seen in other key performance indicators. ROCE rose to 12.4 percent (2007: 10.3 percent), and the Group achieved an increase in earnings per share adjusted for non-recurring items of almost 9 percent to EUR 5.46 (2007: EUR 5.02).

This really solid business performance, in a year in which the environment became increasingly difficult as it drew to its close, indicates that our extensive reorganisation has proved worthwhile. We swiftly concluded the integration of BOC and, by focusing on our global gases and plant construction business, have become less dependent on economic cycles than we were previously.

This continuity is also reflected in our earnings-based dividend policy, a long-standing tradition in Linde. The Executive Board and Supervisory Board will recommend at the Annual General Meeting on 15 May 2009 that a dividend of EUR 1.80 per share be paid. Compared with the prior year dividend of EUR 1.70, this represents an increase of nearly 6 percent.

In the current financial year 2009 we, like every other company, will be faced with major challenges. Business cycle analysts are expecting 2009 to usher in the most significant downturn in the global economy since the Second World War. We must all adapt to a shrinking global gross domestic product. In this environment, we are doing everything we can to continue to improve our productivity and our processes. We have renewed our efforts, and launched a new programme (High Performance Organisation or HPO) at the beginning of 2008 which is designed to achieve sustainable improvements in efficiency. We intend to apply this integrated concept to transform our Group into a high performance organisation. Over the next four years, starting in the current financial year 2009, HPO will result in a total reduction in gross costs of between EUR 650 m and EUR 800 m. Substantial cost savings will be achieved, for example, in IT and purchasing. HPO follows on directly from the synergy programme we adopted on the acquisition of BOC. In 2009, we are seeking to achieve our target for cost synergies of EUR 250 m per annum in full for the first time as a result of this programme.

Nevertheless, it is scarcely possible to forecast the business performance of our Group this year with any accuracy, given the uncertainty surrounding developments in the global economy. We are therefore examining a number of different scenarios in our corporate planning. Our forecasts range from Group sales and earnings slightly above or the same as the figures for 2008 to a reduction in Group sales and earnings. The sales and earnings trend will not firm up until the second half of 2009 depending on levels of demand. By applying extensive efficiency improvement measures, we will seek as far as possible to limit any decline in Group earnings. Based on estimates of global economic trends, we are now proceeding on the assumption that we will not be able to achieve our original medium-term targets for the 2010 financial year, ROCE of 13 percent and Group operating profit of at least EUR 3 bn, until a later date.



In the past few years at Linde, we have created a stable base. As a result of our global orientation and our leading positions in the emerging markets, we are better able to cushion the impact of unfavourable economic conditions in the regions than before. The well-differentiated customer structure in our gases business makes us relatively robust. We are also able to benefit from the diverse synergies between the two mainstays of our business, gases and engineering, as well as from the global megatrends energy and health. A large number of our products and services are targeted towards these promising sectors. HPO will help us to prepare for all eventualities and enable us to achieve sustainable increases in efficiency und productivity.

Everything is therefore in place so that we stay on track.

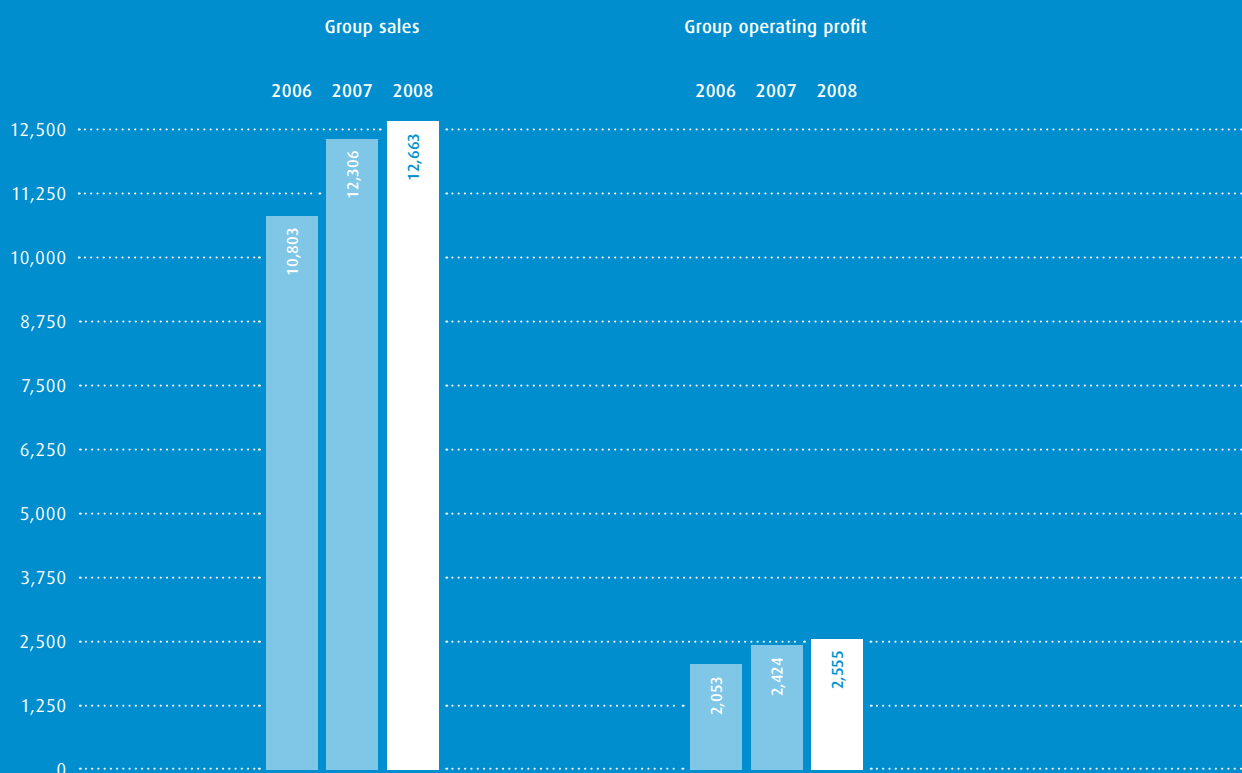
A handwritten signature in black ink, which appears to be 'W. Reitzle'.

Professor Dr Wolfgang Reitzle
Chief Executive Officer of Linde AG

Group Management Report

In the 2008 financial year, our strategy continued to be geared towards earnings-based growth, although there was a significant deterioration in the economic situation especially in the fourth quarter. Group sales increased by 2.9 percent to EUR 12.663 bn (2007: EUR 12.306 bn). Group operating profit rose at a faster rate than sales, by 5.4 percent to EUR 2.555 bn (2007: EUR 2.424 bn).

Group sales and Group operating profit (in € million)



GROUP MANAGEMENT REPORT

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Sector-specific background

Gases industry

As in 2007, the world market for industrial gases grew at a much faster rate in 2008 than the increase in global gross domestic product. North America and Europe were the largest sales markets, followed by Asia. Here, there was a similar volume to that in Continental Europe, although in Asia (excluding Japan) growth was significantly higher than in the established industrial nations, with double-digit rates of growth being achieved. Dynamic trends were also to be seen in Eastern Europe.

A successful business performance in our Gases Division is dependent not only on the regional sales markets but also, even more importantly, on the economic prospects of those industry sectors which are key to our gases sales.

In the first half of 2008, the steel industry experienced a boom which was driven by record prices for raw materials. In the third and fourth quarters, however, a great many steel producers applied production cutbacks of around 20 to 30 percent in reaction to the financial crisis, adjusting capacity to cope with the fall in demand. Nevertheless, the bottom line is that global steel production contracted by only 1.2 percent (source: World Steel Association) in 2008 compared to 2007. However, the slowdown in December 2008 led to the setting of a new record, production which was 24.3 percent lower than that in December 2007.

Economic trends in the chemical industry sector were similar. In the first half of 2008, as in 2007, the sector continued to grow despite higher energy prices, but the third and fourth quarters saw severe production cutbacks, of up 30 percent by the end of 2008. The main reasons for this were high inventory levels and uncertainty about future levels of demand and price trends.

There was a high level of economic volatility in 2008 in the oil and natural gas industry and for energy suppliers. In July 2008, the oil price reached a record high of USD 147 a barrel, only to fall in December to less than USD 40 a barrel. OPEC reacted with major production cuts of two million barrels a day to reduce supply, against the background of the financial crisis and the resulting fall in demand for oil. In many places, refineries for which we produce gases had to restrict production, while some refineries even had to shut down. However, this did not have a negative impact on demand for hydrogen.

The financial and economic crisis also had an effect on investment activity in the energy sector. A great number of capital-intensive projects were postponed or cancelled, sometimes due to lender withdrawal. Projects relating to oil companies were not affected, because the oil companies are seeking ever more efficient ways of developing oil and natural gas fields. In the medium term, these initiatives should increase demand for hydrogen.

Experts are expecting the decline in primary energy consumption as a result of the global economic crisis to be only a temporary phenomenon. In the longer term, they expect demand for oil and oil consumption to rise again, which will lead to an increase in demand for hydrogen from the refineries.

The continuing high demand for electronic equipment such as mobile phones and PCs ensured steady growth in the production of semiconductors. The sales figures for flat screens in the first three quarters of 2008 were well above the comparative figures for 2007. In the last quarter, however, there was a sharp drop in demand for ICs and TFT screens, with the result that earnings for the year in both markets were below the good figures achieved in 2007.

The market for food and drink gases was stable in line with expectations. There were merely some shifts between individual product segments. However, total sales remained generally constant even during the economic downturn.

The solar energy sector, which was starting from a relatively low base, stood out because of its exceptionally high growth rates. It was possible to manufacture thin-layer solar cells in large-scale plants for the first time.

For the industrial gases market, this meant greater demand for high-purity specialty and liquefied gases, especially in the regions of Asia and Europe. Significant investment was made to expand capacity for the production of gases.

In the healthcare sector, the market for medical gases proved to be robust in 2008, with demand largely not dependent on economic cycles. Our Healthcare Global Business Unit supplies this market with medical gases and related services for hospital applications (Hospital Care) and provides medical products and services to patients in their home environment (Homecare). The world market in hospital care grew by 4 to 5 percent. Global demand for homecare rose at about the same rate, with the market estimated to be worth around EUR 7bn. The continuing stability of the market environment is mainly due to demographic trends, with more and more people living longer in many countries, and to the rise in chronic illnesses, which can increasingly be treated in settings other than hospitals. Innovative therapies and better access for patients to these forms of treatment have also had a positive impact on the healthcare business. In the case of some forms of treatment, such as sleep therapy, patient numbers increased by around 10 percent. This positive trend was, however, accompanied by significant downward pressure on prices owing to health reforms in a large number of countries.

Plant construction

For much of 2008, the positive trends of the previous year continued to affect the construction of large-scale plants around the world. Important drivers of demand were the very high levels of raw materials and primary products required in the large newly-industrialised countries, India, China, Russia and Brazil, and the high prices of raw materials and energy. In the course of the year, as prices started to fall and the global financial crisis continued, customers became more reluctant to award major contracts.

The air separation plant market initially saw dynamic growth similar to that of the previous year, but towards the end of the year some customers, particularly in the steel industry, started to take a more cautious approach. The greatest impetus came from the newly industrialised countries, especially from China and India. Demand remained steady, however, in Europe and North America in this product area.

In the course of 2008, gasification processes based on coal, such as Coal-to-Liquids, or CTL, increased in importance. These processes convert coal into source materials for the chemical industry. Carbon Capture and Storage (or CCS) processes also became more significant in energy production. An example of this is oxyfuel technology (oxyfuel process), where coal is combusted not with air but in an atmosphere to which pure oxygen has been added. The resulting carbon dioxide can then be captured and stored. As a result of the high oil price, there was a significant increase in demand for plants for Enhanced Oil Recovery (EOR). In these processes, nitrogen or carbon dioxide are pumped under pressure into the oilfields to increase the extraction rate.

The market for olefin and polymer plants benefited in the first three quarters of 2008 from the continuing high level of demand for additional capacity, particularly in regions and countries with plentiful supplies of raw materials which have earned significant

amounts of foreign currency in the past few years from exporting oil and gas, triggering an investment boom. These included not only Russia and the Middle East, but also India and South America. In the final quarter of the year, most customers postponed their decisions about major projects to await further developments in raw material and energy prices and in the financial markets.

The market for natural gas separation and liquefaction plants grew substantially in 2007. The tight situation in the supplier market as a result of this disproportionate growth and the fall in economic growth at the end of the 2008 financial year meant that the number of major projects implemented in 2008 was smaller than in 2007. Demand for liquefied natural gas technology (LNG), where natural gas is liquefied and transported in tankers, was stimulated in the gas-rich countries of the Middle East in particular, and also in Australia and increasingly South America. This promising technology offers a viable alternative to pipelines, especially in those areas in which the use of pipelines makes little economic or political sense.

It is becoming increasingly common for the natural gas fields being developed to contain a high proportion of nitrogen. Given this background, there is a growing market for processes to separate nitrogen from natural gas, both to obtain pipeline-quality natural gas and within LNG plants.

The global market for hydrogen and synthesis gas plants again reached a very high level in the first nine months of 2008, although somewhat lower than the prior year figure. In particular, the strict legal requirements relating to the purity of fuels ensured that demand generally remained steady. With hydrogen being used in the desulphurisation process, producers, especially those in the US, India and other newly-industrialised countries, had to increase their hydrogen capacity. As in other product areas, by the end of the year most customers were adopting a wait-and-see approach.

Value-based and operational management

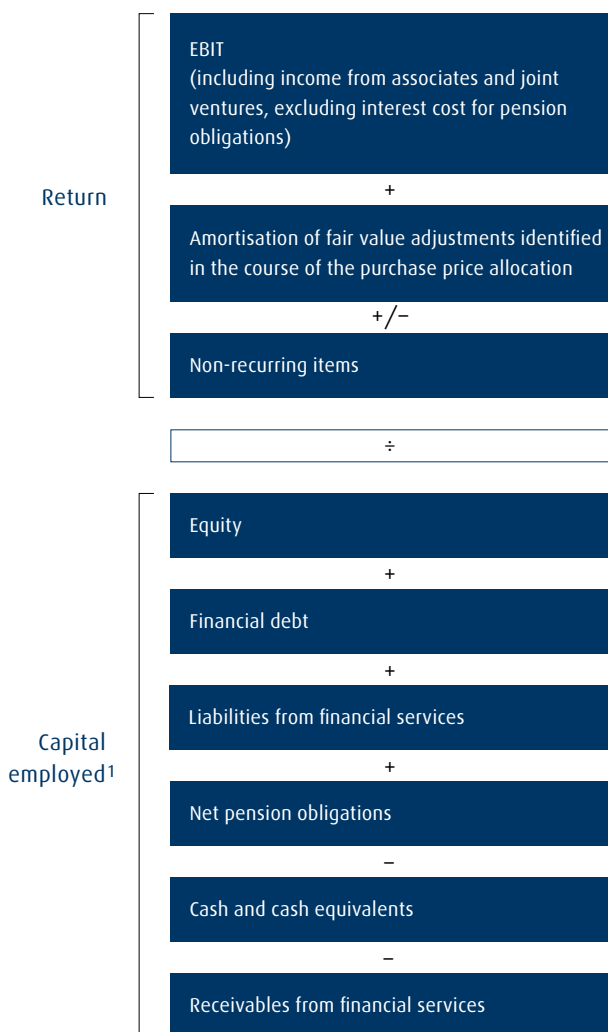
We pursue a corporate strategy of sustainable earnings-based growth, with the aim of achieving a steady increase in corporate value. To measure the medium-term and long-term financial success of this value-based management strategy, we use return on capital employed (ROCE) as our key target.

When we acquired The BOC Group, we redefined ROCE and applied the new definition to the 2006 financial year. The revised definition takes account of the various effects of the acquisition on the ROCE performance indicator. On the one hand, capital invested increased significantly due to the acquisition. On the other hand, earnings were adversely affected by the amortisation of fair value adjustments identified in the course of the purchase price allocation. This reduces the return on capital, although the operating performance of the company has not been changed as a result of the identification of fair value adjustments and their amortisation. To ensure that the operating performance of The Linde Group is transparent and disclosed in a way which is comparable to the disclosure of our major competitors, we have eliminated the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation from our ROCE calculation.

To achieve sustainable and successful growth in The Linde Group, we work together with some customers on the basis of joint venture business models. So that the current joint ventures, which form a major operational component of the Gases Division, are included in the management ratios and performance indicators, we have added our share of the income from associates and joint ventures, based on the respective earnings after taxes on income, to the figure for EBIT in the new ROCE calculation.

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

Definition of ROCE



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

Based on this definition, ROCE at Group level in the 2008 financial year was 12.4 percent (2007: 10.3 percent).

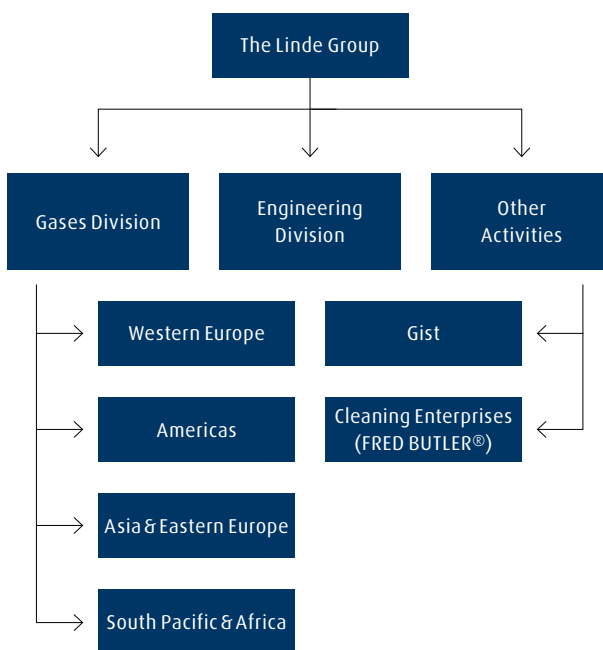
To manage our operating business and indicate our performance, we use not only ROCE as a management tool, but also other key figures such as free cash flow before financing activities, operating earnings before interest, tax, depreciation and amortisation (adjusted EBITDA), operating earnings before interest and tax (EBIT) and earnings per share (EPS). We adjust both EBIT and EPS for the amortisation of the fair value adjustments identified in the course of the purchase price allocation. A reconciliation between the reported figures for EBIT and EPS and the adjusted figures is included in the Notes to the Group financial statements. The calculation of the variable remuneration of our management is also based on these figures.

The Group consists of the Gases Division, the Engineering Division and Other Activities. In the Gases Division, responsibilities are linked directly to local value creation. Therefore, the managers in the nine Regional Business Units (RBUs) within the four operating segments, Western Europe, the Americas, Asia & Eastern Europe and South Pacific & Africa, are responsible for the operating business. The capital expenditure process is managed centrally. This structure means that we take into account the importance of local and regional market conditions in the gases business.

Responsibility for the Tonnage (on-site) and Healthcare (medical gases) businesses is also assumed by a global centralised function. In the on-site business, this enables us to take the international orientation of our major customers into consideration. In the Healthcare business, the additional centralisation allows us to respond more accurately and systematically to the specific requirements of this increasingly regulated sector.

When we reflect this operating model in the allocation of responsibilities to members of the Group's Executive Board, we ensure that the respective strengths and skills of the Board members are effectively exploited at both regional and product levels.

Organisational structure



Organisational structure of The Linde Group. The Group consists of the Gases Division, the Engineering Division and Other Activities. Within the Gases Division, there are four operating segments: Western Europe, the Americas, Asia & Eastern Europe and South Pacific & Africa. Other Activities comprises Gist, our logistics services business, and our subsidiary Cleaning Enterprises (environmentally friendly dry-cleaning under the brand name FRED BUTLER®).

Business review of The Linde Group

In the 2008 financial year, we successfully completed the integration of BOC and focused on continuing to improve our processes and expand our international business. In the course of the BOC integration, we also achieved the synergies we had planned. We met our targets for the financial year in full, although towards the end of 2008 we too were starting to see a noticeable decline in volumes in some regions in the wake of the financial crisis.

We have taken real advantage of the growth synergies between our core divisions, Gases and Engineering. Increasingly, this is enabling us to win new business for our Gases Division in major markets such as the Middle East due to the long-standing partnerships and customer relationships we have established in the Engineering Division.

Group sales increased in the 2008 financial year compared with the previous year by 2.9 percent to EUR 12.663 bn (2007: EUR 12.306 bn). It should be noted that the growth figure reported was significantly hampered by unfavourable exchange rate effects. After adjusting for the effects of exchange rates, the increase in Group sales was 8.4 percent. The Linde Group's participation in joint ventures gave rise to sales of EUR 625 m (2007: EUR 752 m) in proportion to its interest, which are not included in Group sales in accordance with our accounting rules.

Results of operations

We increased our profitability still further in the financial year, with Group operating profit (EBITDA) growing at a faster rate than sales by 5.4 percent to EUR 2.555 bn (2007: EUR 2.424 bn). After adjusting for exchange rate effects, the increase in operating profit was 10.3 percent. The synergies arising from the acquisition of BOC also contributed to this positive trend.

Earnings before tax (EBT) were EUR 1.006 bn, EUR 369 m below the prior year figure of EUR 1.375 bn. When comparing these two figures, it should be noted that the 2007 figure includes a profit of EUR 607 m which arose in 2007 primarily

as a result of the disposal of businesses to meet the conditions imposed by the competition authorities in the course of the BOC acquisition. In the 2008 financial year, Linde achieved a profit of EUR 59 m from the disposal of businesses.

Earnings after tax were EUR 776 m (2007: EUR 996 m, relating to continuing operations). The amount attributable to Linde AG shareholders was EUR 717 m (2007: EUR 952 m). This corresponds to earnings per share of EUR 4.27 (2007: EUR 5.77, relating to continuing operations). When making the comparison with the prior year, the profit arising on the disposal of businesses in 2007 should also be taken into account here. On an adjusted basis, i.e. after adjusting for this effect and for the amortisation of the fair value adjustments identified in the course of the purchase price allocation, earnings per share rose from EUR 5.02 to EUR 5.46.

The income statement prepared using the cost of sales method shows that The Linde Group made a gross profit of EUR 4.014 bn for the 2008 financial year (2007: EUR 4.030 bn) after deducting cost of sales. The gross margin fell from 32.7 percent to 31.7 percent. The main reasons for this are that the Engineering Division, which has lower gross margins than the gases business, constituted a higher proportion of sales in 2008 than in 2007, and the increases in natural gas prices compared with the prior year, which are passed onto our customers in the Gases Division without any mark-up.

The tax expense fell from EUR 379 m to EUR 230 m in 2008. This corresponds to an income tax rate of 22.9 percent (2007: 27.6 percent). The main reasons for the decrease in the income tax expense are lower tax charges for profits on disposal and lower tax rates than in 2007 in countries such as Germany, the US and England. A reorganisation of the Group investment structure also helped to reduce the tax figure.

The net financial result (financial income less financial expenses) was a net loss of EUR 385 m in 2008, a similar figure to that of the previous year (2007: net loss of EUR 377 m).

Results of operations

	2008		2007	
	in € million	in percent	in € million	in percent
Sales	12,663	100.0	12,306	100.0
Cost of sales	8,649	68.3	8,276	67.3
Gross profit	4,014	31.7	4,030	32.7
Marketing and selling expenses	1,738	13.7	1,830	14.9
Research and development costs	104	0.8	97	0.8
Administration expenses	1,092	8.6	1,108	9.0
Other operating income	326	2.6	208	1.7
Other operating expenses	134	1.1	131	1.1
Income from associates and joint ventures (at equity)	60	0.5	73	0.6
Non-recurring items	59	0.5	607	4.9
Financial result	-385	-3.0	-377	-3.1
Earnings before taxes on income (EBT)	1,006	7.9	1,375	11.2
Taxes on income	230	1.8	379	3.1
Earnings after tax from continuing operations	776	6.1	996	8.1
Earnings after tax from discontinued operations	-	0.0	17	0.1
Earnings after taxes – Group	776	6.1	1,013	8.2
Attributable to minority interests	59	0.5	61	0.5
Attributable to Linde AG shareholders	717	5.7	952	7.7

Sales and operating profit by business segment

in € million	2008		2007	
	Sales	Operating profit	Sales	Operating profit
Gases Division	9,515	2,417	9,209	2,314
Engineering Division	3,016	267	2,750	240
Other activities including reconciliation	132	-129	347	-130
Group	12,663	2,555	12,306	2,424

Gases Division

The Gases Division achieved sales growth of 3.3 percent in the 2008 financial year to EUR 9.515 bn (2007: EUR 9.209 bn). After adjusting for exchange rate effects, the increase in sales was 9.3 percent. On a comparable basis, i.e. after also adjusting for changes in the price of natural gas and changes in the structure of the Group, the increase in sales was 6.8 percent. This means that, despite a noticeable decline in volumes at the year-end, we were able to continue to apply our strategy of steady growth in 2008.

Sales in proportion to the Gases Division's interest in joint ventures, which are not included in Group sales, amounted to EUR 617m in the 2008 financial year (2007: EUR 745 m). On a comparable basis, however, these sales increased by 11.0 percent.

Gases Division		
in € million	2008	2007
Sales	9,515	9,209
Operating profit	2,417	2,314
Capital expenditure (excluding financial assets)	1,451	1,062
Number of employees (at the balance sheet date)	41,109	39,577
Sales from joint ventures	617	745

Once more, we were able to increase profitability in our gases business. Operating profit again rose at a faster rate than sales, with a 4.5 percent increase to EUR 2.417 bn (2007: EUR 2.314 bn). After adjusting for exchange rate effects, this corresponds to an increase in earnings of 9.6 percent. The operating margin rose by 30 basis points from 25.1 percent in 2007 to 25.4 percent in 2008.

As far as sales and earnings trends in our four operating segments are concerned, Asia&Eastern Europe saw the most dynamic growth, while business in the Americas proceeded at a more moderate pace. In the Western Europe and South Pacific & Africa operating segments, business performance declined in many areas due to adverse exchange rate effects.

Western Europe

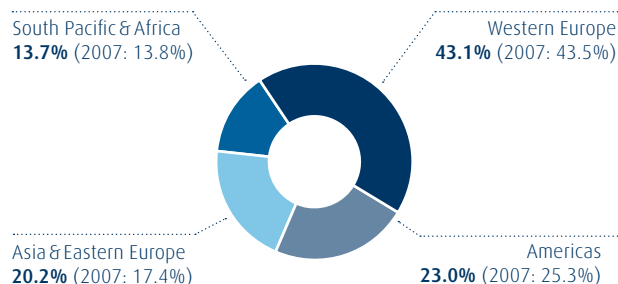
In the Western Europe operating segment, which continues to be our largest sales market, sales increased by only 2.7 percent to EUR 4.133 bn (2007: EUR 4.026 bn) due to unfavourable changes in the price of natural gas. On a comparable basis, i.e. after adjusting for exchange rate effects, changes in the price of natural gas and changes in Group structure, sales rose 4.9 per-

cent. Operating profit rose 2.0 percent to EUR 1.119 bn (2007: EUR 1.097 bn). The operating margin at 27.1 percent did not quite reach the same high level as in 2007 (27.2 percent).

Business in Western Europe was characterised above all by increases in sales volumes and positive price trends in the cylinder gas product segment, especially for specialty gases, in the major markets, Germany and the UK.

With a 2.4 percent increase in sales to EUR 3.103 bn (2007: EUR 3.029 bn), the Regional Business Unit (RBU) Continental & Northern Europe contributed most to the positive business trend in the Western Europe operating segment. In the RBU UK&Ireland, on the other hand, sales were EUR 1.035 bn, which was lower than the prior year figure of EUR 1.158 bn. This decline was due solely to the weakness of the British pound, as there was a significant increase in sales in this RBU of 5.6 percent after adjusting for exchange rate effects.

Sales by operating segment



Americas

In the Americas operating segment, we achieved sales on the basis of reported figures of EUR 2.207 bn, which was not quite as high as the prior year figure of EUR 2.348 bn. This fall in sales was due not only to adverse exchange rate effects, but also above all to changes in Group structure. Included in the prior year figure were the US cylinder gas business sold in 2007 and the American INO medical gases business, as well as the eight air separation plants which we were obliged to sell as a result of conditions imposed by the competition authorities. On a comparable basis, our business in the Americas grew by 6.4 percent.

Against this background, operating profit in 2008 of EUR 432 m was also somewhat lower than the figure for 2007 of EUR 447 m. It should be noted that operating profit was adversely affected by a bad debt relating to a major customer with pro-

Gases Division: Sales and operating profit by operating segment

in € million	2008 Sales	Operating profit	Margin in percent	2007 Sales	Operating profit	Margin in percent
Western Europe	4,133	1,119	27.1	4,026	1,097	27.2
Americas	2,207	432	19.6	2,348	447	19.0
Asia & Eastern Europe	1,936	563	29.1	1,618	467	28.9
South Pacific & Africa	1,310	303	23.1	1,284	303	23.6
Consolidation	-71	-	-	-67	-	-

tection against creditors. Despite the fall in operating profit, we did succeed in improving our operating margin from 19.0 percent to 19.6 percent.

Due to the adverse impact of changes in Group structure, sales in the RBU North America in 2008 of EUR 1.657 bn were significantly lower than the prior year figure of EUR 1.893 bn. On a comparable basis, our gases business in North America grew by 5.2 percent.

In the RBU South America, our dynamic business performance continued and our sales increased by 8.5 percent to EUR 551 m (2007: EUR 508 m).

Asia & Eastern Europe

It was in the Asia & Eastern Europe operating segment that we achieved the highest rates of growth in 2008, as in 2007. Sales increased by 19.7 percent to EUR 1.936 bn (2007: EUR 1.618 bn). It should be noted that some of the former joint ventures in Malaysia, Hong Kong and Taiwan were included in the consolidation for the first time in the 2008 financial year. On a comparable basis, sales rose by 9.5 percent. Similar positive trends were seen in the earnings of this operating segment, which at EUR 563 m were 20.6 percent higher than the prior year figure of EUR 467 m. The operating margin was 29.1 percent (2007: 28.9 percent).

With a 28.0 percent increase in sales to EUR 420 m (2007: EUR 328 m), the RBU Greater China achieved the highest rate of growth in the Asia & Eastern Europe operating segment. In the RBU Eastern Europe & Middle East and in South & East Asia, our gases business saw double-digit growth. In the RBU Eastern Europe & Middle East, sales increased by 13.4 percent to EUR 811 m (2007: EUR 715 m), while in South & East Asia sales rose by 7.6 percent to EUR 707 m (2007: EUR 657 m).

The most crucial factor in the very good business performance in this operating segment was a high level of demand in key countries such as China, India, Korea, Malaysia and Singapore, but also in the countries of Eastern Europe, where we were

able to attract new customers, especially in the electronics and steel industries. Particularly positive trends were to be seen in the photovoltaic industry.

In the fourth quarter of 2008, there was nevertheless a significant slowdown in the rate of growth. Our response to this has been to introduce a variety of measures to increase productivity, which will contribute towards lessening the impact of the fall in demand.

South Pacific & Africa

In our South Pacific & Africa operating segment, we increased sales by 2.0 percent to EUR 1.310 bn (2007: EUR 1.284 bn). The slowdown in sales growth was due mainly to the depreciation of the South African rand and the Australian dollar. On a comparable basis, the rise in sales was 9.4 percent. Operating profit at EUR 303 m was exactly the same as the prior year figure of EUR 303 m. The operating margin was 23.1 percent, just under the figure for 2007 of 23.6 percent. Here, increased energy costs should also be taken into account.

In the RBU South Pacific, we achieved a 7.4 percent increase in sales in the gases business to EUR 811 m (2007: EUR 755 m). On a comparable basis, excluding the Elgas acquisition, the increase was 5.2 percent. Sales in the RBU Africa fell from EUR 528 m to EUR 499 m, due to unfavourable movements in the exchange rate of the rand. On a comparable basis, the increase in sales was 16.2 percent.

Product segments: Strongest growth in cylinder gases and healthcare

The on-site business, where we supply industrial gases from plants situated directly on or adjacent to the user's site, achieved 4.9 percent growth in sales in the 2008 financial year to EUR 2.375 bn (2007: EUR 2.265 bn). Sales in proportion to the interest of the on-site business in joint ventures, which we have

expanded above all in Asia, rose by 13 percent from EUR 304 m to EUR 345 m. Even in the fourth quarter, when the market environment became increasingly difficult, sales remained relatively steady. The supply contracts in our on-site business are long-term contracts and designed to limit the negative effects of any reduction in volumes. For some on-site contracts which were cancelled in 2008, we received compensation payments.

The majority of new orders in our on-site business in 2008 came from the growth regions of Eastern Europe and Asia.

We also saw positive trends in our ECOVAR® plant business: i.e. small, standard on-site plants.

Our cylinder gas business was very successful in 2008. Sales rose by 9.2 percent to EUR 3.820 bn (2007: EUR 3.499 bn). Our liquefied gases business also achieved sales growth. In this product segment, sales increased by 3.7 percent to EUR 2.325 bn (2007: EUR 2.241 bn). We are currently benefiting from our leading market positions in these product areas and associated influence in core markets such as Germany, the UK, Ireland and Scandinavia. In the RBU South Pacific, the raw materials boom had a positive impact on our sales volumes. We also made progress in growth regions such as Eastern Europe.

In January 2008, we combined our worldwide liquefied gases business and cylinder gas business to form the Business Area (BA) Merchant & Packaged Gases (MPG). Around 65 percent of the total revenue from the industrial gases business of The Linde Group is included under this heading. Linde is the world's largest supplier of liquefied and cylinder gases. To reinforce our leading position and exploit our size effectively, we invested heavily in 2008 in a number of projects to expand capacity for liquefied gases, helium and noble gases, and launched new products into the market. In addition, we acquired the LPG company Elgas in Australia. We also entered into contracts with a large number of

new customers and extended existing agreements with key customers, including a long-term contract with the Coca-Cola Company for the supply of carbon dioxide.

MPG plays a major role in our endeavours to transform The Linde Group into a High Performance Organisation (HPO). Our objective here is to reconcile short-term cost savings with sustainable improvements throughout the Group. Internal and external benchmarking is being used so that the BA MPG can establish best practice across the Group for processes which are critical to the business.

Our Global Business Unit (GBU) Healthcare, or medical gases business, also continued to grow in 2008. Sales rose by 9.8 percent to EUR 995 m (2007: EUR 906 m). This demonstrates that the health global megatrend remains intact. Structural growth drivers in this sector are (i) demographic trends, especially in the industrialised nations, and (ii) better diagnosis and potential treatments, particularly for chronic illnesses.

Gases Division: Sales by product area

in € million	2008	2007 ¹	Change in percent
Liquefied gases	2,325	2,241	3.7
Cylinder gases	3,820	3,499	9.2
On-site	2,375	2,265	4.9
Healthcare	995	906	9.8
Total	9,515	8,911	6.8

¹ Adjusted for exchange rate effects, changes in Group structure and changes in the price of natural gas.

Engineering Division

For our Engineering Division, 2008 was a very successful year in every respect. We met all our targets and once again achieved growth in sales and earnings, following on from a very successful year in 2007. Sales increased in 2008 by 9.7 percent to EUR 3.016 bn, compared to EUR 2.750 bn in 2007, exceeding the EUR 3 bn threshold for the first time. Operating profit (EBITDA) rose at a faster rate than sales, increasing by 11.3 percent to EUR 267 m (2007: EUR 240 m). The operating margin was 8.9 percent of sales, significantly above our target figure of 8 percent.

Engineering Division

in € million	2008	2007
Sales	3,016	2,750
Order intake	3,057	2,931
Order backlog	4,436	4,391
Operating profit	267	240
Capital expenditure (excluding financial assets)	53	46
Number of employees (at the balance sheet date)	5,951	5,637

The latest jump in sales and earnings is the result of high demand worldwide for our plants and technologies in all four main operating areas in the division (olefin plants, natural gas plants, air separation plants, hydrogen and synthesis gas plants). The profit arising on the sale of MAPAG Valves GmbH also had a positive impact on operating profit. The market environment in international plant construction remained positive during the financial year, which was also reflected in the order intake for our four core product segments. At EUR 3.057 bn, the level of orders was EUR 126 m above the prior year figure. The order backlog barely

changed in the 2008 financial year. It stood at EUR 4.436 bn at 31 December 2008 (31 December 2007: EUR 4.391 bn).

These figures confirm our strategy, especially in the growth markets of the Middle East, Eastern Europe and Asia. At the heart of this strategy is our objective of achieving synergies between the Gases and Engineering Divisions, by not only designing and building plants, but also by offering reliable plant operation and management under long-term delivery contracts. During the year, we benefited in particular from the rapidly increasing demand for energy and were awarded major contracts by companies which operate in this promising sector. The analysis of sales by principal market in the 2008 financial year and the comparison with the prior year figures show that the Middle East region in particular saw sales growth and therefore made a major contribution to the increase in sales in the Engineering Division as a whole (see tables).

The order intake was spread very evenly across our major regional markets. In the 2008 financial year, 29.6 percent of new business came from Europe (EUR 903 m), 33.2 percent from the Asia-Pacific region (EUR 1.016 bn) and 26.2 percent from the Middle East (EUR 802 m). In comparison with the prior year, the Asia-Pacific region saw the greatest increase and North America the greatest decrease in new business. Europe and the Middle East remained at around the same level as in the previous year.

The analysis of new business by plant type makes clear that almost half the order intake in 2008 related to air separation plants (EUR 1.345 bn or 44.0 percent). This trend is likely to continue in future, because the oxygen and nitrogen we produce from air separation units is required primarily by oil companies to develop and exploit oilfields and natural gas fields to meet the rising demand for energy worldwide.

In 2008, olefin plants were in second place in terms of order intake (EUR 750 m or 24.5 percent). In 2007, most of our new business related to this type of plant. General trends cannot

Analysis by region

in € million	Sales		Order intake	
	2008	2007	2008	2007
Europe	831	947	903	885
North America	201	202	186	453
South America	94	24	58	198
Asia/Pacific	632	604	1,016	449
Middle East	1,197	882	802	887
Africa	61	91	92	59

Analysis by plant type

in € million	Sales		Order intake	
	2008	2007	2008	2007
Olefin plants	957	989	750	989
Natural gas plants	367	470	375	474
Hydrogen and synthesis gas plants	384	288	356	537
Air separation plants	996	797	1,345	684
Other	312	206	231	247

always be read into these figures, as the contract volumes for individual types of plant are so huge that a single order for a large-scale plant can completely distort the figures. This applies particularly to the major contract signed in the first half of the year with the Abu Dhabi National Oil Company (ADNOC) for around USD 800 m, which provides for the construction of large air separation plants and had a significant impact on the order intake for this type of plant. In the case of olefin plants, it was in particular a commission from India which led to a substantial increase in order intake. In December 2008, we and our consortium partner Samsung Engineering, South Korea, were awarded the contract for the turnkey construction of an ethylene plant in Dahej. The plant was commissioned by the Indian company OPAL. The contract is worth around EUR 1.030 bn in total, of which Linde's share is EUR 350 m. The plant will be the largest of its kind in India and one of the largest plants in the world.

In the analysis of sales by plant type, air separation plants and olefin plants led the way in 2008, with just under EUR 1 bn in sales each. Sales revenue from natural gas plants (EUR 367 m) and synthesis gas plants (EUR 384 m) was much lower.

Other activities

The Other Activities segment comprises our logistics services business (Gist) and our subsidiary Cleaning Enterprises (environmentally friendly dry-cleaning under the brand name FRED BUTLER®).

Gist achieved sales of EUR 525 m in 2008. When compared to the prior year figure of EUR 577 m, this represents a decrease of 9.0 percent, a reduction which is solely as a result of exchange rate effects. On an adjusted basis, there was an increase in sales of 3.9 percent.

During the year, Gist was able to continue to develop its trading relationship with the Dutch Flower Group, the world market leader in floristry, and it now manages the entire process for importing cut flowers from Colombia for the Dutch Flower Group.

For the Icelandic food manufacturer Bakkavör, Gist manages the whole supply chain for the British market. In the past financial year, we have also expanded the scope of our contract with British Airways. Gist now supplies all the airline's on-board equipment and in-flight retail products.

During the financial year, Gist also introduced a new mechanical sorting system in two Marks & Spencer warehouses. This system allows for more efficient material handling and can supply reliable information about the stock within the supply chain at any time.

Our subsidiary Cleaning Enterprises, which trades under the brand name FRED BUTLER®, increased its sales in 2008 to EUR 6 m (2007: EUR 3 m). New locations were established in the Netherlands (Utrecht, Enschede) and in Germany (Rosenheim, Eltville, Erding). We also acquired new franchisees. In Düsseldorf, we opened the first franchisee plant in May 2008, while a second international franchisee contract was signed for the Vienna and Lower Austria area.

In the fourth quarter of 2008, expansion via franchisees slowed down, due to more restrictive lending practices as a result of the financial market crisis. Even before the end of the 2008 financial year, we had started work on making our business model less complex by reducing the number of countries and locations in which we were involved. Against this background, we will streamline our organisational structure and adapt to the new conditions. In 2009, in addition to the current franchise models, there will be more emphasis on setting up partnerships in the business customer segment.

Net assets and financial position

Whereas in 2007 the focus was on consolidating the Group's net assets and financial position, the 2008 financial year was characterised by the continuing expansion of our business. The integration of BOC brought multiple synergies in its wake. External factors also had an impact on our net assets and financial position, particularly the volatility of exchange rates against the background of the financial market crisis.

Total assets fell in 2008 by EUR 1.131 bn to EUR 23.824 bn. This decrease was mainly due to the sharp fall in exchange rates and the effect on the Group financial statements when the financial statements of subsidiaries in local currencies were translated into the presentation currency of the Group.

Goodwill declined by EUR 439 m to EUR 6.893 bn, mainly due to the effects of exchange rates. The acquisition of the remaining shares in the Australian company Elgas resulted in an addition to goodwill of EUR 122 m. Other intangible assets, which include in particular customer relationships arising from the BOC acquisition, have fallen by EUR 614 m. This decrease is solely as a result of exchange rate effects and amortisation. The main reason for the increase in non-current other receivables and other assets is the positive fair value of our interest rate hedges.

On the liabilities side, the reduction in total equity and liabilities was due mainly to the decrease in equity.

Equity fell from EUR 9.210 bn to EUR 8.249 bn. The equity ratio was 35 percent (2007: 37 percent). The main factors which had an adverse impact on equity were exchange rate movements of EUR 1.106 bn and actuarial losses on the remeasurement of pension provisions of EUR 318 m. On the other hand, earnings after tax and the EUR 102 m conversion of the convertible bond had a positive effect on equity.

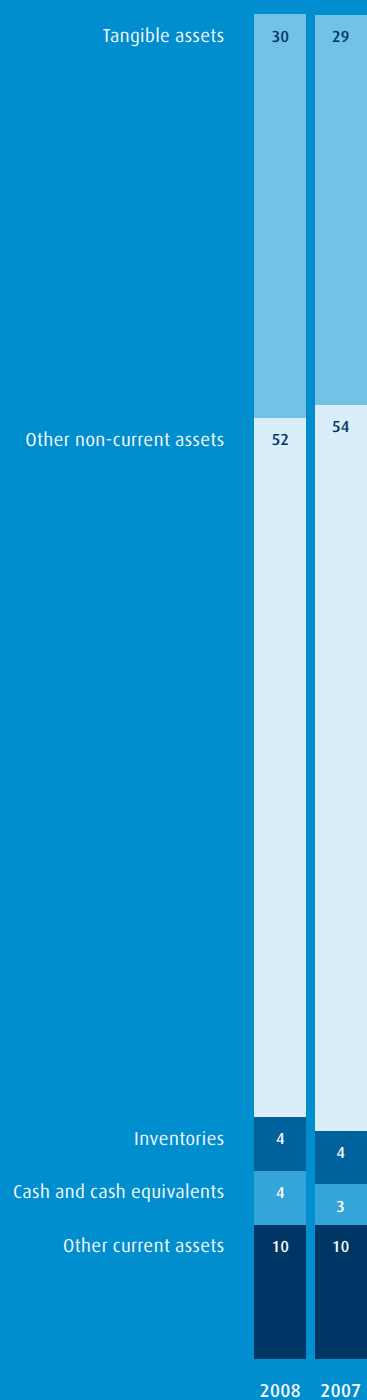
The net pension obligation increased in 2008 from EUR 403 m to EUR 681 m. The principal reason for this was actuarial losses, which were caused by losses in fair value arising on the remeasurement of plan assets in the financial market crisis, despite a further reduction in the proportion of plan assets invested in shares. These actuarial losses were only partially offset by actuarial gains due to higher interest rates. The net pension obligation was also reduced by the contributions made by The Linde Group to plan assets of EUR 164 m, of which around EUR 68 m related to the special payments made to the UK pension fund which were agreed in the course of the BOC acquisition.

Deferred tax liabilities fell by EUR 275 m. This was due in part to significant exchange rate losses and in part to scheduled releases to income.

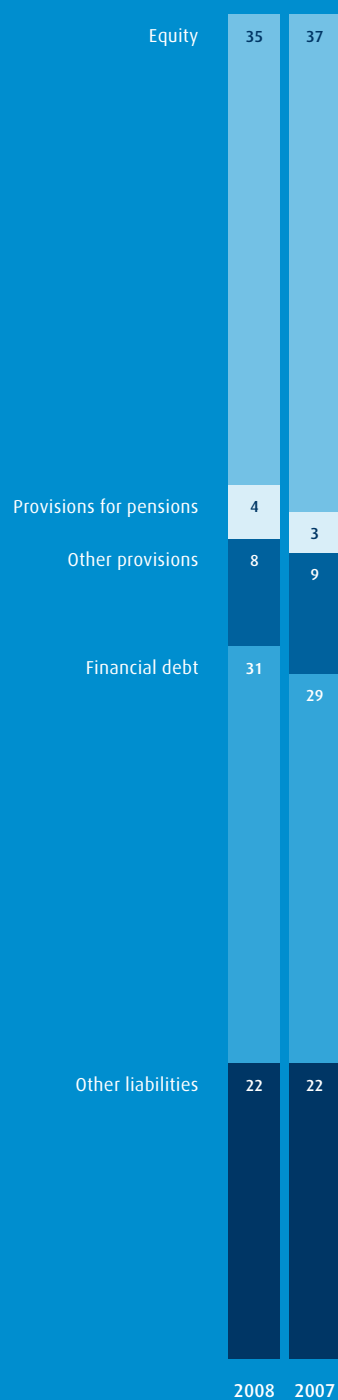
Net financial debt, which stood at EUR 6.423 bn, remained at almost the same level as in the previous year (2007: EUR 6.427 bn). However, we were able to improve the maturity profile of the financial debt considerably during the year and to increase long-term debt due in more than five years from EUR 3.226 bn to EUR 3.717 bn. In particular, shortly before the end of the 2008 financial year, we issued another seven-year bond for EUR 600 m which was already being partially utilised in 2008 to refinance current debt. The remaining portion of this bond is still included in the cash figure. Our gearing (the ratio of net debt to equity) was 78 percent at 31 December 2008, due to the reduction in share capital (2007: 70 percent). On the other hand, the dynamic indebtedness factor (operating profit to net financial debt) improved from 2.7 in 2007 to 2.5 in 2008.

Balance sheet items as a percentage of total assets of EUR 23.824 bn (2007: EUR 24.955 bn)

Assets in percent



Equity and liabilities in percent



Cash flow statement

Cash flow from operating activities in the 2008 financial year was EUR 1.876 bn (2007: EUR 1.742 bn), which represents an increase of 7.7 percent. The positive trend in the Gases Division contributed particularly to this rise.

Cash outflow from investing activities in 2008 was EUR 1.272 bn (2007: cash inflow of EUR 2.086 bn). This decline was due in particular to increased capital expenditure and reduced receipts from the disposal of tangible and intangible assets. In 2007, the successfully completed sales transactions arising from the BOC acquisition were disclosed in intangible assets.

Capital expenditure for 2008 was EUR 1.714 bn (2007: EUR 1.632 bn), of which EUR 213 m relates to payments for financial assets and consolidated companies (2007: EUR 576 m). The largest transaction here was the acquisition of the remaining shares in the Australian LPG company Elgas. The proceeds on disposal of consolidated companies include the sale of the valve production facility Mapag, as well as the disposal of the BOC Edwards pharmaceutical business and of our subsidiary Cryogas S.A. (Colombia).

Despite the higher cash inflow from operating activities, the net cash inflow (free cash flow before financing activities) in the 2008 financial year fell to EUR 604 m (2007: EUR 3.828 bn) as a result of lower net cash inflows from the sale of companies and businesses.

Cash flow statement (summary)

in € million	2008	2007
Cash flow from operating activities	1,876	1,742
Cash flow from investing activities	-1,272	2,086
Dividend payments to Linde AG shareholders and other shareholders	-329	-281
Net interest payments	-353	-404
Change in equity, issue of employee shares and acquisition of minorities	-30	50
Receipts from issue of benchmark bond and other loans raised	1,705	4,499
Payments to redeem loans and bonds and liabilities from financial services	-1,428	-7,456
Change in cash and cash equivalents	169	236

In 2008, dividends of EUR 329 m (2007: EUR 281 m) were paid. Net interest payments (interest payments less interest receipts) amounted to EUR 353 m (2007: EUR 404 m). This fall in net interest payments compared with the prior year figure reflects the successful reduction of our indebtedness and the favourable outcome of our financing policies of the past two years.

Receipts and payments relating to loans and bonds have resulted in a net cash inflow of EUR 277 m (2007: net cash outflow of EUR 2.957 bn). The change in cash and cash equivalents was therefore EUR 169 m (2007: EUR 236 m).

Summary of the 2008 financial year

Although towards the end of the year we too were starting to see a noticeable decline in demand in some regions in the wake of the economic crisis, we were able to achieve our targets for the 2008 financial year in full. After adjusting for exchange rate effects, Group sales increased by 8.4 percent and Group operating profit by 10.3 percent. We have therefore continued to grow and, as announced, our profitability has increased at an even faster rate than sales.

The Linde Group also achieved significant increases in other key financial figures. ROCE (return on capital employed) rose to 12.4 percent (2007: 10.3 percent), and earnings per share adjusted for

non-recurring items increased by 8.8 percent to EUR 5.46 (2007: EUR 5.02).

This very solid business performance in a year which was marked by the beginning of the financial and economic crisis is the result of our extensive Group reorganisation. We have successfully completed the integration of BOC and are less dependent on economic cycles than before as a result of our focus on the global gases and plant construction business.

Events after the balance sheet date

Formal legal completion of the acquisition of the majority shareholding in the industrial gases company SIGAS (Saudi Arabia)

On 13 May 2008, The Linde Group acquired 51 percent of the shares in the Saudi Arabian industrial gases company SIGAS (Saudi Industrial Gases Co. Ltd). Completion of the transaction was subject to the approval of the relevant Saudi Arabian regulatory authorities. This approval was received on 17 January 2009. From that date, SIGAS will be included in the consolidated financial statements of The Linde Group.

The family-owned company SIGAS, which employs about 400 people, is the second largest industrial gases company in Saudi Arabia and achieved sales of around EUR 28 m in the 2007 financial year.

Dividends

The unappropriated profit for the year ended 31 December 2008 of Linde AG, the parent company of The Linde Group, was EUR 885,937,808.02. The Executive Board proposes to the Supervisory Board that, at its meeting on 13 March 2009 to approve the annual financial statements, it recommends the proposal of a resolution to the Annual General Meeting to be held on 15 May 2009 that the profits be appropriated as follows:

- by distributing a dividend of EUR 1.80 (2007: EUR 1.70) per share entitled to dividend, a total amount of EUR 303,286,492.80, and
- by carrying forward an amount of EUR 582,651,315.22.

The financial statements of Linde AG, which have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Law (AktG), and the management report are published in the electronic version of the German Federal Gazette.

Outlook

Macroeconomic trends

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

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

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

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

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

Industry sector outlook

Gases industry

Even the international market for industrial gases cannot remain unaffected by the global recession. As volume reductions were already being seen in the fourth quarter of 2008, a significant decline in market trends is to be anticipated this year, given the weak economic environment expected in 2009.

Nevertheless, the gases industry will be less affected by the economic crisis than some industry sectors. The main reason for this is the large number of sectors which are supplied with industrial gases. Branches which are relatively resistant to the vagaries of economic cycles, such as the food industry or the market for medical gases, will ensure a certain amount of stability. Moreover, even in the current year, demand for industrial gases in the emerging nations will continue to rise, although at a much slower rate than in the past few years.

Plant construction

We are expecting to encounter a reluctance to award new projects for the global construction of large-scale plants in the 2009 financial year. Even in the fourth quarter of 2008, some proposed capital expenditure projects were postponed. Generally, however, long-term growth trends, such as the rising appetite across the world for energy, elevated energy prices and a disproportionately high demand from the emerging nations, remained intact. We therefore expect to acquire new projects in the areas of enhanced gas & oil recovery and in the market for natural gas liquefaction (LNG). The Middle East and India are regarded as the most important regions here.

Outlook – Group

Even our Group is feeling the effects of the global economic crisis. Given this background, we are doing everything in our power to increase productivity and to make further improvements to our processes. We have renewed our efforts, and launched a new programme (High Performance Organisation or HPO) at the beginning of 2008 which is designed to achieve sustainable improvements in efficiency. We intend to apply this integrated concept to transform The Linde Group into a high performance organisation. In the next four years, starting in the current financial year 2009, HPO will result in a reduction in gross costs totalling EUR 650 m to EUR 800 m. Under the HPO programme, Linde will achieve, for instance, significant cost savings in IT and purchasing. HPO follows on from the synergy pro-

gramme we adopted on the acquisition of BOC. Our target is to achieve the cost synergies of EUR 250 m per annum we were seeking to achieve in full for the first time in the 2009 financial year as a result of this programme.

Against a background of continuing uncertainty about future economic developments, we are examining a number of different scenarios in our corporate business planning for the current year. Our forecasts range from Group sales and earnings slightly above or the same as the prior year figures to a reduction in Group sales and earnings. The sales and earnings trend will firm up in the second half of 2009 depending on levels of demand in our Gases and Engineering Divisions.

Given the scenarios described here, we will not be able to achieve our medium-term targets for 2010 – ROCE of 13 percent and Group operating profit of at least EUR 3 bn – until a later date.

Outlook – Gases Division

The expected weakness in demand this year has not caused us to change our original target for the gases business. We want to grow at a more rapid pace than the market and continue to increase our productivity.

In the on-site business, although we are expecting lower volumes and a smaller number of new projects, we can fall back on a full project pipeline, which has already contributed greatly to sales and earnings in 2009 and will do so even more significantly from the 2010 financial year. Moreover, the supply contracts in our on-site business are long-term contracts and are designed to limit the negative effects of any volume reductions. In our liquefied gases and cylinder gas business, our broad customer base confers greater stability to lessen the impact of any decline in volumes, even in a difficult economic environment. In addition, we are able to benefit from our leading market positions in these product segments, which enable us to have significant influence on, for example, pricing, especially in our core markets. In the Healthcare segment, our medical gases business, we are expecting a steady performance even in the current financial year. Based on these factors, the scenarios for the forecast business performance of the Gases Division in the current 2009 financial year range from a slight rise in sales and earnings to a decline in sales and earnings.

Outlook – Engineering Division

The order backlog for our Engineering Division remains high at more than EUR 4 bn, which is a good basis for a relatively stable business performance in the next two years. However, even the global construction of large-scale plants will feel the effects of

the economic crisis, and therefore it is to be expected that the award of new projects may be postponed. In our weaker scenario, we assume that new orders in our Engineering Division will not be sufficient to achieve the same level of sales in the 2009 financial year as in 2008. On the other hand, the target for our operating margin remains at 8 percent.

In the four main operating segments (olefin plants, natural gas plants, air separation plants, hydrogen and synthesis gas plants), we are still well-placed internationally and will continue to benefit from the long-term growth drivers energy and the environment.

Capital expenditure

In the 2007 and 2008 financial years, we invested around EUR 3.3 bn in capital projects, particularly in promising areas. We will continue to adopt this strategy in the 2009 financial year to increase still further the opportunities for disproportionate growth and to make sustainable improvements in the competitiveness of our Group. In 2009, as in the past few years, the vast majority of these resources will be devoted to reinforcing our global gases activities, and in particular to the continuing expansion of our on-site business. Overall, we expect to spend around the same amount on capital projects in 2009 as in 2008. Our guideline for capital expenditure in the Gases Division will still apply in the medium term, and we plan to invest here on average around 13 percent of sales.

Dividends

Continuity and prudence will continue to be the most important criteria for our dividend policy in the future. As in previous years, we will determine the level of the dividend for the 2009 financial year on the basis of our operating profit performance, while at the same time taking into account wider macro-economic trends.

Research and development

In the current financial year, we plan to spend around EUR 100 m on research and development activities. This is around the same figure as in 2008.

A considerable proportion of these funds will be applied to Gases Application Development. In this business unit of the

Gases Division, we are concentrating our efforts on developing existing industrial gases applications and processes in collaboration with our customers from a wide variety of industry sectors, but are also researching completely new applications for industrial gases.

We also intend to continue to drive forward our R & D activities in the Healthcare segment, conducting research into the use of gases and their effectiveness in medical applications and conducting targeted development activities in these areas. Our R & D work will also continue to focus on the promising area of hydrogen technology and its contribution to alternative drive engineering.

In the Engineering Division, against the background of the shortage of fossil fuels, we started to investigate alternative sources of supply of raw materials in the 2008 financial year, initiating different projects together with partners from industry, some of which are looking at how to make coal-fired power stations more efficient and more environmentally friendly. In addition to developing our plant technologies, we will be focusing on these research activities in the current financial year as well, in a bid to be as ecofriendly as possible.

Purchasing

The structural improvement measures in the Gases Division in the course of Linde's transformation into a high performance organisation will help to ensure that purchasing will continue to make an important contribution to our operating profit even in the current financial year. In addition to our objective of continuing to reduce purchasing costs, we are focusing on boosting our cash flow.

In the Engineering Division, there was a significant fall in the prices of materials and finished products in the fourth quarter of 2008 as well as an easing of delivery times. This trend is likely to continue in the current year.

We will continue to implement our purchasing strategy in international plant construction consistently. We rely here on a combination of long-term collaboration with key suppliers and global competition in low-wage economies for less critical components.

Group Financial Statements

Linde AG has prepared its Group financial statements for the year ended 31 December 2008 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Some items in the balance sheet and income statement have been combined under one heading to improve the clarity of presentation.

GROUP FINANCIAL STATEMENTS

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Group income statement		
in € million	2008	2007
Sales	12,663	12,306
Cost of sales	8,649	8,276
Gross profit on sales	4,014	4,030
Marketing and selling expenses	1,738	1,830
Research and development costs	104	97
Administration expenses	1,092	1,108
Other operating income	326	208
Other operating expenses	134	131
Income from associates and joint ventures (at equity)	60	73
Non-recurring items	59	607
Financial income	372	475
Financial expenses	757	852
Earnings before taxes on income	1,006	1,375
Taxes on income	230	379
Earnings after taxes from continuing operations	776	996
Earnings after taxes from discontinued operations	-	17
Earnings after taxes	776	1,013
Attributable to minority interests	59	61
Attributable to Linde AG shareholders	717	952
Continuing operations		
Earnings per share in €	4.27	5.77
Earnings per share in € – fully diluted	4.24	5.60
Discontinued operations		
Earnings per share in €	0.00	0.10
Earnings per share in € – fully diluted	0.00	0.10

Group balance sheet		
in € million	31.12.2008	31.12.2007 ¹
Assets		
Goodwill	6,893	7,332
Other intangible assets	3,177	3,791
Tangible assets	7,162	7,213
Investments in associates and joint ventures (at equity)	535	516
Other financial assets	388	395
Receivables from financial services	671	765
Trade receivables	-	1
Other receivables and other assets	444	406
Deferred tax assets	227	151
Non-current assets	19,497	20,570
Inventories	986	1,062
Receivables from financial services	75	95
Trade receivables	1,641	1,609
Other receivables and other assets	539	518
Income tax receivables	64	86
Securities	20	45
Cash and cash equivalents	1,002	858
Non-current assets classified as held for sale and disposal groups	-	112
Current assets	4,327	4,385
Total assets	23,824	24,955

¹ Adjusted.

Group balance sheet

in € million	31.12.2008	31.12.2007 ¹
Equity and liabilities		
Capital subscribed	431	426
Conditionally authorised capital € 178 million (2007: € 99 million)		
Capital reserve	5,074	4,948
Revenue reserves	4,209	4,105
Cumulative changes in equity not recognised through the income statement	-1,842	-718
Total equity excluding minority interests	7,872	8,761
Minority interests	377	449
Total equity	8,249	9,210
Provisions for pensions and similar obligations	842	747
Other non-current provisions	400	241
Deferred tax liabilities	1,889	2,164
Financial debt	6,155	6,027
Liabilities from financial services	23	24
Trade payables	3	8
Other non-current liabilities	147	61
Liabilities from income taxes	95	101
Non-current liabilities	9,554	9,373
Other current provisions	1,482	1,886
Financial debt	1,290	1,303
Liabilities from financial services	11	12
Trade payables	2,120	2,210
Other current liabilities	1,029	827
Liabilities from income taxes	89	83
Liabilities directly associated with non-current assets classified as held for sale	-	51
Current liabilities	6,021	6,372
Total equity and liabilities	23,824	24,955

¹ Adjusted.

Group cash flow statement

in € million	2008	2007 ¹
Earnings before tax from continuing operations	1,006	1,375
Adjustments to earnings before tax to calculate cash flow from operating activities		
Earnings after tax from discontinued operations	-	17
Amortisation of intangible assets/depreciation of tangible assets	1,223	1,279
Write-down of financial assets	3	-
Profit/loss on disposal of non-current assets	-104	-664
Net interest	387	376
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	51	56
Income from associates and joint ventures	-60	-73
Distributions/dividends received from operating associates and joint ventures	27	33
Income taxes paid	-229	-336
Changes in assets and liabilities, adjusted for the effects of changes in Group structure		
Change in inventories	80	-178
Change in trade receivables	-73	-74
Change in provisions	-27	-163
Change in trade payables	-204	138
Change in other assets and liabilities	-204	-44
Cash flow from operating activities	1,876	1,742
Of which from discontinued operations	-	-25
Payments for tangible and intangible assets and plants held under leases in accordance with IFRIC 4/ IAS 17	-1,404	-1,049
Payments for investments in consolidated companies	-125	-537
Payments for investments in financial assets	-88	-39
Payments for investments in current financial assets	-97	-7
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from financial services in accordance with IFRIC 4/ IAS 17	168	185
Proceeds on disposal of consolidated companies	26	446
Proceeds on disposal of non-current assets held for sale and disposal groups	104	2,688
Proceeds on disposal of financial assets	23	399
Proceeds on disposal of current financial assets	121	-
Cash flow from investing activities	-1,272	2,086
Of which from discontinued operations	-	-15

¹ Adjusted.

Group cash flow statement

in € million	2008	2007 ¹
Dividend payments to Linde AG shareholders and minority shareholders	-329	-281
Cash outflows for purchase of minorities	-47	-
Interest received	243	131
Interest paid	-596	-535
Proceeds of benchmark bond and other loans	1,705	4,499
Proceeds from issue of employee shares	17	50
Cash outflows for the repayment of loans and bonds	-1,428	-7,444
Change in liabilities from financial services	-	-12
Cash flow from financing activities	-435	-3,592
Net cash inflow/outflow	169	236
Opening balance of cash and cash equivalents	858	621
Effects of currency translation and changes in Group structure	-25	7
Cash and cash equivalents disclosed as non-current assets classified as held for sale and disposal groups	-	-6
Closing balance of cash and cash equivalents	1,002	858
Of which cash in escrow account for acquisition of consolidated company	62	-

¹ Adjusted.

Segment information

Segment information

in € million	Reportable segments			
	Total Gases Division		Engineering Division	
	2008	2007	2008	2007
Segment assets	20,440	21,624	1,239	1,269
Of which investments in associates/joint ventures accounted for under the equity method	555	534	-	-
Segment liabilities	2,669	2,597	2,443	2,386
Sales to third parties	9,505	9,202	2,633	2,524
Sales to other segments	10	7	383	226
Segment sales	9,515	9,209	3,016	2,750
Operating profit (before non-recurring items)	2,417	2,314	267	240
Of which share of profit/loss from associates/joint ventures	64	77	-	-
Amortisation of intangible assets and depreciation of tangible assets	1,157	1,206	36	31
Of which amortisation of fair value adjustments identified in course of BOC purchase price allocation	353	422	8	8
Non-recurring items	-	-	-	-
EBIT (Earnings before interest and tax)	1,260	1,108	231	209
Capital expenditure (excluding financial assets)	1,451	1,062	53	46

in € million	Gases Division			
	Western Europe		Americas	
	2008	2007	2008	2007
Segment assets	8,287	9,115	4,250	4,377
Of which investments in associates/joint ventures accounted for under the equity method	21	29	13	-63
Segment liabilities	1,421	1,478	669	580
Sales to third parties	4,111	4,007	2,167	2,307
Sales to other segments	22	19	40	41
Segment sales	4,133	4,026	2,207	2,348
Operating profit (before non-recurring items)	1,119	1,097	432	447
Of which share of profit/loss from associates/joint ventures	-	-4	24	30
Amortisation of intangible assets and depreciation of tangible assets	427	478	303	318
Of which amortisation of fair value adjustments identified in course of BOC purchase price allocation	83	115	128	145
Non-recurring items	-	-	-	-
EBIT (Earnings before interest and tax)	692	619	129	129
Capital expenditure (excluding financial assets)	506	377	295	213

	Reportable segments		Reconciliation		Total Group	
	Other activities					
	2008	2007	2008	2007	2008	2007
	595	754	1,550	1,308	23,824	24,955
	-	-	-20	-18	535	516
	94	97	10,369	10,665	15,575	15,745
	525	580	-	-	12,663	12,306
	6	-	-399	-233	-	-
	531	580	-399	-233	12,663	12,306
	47	40	-176	-170	2,555	2,424
	-	-	-4	-4	60	73
	33	33	-3	9	1,223	1,279
	10	16	-	-	371	446
	-	-	59	607	59	607
	14	7	-114	428	1,391	1,752
	38	21	-72	-94	1,470	1,035

	Gases Division				Total Gases Division	
	Asia & Eastern Europe		South Pacific & Africa			
	2008	2007	2008	2007	2008	2007
	4,873	4,699	3,316	3,543	20,440	21,624
	507	403	14	165	555	534
	507	429	357	220	2,669	2,597
	1,921	1,606	1,306	1,282	9,505	9,202
	15	12	4	2	10	7
	1,936	1,618	1,310	1,284	9,515	9,209
	563	467	303	303	2,417	2,314
	33	43	7	8	64	77
	250	216	177	194	1,157	1,206
	54	48	88	114	353	422
	-	-	-	-	-	-
	313	251	126	109	1,260	1,108
	505	334	145	138	1,451	1,062

Executive and Supervisory Board

(As at 31 December 2008)

Executive Board

Professor Dr Wolfgang Reitzle

Born 1949
Doctorate in Engineering (Dr.-Ing.),
Degree in Economics and Engineering
Chief Executive Officer
Responsible for Gist and the following global and central functions: Communications & Investor Relations, Corporate Strategy, Group Human Resources, Group Information Services, Group Legal, Innovation Management, Internal Audit, SHEQ (Safety, Health, Environment, Quality), Six Sigma
Member of the Executive Board since 2002

Dr Aldo Belloni

Born 1950
Doctorate in Chemical Engineering (Dr.-Ing.)
Responsible for the Engineering Division, the operating segments Western Europe and Asia & Eastern Europe, the Global Business Unit Tonnage (on-site) and the Business Area Electronics (electronic gases)
Member of the Executive Board since 2000

J. Kent Masters

Born 1960
BS Chemical Engineering,
MBA Finance
Responsible for the operating segments Americas and South Pacific & Africa, the Global Business Unit Healthcare and the Business Area Merchant & Packaged Gases (liquefied and cylinder gases)
Member of the Executive Board since 2006

Georg Denoke

Born 1965
Degree in Information Science,
Degree in Business Administration (BA)
Responsible for the following global and central functions: Capital Expenditure, Financial Control, Group Accounting & Reporting, Group Treasury, Growth & Performance, Mergers & Acquisitions, Procurement, Risk Management, Tax
Human Resources Director
Member of the Executive Board since 2006

Supervisory Board

Dr Manfred Schneider

Chairman
Chairman of the Supervisory Board
of Bayer AG

Hans-Dieter Katte¹

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

Michael Diekmann

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

Dr Gerhard Beiten

Lawyer

Dr Clemens Börsig

Chairman of the Supervisory Board
of Deutsche Bank AG

Gernot Hahl¹

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

Thilo Kämmerer¹

Trade Union Secretary on the Executive
Board of IG Metall Frankfurt

Matthew F.C. Miao

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

Klaus-Peter Müller

Chairman of the Supervisory Board
of Commerzbank AG

Jens Riedel¹

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

Xaver Schmidt¹

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

Josef Schregle¹

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

¹ Employee representative.

**Supervisory Board committees
 Members as at 31 December 2008**

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

Dr Manfred Schneider
 (Chairman)

Hans-Dieter Katte¹
 Michael Diekmann
 Gernot Hahl¹

Standing Committee

Dr Manfred Schneider
 (Chairman)

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

Audit Committee

Dr Clemens Börsig
 (Chairman)

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

Nomination Committee

Dr Manfred Schneider
 (Chairman)

Michael Diekmann
 Klaus-Peter Müller

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

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

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

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

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

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

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

¹ Employee representative.

² Until 31 July 2008.

Linde financial highlights

in € million	January to December 2008	2007	Change (in percent)
Share			
Closing price	€ 59.85	90.45	-33.8
Year high	€ 97.90	91.75	6.7
Year low	€ 46.51	75.26	-38.2
Market capitalisation (at year-end closing price)	10,084	15,046	-33.0
Adjusted earnings per share¹			
Adjusted earnings per share ¹	€ 5.46	5.02	8.8
Earnings per share	€ 4.27	5.87	-27.2
Number of shares outstanding (in 000s)	168,492	166,347	1.3
Sales			
Sales	12,663	12,306	2.9
Operating profit²			
Operating profit ²	2,555	2,424	5.4
EBIT before amortisation of fair value adjustments and non-recurring items			
EBIT before amortisation of fair value adjustments and non-recurring items	1,703	1,591	7.0
Earnings after taxes on income			
Earnings after taxes on income	776	1,013	-23.4
Number of employees			
Number of employees	51,908	50,485	2.8
Gases Division			
Sales	9,515	9,209	3.3
Operating profit	2,417	2,314	4.5
Engineering Division			
Sales	3,016	2,750	9.7
Operating profit	267	240	11.3

¹ Adjusted for the effects of the purchase price allocation and non-recurring items.

² EBITDA before non-recurring items including share of income from associates and joint ventures.

Five-year summary

Five-year summary		2004	2005	2006	2007	2008
Sales	€ million	9,421	9,511	8,113	12,306	12,663
In Germany	%	21.4	20.1	14.6	10.2	10.5
Outside Germany	%	78.6	79.9	85.4	89.8	89.5
Earnings						
Operating profit ¹	€ million	1,541	1,705	1,586	2,424	2,555
EBIT ²	€ million	785	953	989	1,591	1,703
Earnings before taxes on income (EBT)	€ million	518	808	363	1,375	1,006
Earnings after tax attributable to Linde AG shareholders	€ million	266	514	1,838	952	717
Earnings per share (continuing operations) ³	€	2.23	4.30	1.45	5.77	4.27
Dividend	€ million	149	168	241	283	303
Dividend per share	€	1.25	1.40	1.50	1.70	1.80
No. of shares (at 31 December)	in 000s	119,327	119,864	160,736	166,347	168,492
Asset structure						
Intangible, tangible and financial assets	€ million	7,675	7,832	20,182	19,247	18,155
Inventories	€ million	942	1,050	980	1,062	986
Trade receivables ⁴	€ million	1,668	2,125	2,504	2,470	2,387
Liquid funds and securities	€ million	567	911	663	903	1,022
Other assets	€ million	739	700	3,589	1,273	1,274
Total assets	€ million	11,591	12,618	27,918	24,955	23,824
Capital structure						
Equity	€ million	4,081	4,473	8,225	9,210	8,249
Provisions	€ million	2,124	2,598	3,437	2,874	2,724
Financial debt	€ million	2,535	2,416	10,596	7,330	7,445
Other liabilities	€ million	2,851	3,131	5,660	5,541	5,406
Total equity and liabilities	€ million	11,591	12,618	27,918	24,955	23,824
Cash flow statement						
Cash flow from operating activities (continuing operations)	€ million	1,249	1,501	848	1,767	1,876
Employees as of 31 December						
In Germany	%	35.4	34.6	14.1	14.1	14.7
Outside Germany	%	64.6	65.4	85.9	85.9	85.3
Key ratios						
Capital expenditure (excl. financial assets)	€ million	735	864	776	1,035	1,470
Equity ratio	%	35.2	35.4	29.5	36.9	34.6
Return on capital employed (ROCE)	%	10.8	13.7	11.4	10.3	12.4
EBIT margin ²	%	8.2	10.0	12.2	12.9	13.4
Cash flow from operating activities as percentage of sales	%	13.3	15.8	10.5	14.4	14.8

¹ EBITDA before non-recurring items including share of income from associates and joint ventures.

² EBIT before non-recurring items and before amortisation of fair value adjustments identified in the course of the purchase price allocation.

³ Based on the weighted average number of shares.

⁴ Includes receivables from financial services.

Imprint

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Published by

Linde AG
Klosterhofstrasse 1
80331 Munich
Germany

Design

Peter Schmidt Group, Hamburg

Text

Linde AG

Photography

Rüdiger Nehmzow, Düsseldorf
Andreas Pohlmann, Munich

Production, typesetting and lithography

Brand Implementation GmbH, Hamburg

Printed by

Offsetdruck Raff, Riederich

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This Condensed Report can be found online in PDF format at www.linde.com. The extended version of the Annual Report contains the complete financial statement and detailed information about our business segments. This in-depth version can be ordered either directly from us or online.

Additional information about The Linde Group can be obtained from us free of charge.

Financial calendar

Financial calendar

Press Conference on Annual Results

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

Analysts' Conference

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

Interim Report

January – March 2009
5 May 2009

Annual General Meeting 2009

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

Dividend Payment

18 May 2009

Interim Report

January – June 2009
3 August 2009

Autumn Press Conference

2 November 2009
Linde AG, Carl von Linde Haus, Munich

Interim Report

January – September 2009
2 November 2009

Annual General Meeting 2010

4 May 2010, 10 a.m.
International Congress Center, Munich

Statements relating to the future

This Condensed Report contains statements relating to the future which are based on management's current estimates about future developments. These statements are not to be understood as guarantees that these expectations will prove to be true. The future development and the results actually achieved by The Linde Group and its affiliated companies are dependent on a number of risks and uncertainties and may therefore deviate significantly from the statements relating to the future. Linde has no plans to update its statements relating to the future, nor does it accept any obligation to do so.



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