

**Linde Finance B.V.**

## **2010 Financial Statements**



Amsterdam, 14 March, 2011

## **TABLE OF CONTENTS**

DIRECTOR'S REPORT	3
FINANCIAL HIGHLIGHTS	4
RESPONSIBILITY STATEMENT	5
BALANCE SHEET AS PER 31 DECEMBER, 2010 (before appropriation of profit)	6
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER, 2010	8
CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2010	9
GENERAL ACCOUNTING PRINCIPLES	10
NOTES TO THE ANNUAL ACCOUNTS AS PER 31 DECEMBER, 2010	11
OTHER INFORMATION	23
AUDITOR'S REPORT	24

## **DIRECTOR'S REPORT**

The Board of Directors of Linde Finance B.V. ("the Company") hereby presents the financial statements for the book year ended 31 December, 2010. These statements are prepared according to generally accepted accounting principles in the Netherlands and in conformity with the provisions of Part 9, Book 2 of the Netherlands Civil Code.

### **General**

Linde Finance B.V. is registered in Amsterdam, Strawinskylaan 3111, the Netherlands, and has been incorporated on May 12, 1999 under Dutch law. The Company acts as a finance company for the benefit of The Linde Group companies. The Company's ultimate parent is Linde AG, which is listed on the German Stock Exchange.

### **Objectives**

The Company's objectives, in accordance with article 2 of the Articles of Association, are to incorporate, to participate, to manage and finance other group companies. Furthermore to borrow and lend moneys, to place public and private debt and in general to engage in financial and commercial activities which may be conducive to the foregoing.

### **Risk management**

The Board of Directors is responsible for the internal control, the management of risks and the assessment of the effectiveness of the control systems within the Company. These controls were set up in corporation with Linde AG to identify and manage, foreign exchange-, interest-, liquidity-, counterpart- and credit risks. As to foreign exchange risks, the Company has a conservative approach. Currency risks are avoided by the use of various hedging policies. Interest rate exposures beyond the duration of one year are being hedged if no back to back funding is in place. The liquidity risk is actively managed and currently covered by a syndicated credit facility. Inter-company credit exposure has been insured with Linde AG through a Credit Assurance Agreement. For further information we refer to note 26 on page 21.

For 2011 the anticipated result of the Company will remain positive as in previous years. We expect no significant changes in personnel numbers nor significant changes in the structure of the Company.

## **FINANCIAL HIGHLIGHTS**

In December 2010 the Company increased its EUR 1,0 billion multi currency Commercial Paper ("CP") Programme to EUR 2,0 billion. This Programme is unconditionally guaranteed by Linde AG. As per 31 December, 2010, the Company had no CP outstanding (2009: EUR 145,0 million). This CP programme is supplementary to the EUR 10,0 billion Debt Issuance Programme, also guaranteed by Linde AG. At the end of December, 2010 the Company had nominal EUR 4.040,6 million (2009: EUR 3.858,9 million) debt outstanding under this programme.

As per 31 December, 2010 the Company has nominal EUR 1,1 billion and GBP 250,0 million subordinated bonds outstanding. The Company also has debt outstanding for nominal GBP 300,0 million which originally have been issued by the former BOC Group plc and for which Linde Finance has been substituted as issuer in December 2007.

During the year, the interest income amounted to EUR 495,8 million (2009: EUR 519,1 million). The interest expense amounted to EUR 483,8 million (2009: EUR 503,6 million). Lower interest rates during 2010 resulted in a decrease of both interest expense and income compared to 2009.

The profit after tax was EUR 8,3 million (2009: EUR 10,9 million). The Company operates under an advance pricing agreement (APA) with the Dutch fiscal authorities. This APA ruling defines the minimum returns for inter-company loans.

During 2010 the Company has issued one bond for nominal AUD 150,0 million.

During 2010 Linde Holdings Netherlands B.V., our direct shareholder, increased our equity base by injecting EUR 138,0 million as share premium.

In April 2010 Standard & Poor's assigned respectively 'A- / A-2' long- and short-term issuer credit ratings to Linde Finance B.V. with a stable outlook (equalized with the ratings of the ultimate parent Linde AG). The rating of the subordinated bonds was raised from BBB- to BBB.

In April 2010 Moody's raised their long term rating for Linde Finance from Baa1 to A3 and the rating for subordinated bonds from Baa3 to Baa2. The short term rating was left unchanged at P-2. The outlook for all ratings is stable.

In May 2010 the Company entered into an EUR 2,5 billion syndicated credit facility (guaranteed by Linde AG) replacing both the EUR 2,0 billion 2006 - 2011 revolving facility and the 2011 - 2013 forward start syndicated credit facility of EUR 1,6 billion. The new facility will expire in May 2015.

In May 2010 the remaining outstanding term loans on the original GBP 8,9 billion syndicated credit facility have been repaid.

During 2010 the Company has entered into Credit Support Annexes ("CSA") with all of its major financial counterparts in order to mitigate the counterparty risk associated with derivative transactions.

Amsterdam, 14 March, 2011

The Board of Managing Directors

N.G.M. Limmen

## **RESPONSIBILITY STATEMENT**

The Board of Managing Directors of the Company wish to state:

1. that the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
2. that the annual report gives a true and fair view of the position as per balance sheet date, the development during the financial year of the Company in the annual financial statements, together with a description of principal risks it faces.

The Board of Managing Directors

N.G.M. Limmen

**BALANCE SHEET AS PER 31 DECEMBER, 2010 (before appropriation of profit)**

		<b>2010</b>	<b>2009</b>
ASSETS		(x 1.000 EUR)	(x 1.000 EUR)
<b>Financial fixed assets</b>			
Loans to group companies	1	<b>7.718.185</b>	8.388.570
Prepaid expenses	2	<b>5.602</b>	-
		<b>7.723.787</b>	8.388.570
<b>Current assets</b>			
Loans to group companies	3	<b>2.770.182</b>	1.359.593
Receivables from banks		-	14.241
Interest receivables from group companies	4	<b>192.284</b>	183.943
Tax receivables	5	<b>1.054</b>	-
Other receivables from third parties	6	<b>60.647</b>	69.792
Prepaid expenses	7	<b>83.008</b>	58.641
Forward exchange contracts	16	<b>180.484</b>	251.840
Cash at banks	8	<b>17.657</b>	3.532
		<b>3.305.316</b>	1.941.582
<b>Total Assets</b>		<b><u>11.029.103</u></b>	<b><u>10.330.152</u></b>

The accompanying notes form an integral part of these financial statements.

**BALANCE SHEET AS PER 31 DECEMBER, 2010 (before appropriation of profit)**

		<b>2010</b>	<b>2009</b>
LIABILITIES		(x 1.000 EUR)	(x 1.000 EUR)
<b>Capital and reserves</b>	9		
Share capital		5.000	5.000
Share premium		150.000	12.000
Retained earnings		62.901	52.017
Unappropriated profits		8.346	10.884
		<b>226.247</b>	79.901
<b>Long term liabilities</b>			
Bonds notes payable	10	4.425.624	4.262.819
Subordinated bonds	11	1.433.097	1.409.208
Bank loans payable		-	547.736
Loans from group companies	12	854.429	581.736
		<b>6.713.150</b>	6.801.499
<b>Current liabilities</b>			
Collateral	13	141.500	-
Commercial Paper		-	144.851
Tax payable		-	682
Loans from group companies	12	3.496.662	2.804.944
Interest payable to third parties	14	179.191	177.544
Interest payable to group companies	15	67.649	71.556
Forward exchange contracts	16	194.197	239.147
Other payables	17	6.345	4.760
Accounts payable	18	4.162	5.268
		<b>4.089.706</b>	3.448.752
<b>Total Liabilities</b>		<b><u>11.029.103</u></b>	<b><u>10.330.152</u></b>

The accompanying notes form an integral part of these financial statements.

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER, 2010**

		<b>2010</b>	<b>2009</b>
		<b>(x 1.000 EUR)</b>	<b>(x 1.000 EUR)</b>
<b>Interest income</b>			
Group company loans		<b>495.701</b>	518.595
Other interest income		<b>86</b>	467
		<hr/> <b>495.787</b>	<hr/> 519.062
<b>Interest expense</b>	<i>19</i>		
Group company loans		<b>-215.861</b>	-202.768
Other interest expense		<b>-267.919</b>	-300.871
		<hr/> <b>-483.780</b>	<hr/> -503.639
<b>Net interest result</b>		<b>12.007</b>	15.423
<b>Other</b>			
General and administrative expenses	<i>20</i>	<b>-810</b>	-846
		<hr/> <b>11.197</b>	<hr/> 14.577
<b>Profit before taxation</b>		<b>11.197</b>	14.577
Taxation	<i>21</i>	<b>-2.851</b>	-3.693
		<hr/> <b>8.346</b>	<hr/> <u>10.884</u>
<b>Net profit after taxation</b>		<b><u>8.346</u></b>	<b><u>10.884</u></b>

The accompanying notes form an integral part of these financial statements.



**CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2010**

	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
	(x 1.000 EUR)	(x 1.000 EUR)
Net profit after taxation	8.346	10.884
<b>Net cashflow provided by operating activities:</b>		
In-/decrease financial fixed assets	664.783	-1.597.229
In-/decrease current assets	-1.349.609	2.081.202
In-/decrease long term liabilities	-88.349	367.503
In-/decrease current liabilities	640.954	-872.967
<b>Net cashflow provided by investment activities:</b>	-	-
<b>Net cashflow provided by finance activities:</b>		
Paid in capital (Share premium)	138.000	12.000
	<hr/>	<hr/>
In-/decrease cash at banks	14.125	1.393
Bank balances 01 January	3.532	2.139
	<hr/>	<hr/>
Bank balances 31 December	<u>17.657</u>	<u>3.532</u>

**Note**

The cash flow statement is based on the indirect method which implies that all figures are derived from the delta in the balance sheet positions.

The accompanying notes form an integral part of these financial statements.

## **GENERAL ACCOUNTING PRINCIPLES**

### **Basis of presentation**

The accompanying accounts have been prepared under the historical cost convention in accordance with generally accepted accounting principles in the Netherlands and in conformity with the provisions of Part 9, Book 2 of the Netherlands Civil Code. All financial information is presented in Euro and has been rounded to the nearest thousand, unless otherwise stated.

### **Accounting policies**

All assets and liabilities are stated at face value, unless a different valuation principle is indicated in the accompanying notes. Assets are shown net of provisions where necessary. Income and expenses are attributed to the financial year to which they relate.

The Company applies the cost price hedging model as all derivative financial instruments are used to mitigate financial risks. Cost price hedging means that derivative financial instruments are valued at the same valuation principle as the hedged item (i.e. cost price).

### **Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into Euro at rates of exchange at the balance sheet date.

### **Financial fixed assets**

Financial fixed assets represent the nominal amounts of loans, of a long-term nature, issued to group companies, as well as prepaid expenses.

### **Net result**

The net result has been calculated on the basis of the accrual- and matching principles.

### **Taxation**

Taxation is calculated on the basis of commercial income adjusted for available fiscal facilities.

**NOTES TO THE ANNUAL ACCOUNTS AS PER 31 DECEMBER, 2010****Financial Fixed Assets****1. Loans to group companies**

Loans to group companies represent loans, of a long-term nature, issued to group companies. The movements in long-term loans to group companies during the year were as follows:

	<b>2010</b>	<b>2009</b>
	<b>(x 1.000 EUR)</b>	<b>(x 1.000 EUR)</b>
Balance January 01	<b>8.388.570</b>	6.776.380
New loans	<b>2.056.508</b>	3.999.699
To short term loans	<b>-2.775.268</b>	-2.322.376
Translation adjustment	<b>70.418</b>	73.569
Loans redeemed	<b>-22.043</b>	-138.702
	<hr/>	<hr/>
<b>Total</b>	<b><u>7.718.185</u></b>	<b><u>8.388.570</u></b>

An amount of EUR 3.820,7 million (2009: EUR 4.023,1 million) of the principal portions outstanding have a final maturity longer than 5 years.

Long-term loans to group companies for a total amount of EUR 2.320,8 million (2009: EUR 1.436,1 million) are denominated in a currency other than Euro for which the Company has hedged the accompanying currency risk. The valuation of the loans and foreign exchange contracts is based on the prevailing rate of exchange on the respective reporting date. The average interest rate on these loans as per 31 December, 2010 was 4,86% (2009: 4,24%).

**2. Prepaid expenses**

In May 2010 the Company entered into an EUR 2,5 billion syndicated credit facility (guaranteed by Linde AG) replacing both the outstanding EUR 2,0 billion 2006 - 2011 revolver facility and the 2011 - 2013 forward start syndicated credit facility of EUR 1,6 billion. The new facility will expire in May 2015. The Company paid an upfront premium of EUR 8,2 million of which EUR 1,7 million has been classified as a current asset. The outstanding value per 31 December, 2010 of EUR 5,6 million (2009: EUR 0,0) will be amortised over the remaining tenor of the facility.

## **Current Assets**

### **3. Loans to group companies**

The Company holds loans to group companies of EUR 2.770,2 million (2009: EUR 1.359,6 million) of which the principal portions are due and payable within one year. Interest rates are determined based on the at arm's length principle. The average interest rate on these loans as per 31 December, 2010 was 1,27% (2009: 1,31%).

Short-term loans to group companies for a total amount of EUR 106,2 million (2009: EUR 629,5 million) are denominated in a currency other than Euro for which the Company has hedged the accompanying currency risk. The valuation of the loans and foreign exchange contracts is based on the prevailing rate of exchange on the respective reporting date.

### **4. Interest receivables from group companies**

Interest receivables from group companies include accrued interest on loans of EUR 166,0 million (2009: 159,0 million) and EUR 26,3 million (2009: 24,9 million) accrued interest on derivatives with group companies.

### **5. Tax receivables**

As per 31 December, 2010 the Company has a tax receivable of EUR 1,1 million (2009: EUR 0,0) related to corporate income tax.

### **6. Other receivables from third parties**

Other receivables include accrued interest of EUR 59,1 million (2009: EUR 69,7 million) from interest rate-/cross currency swaps with third parties.

### **7. Prepaid expenses**

Prepaid expenses include to be amortised proceeds of unwound derivatives with group companies of EUR 78,2 million (2009: EUR 58,0) and upfront premiums on derivatives with group companies of EUR 3,1 million (2009 EUR 0,6). The unwinding of derivatives has been executed on a risk neutral basis.

### **8. Cash at banks**

As per 31 December, 2010 cash at banks include an amount of EUR 17,1 million (2009: EUR 0,0) as a result of CSA obligations. Cash at banks for an amount of EUR 0,6 million (2009: EUR 3,5 million) are at the disposal of the Company.

## LIABILITIES

### 9. Capital and reserves

Authorized share capital consists of 15.000 shares of EUR 1.000 each. As per 31 December, 2010, 5.000 shares were issued and fully paid in (31 December, 2009: 5.000). Since August 2008 all shares of the Company are owned by Linde Holdings Netherlands B.V., Schiedam, the Netherlands.

Movements in capital and reserves were as follows:

	Share Capital	Share Premium	Retained Earnings	Unappropriated Profits	Total
	(x 1.000 EUR)	(x 1.000 EUR)	(x 1.000 EUR)	(x 1.000 EUR)	(x 1.000 EUR)
Balance 31 December, 2008	5.000		52.017		57.017
Paid in capital 2009/profit		12.000	10.884		22.884
Balance 31 December, 2009	5.000	12.000	62.901		79.901
Paid in capital 2010		138.000			138.000
Unappropriated profits 2010				8.346	8.346
Balance 31 December, 2010	<u>5.000</u>	<u>150.000</u>	<u>62.901</u>	<u>8.346</u>	<u>226.247</u>

During 2010 Linde Holdings Netherlands B.V., our direct shareholder, increased our equity base by injecting EUR 138,0 million as share premium.

### 10. Bonds notes payable

The bonds notes payable comprise loans from credit institutions as well as from institutional investors.

The contractual maturity of the bonds and notes payable can be shown as follows:

	31.12.2010	31.12.2009
	(x 1.000 EUR)	(x 1.000 EUR)
< 1 year	-	-
Sub-total current liabilities	-	-
1-5 years	2.656.820	1.922.183
> 5 years	1.768.804	2.340.636
Sub-total long term	4.425.624	4.262.819
Balance 31 December	<u>4.425.624</u>	<u>4.262.819</u>

The bonds notes payable bear an average interest rate of 5,14% (2009: 5,12%). An amount of nominal EUR 4.040,6 million (2009: EUR 3.858,9 million) of bonds notes payable has been issued under the terms of the Debt Issuance Programme. With respect to this programme, Linde AG has issued an unconditional and irrevocable guarantee in favor of the Company. Bonds notes payable for an amount of EUR 1.113,4 million (2009: EUR 956,4 million) are denominated in a currency other than Euro for which the Company has hedged the accompanying currency risk.

The table below specifies all listed bonds:

Currency	Principal	Coupon	Maturity date		Exchange
	(x1.000.000)				
EUR	1.000	4,375%	24.04.2012		Bourse de Luxembourg
EUR	50	3,000%	14.08.2012		Bourse de Luxembourg
EUR	75	2,625%	22.01.2013		Bourse de Luxembourg
EUR	52	5,500%	26.06.2013		Bourse de Luxembourg
EUR	400	6,000%	Undated	call right from 2013	Bourse de Luxembourg
EUR	300	5,375%	12.09.2013		Bourse de Luxembourg
EUR	25	3,125%	16.09.2013		Bourse de Luxembourg
EUR	100	3,625%	13.08.2014		Bourse de Luxembourg
EUR	25	3,750%	14.08.2014		Bourse de Luxembourg
USD	400	3,625%	13.11.2014		Bourse de Luxembourg
AUD	150	variable	19.08.2015		Bourse de Luxembourg
EUR	600	6,750%	08.12.2015		Bourse de Luxembourg
GBP	200	6,500%	29.01.2016		London Stock Exchange
EUR	1.000	4,750%	24.04.2017		Bourse de Luxembourg
GBP	100	12,250%	02.10.2017	Call right from 2012	London Stock Exchange
EUR	50	variable	23.05.2018		Bourse de Luxembourg
GBP	300	5,875%	24.04.2023		Bourse de Luxembourg
EUR	700	7,375%	14.07.2066	Call right from 2016	Irish Stock Exchange
GBP	250	8,125%	14.07.2066	Call right from 2016	Irish Stock Exchange

with respect to the call rights in the table above we refer to note 11

## 11. Subordinated bonds

In the period 2003 till 2006 the Company issued subordinated bonds as listed in the table below:

Currency	Principal	Coupon	Effective yield	Call date	Final maturity date	Coupon when call is not exercised
(x1.000.000)						
EUR	700	7,375%	7,557%	14.07.2016	14.07.2066	3 month Euribor+4,125%
GBP	250	8,125%	8,265%	14.07.2016	14.07.2066	3 month GBP Libor+4,125%
EUR	400	6,000%	6,162%	03.07.2013	perpetual	3 month Euribor+3,375%

The Company has the right to call the bonds from the dates mentioned under "Call date". If the right to call the loan is not exercised on this date the coupon will attract interest at a variable rate. The right to call the loan will then be available every quarter on the due date for interest payment.

For the bonds with the final maturity date in 2066 the coupon payment may be suspended on any due date for interest payment. Coupon payments not made will be made up if the Linde Group makes payments for securities pari passu, subordinated securities or Linde AG makes dividend payments on shares.

The coupon payment of the EUR 400,0 million bond may be suspended as soon as Linde AG fails to pay dividend. Coupon payments may be suspended for a maximum period of five years. If Linde AG resumes the dividend payment, or Linde AG or the Company makes other payments for securities pari passu or subordinated securities, before a period of five years has elapsed, all of the cancelled coupon payments will be made up.

The bonds are unconditionally, irrevocably guaranteed by Linde AG.

## 12. Loans from group companies

The Company holds loans from group companies for a total amount of EUR 4.351,1 million (2009: EUR 3.386,7 million). An amount of EUR 854,4 million (2009: EUR 581,7 million) of the principal portion has a maturity longer than one year. The remaining principal portions are due and payable within one year. Interest rates are determined based on the at arm's length principle. As per 31 December, 2010 the average interest rate on these loans was 1,87% (2009: 1,52%).

Short-term loans from group companies for an amount of EUR 1.745,2 million (2009: EUR 1.234,2 million) are denominated in a currency other than Euro for which the Company has hedged the accompanying currency risk. The valuation of the loans and foreign exchange contracts is based on the prevailing rate of exchange on the respective reporting date.

### 13. Collateral

During the year 2010 the Company has entered into CSA agreements with major financial market participants to mitigate the counterpart risk. The outstanding value of the cash collateral as per 31 December, 2010 is EUR 141,5 million (2009: EUR 0,0).

### 14. Interest payable to third parties

Interest payable to third parties is shown as below:

	<b>31.12.2010</b>	<b>31.12.2009</b>
	<b>(x 1.000 EUR)</b>	<b>(x 1.000 EUR)</b>
Accrued interest bonds notes payable	<b>109.440</b>	106.573
Accrued interest subordinated bonds	<b>47.168</b>	46.470
Accrued interest bank loans payable	-	531
Accrued interest collateral	<b>68</b>	-
Accrued interest derivatives	<b>22.515</b>	23.970
	<b><u>179.191</u></b>	<b><u>177.544</u></b>

### 15. Interest payable to group companies

Interest payable to group companies include accrued interest on loans from group companies of EUR 25,7 million (2009: EUR 18,2 million) and accrued interest on derivatives with group companies of EUR 42,0 million (2009: 53,4 million).

### 16. Forward exchange contracts

Forward exchange contracts are included in the balance sheet based on the prevailing rate of exchange on the respective reporting date. None of the foreign currency contracts outstanding has a maturity longer than one year.

### 17. Other payables

Other payables include upfront premiums received on derivatives with third parties for an amount of EUR 5,9 million (2009: EUR 4,8 million), which will be amortised over the remaining tenor.

### 18. Accounts payable

Accounts payable include debt push down fees of EUR 4,2 million (2009: EUR 5,2 million), which will be amortised over the remaining tenor.



## PROFIT & LOSS

### 19. Interest expense

The interest expense includes EUR 5,0 million (2009: 4,9 million) internal fee related to the guarantee issued by Linde AG.

### 20. General and administrative expenses

The general and administrative expenses for the period can be analyzed as follows:

	<b>2010</b>	<b>2009</b>
	<b>(x 1.000 EUR)</b>	<b>(x 1.000 EUR)</b>
Wages and salaries	<b>449</b>	444
Other G&A expenses	<b>361</b>	402
	<b>810</b>	846

For wages and salaries we refer to page 18; Directors and Employees.

### 21. Taxation

	<b>2010</b>	<b>2009</b>
	<b>(x 1.000 EUR)</b>	<b>(x 1.000 EUR)</b>
Profit before taxation	<b>11.197</b>	14.577
Non-deductible costs	<b>2</b>	-47
	<b>11.199</b>	14.530
Income tax rate	<b>25,50%</b>	25,50%
	<b>2.845</b>	3.699
Tax income & expenses related to different period	<b>6</b>	-6
Income tax expenses	<b>2.851</b>	3.693
Effective tax rate	<b>25,46%</b>	25,33%

The Company operates under an advance pricing agreement (APA) with the Dutch fiscal authorities. This APA ruling defines the minimum returns for inter-company loans.

## 22. Directors

The Company has one Managing Director (2009: 1) and the Supervisory Board three members (2009: 3). The members of the Supervisory Board did not receive a remuneration during 2010. Furthermore the Company avails itself to the stipulations laid down in article 2:383, section 1, of the Dutch Civil Code with regard to the remuneration of the Managing Director.

## 23. Employees

During 2010 the Company had an average of 4,4 FTE (2009: 4,4).

The wages and salaries as referred to in note 20 include social security charges of EUR 41.734 (2009: EUR 53.199) and pension premium costs of EUR 46.868 (2009: EUR 46.355).

The employees participate in the “Stichting Pensioenfonds N.V. Linde Gas Benelux” pension fund.

The pension scheme of this fund is based on a defined benefit plan.

The contribution to the pension fund is fixed annually by the pension board as a percentage of the total sum of participants’ salary costs, less the provisional franchise.

The employer will settle the member’s contribution each time wages are being disbursed.

In case of a financial deterioration of the pension fund the Company may voluntary contribute to the pension recovery plan. There is no mandatory obligation to do so.

## 24. Off balance sheet commitments

The Company has entered into a number of interest rate swap agreements, with a principal amount of EUR 4,4 billion (2009: EUR 6,2 billion), and a number of cross currency swap agreements, with a principal amount of EUR 269,1 million (2009: EUR 174,7 million). Due to the application of cost price hedging these derivative financial instruments are following the valuation principle of the hedged items (i.e. cost price).

The Company has limited rental, back office and IT commitments with third parties. Total expenses are approximately EUR 0,1 million per annum.

Since May 2010 the Company has a long term obligation namely, a syndicated credit facility for EUR 2,5 billion which expires in May 2015, with projected annual expenses of EUR 6,0 million. The facility is currently unused and also serves as back-up for the EUR 2,0 billion Commercial Paper programme.

The fair value of financial instruments is determined using measurement methods customary in the market, based on market parameters specific to the instrument.

The fair value of derivative financial instruments are measured by discounting expected future cash flows using the net present value method. The entry parameters used in these models are relevant observable market prices and interest rates on the balance sheet date, obtained from recognised external sources.

The table below shows the fair values of the financial assets and liabilities.

	<b>31.12.2010</b>	<b>31.12.2009</b>
	(x 1.000 EUR)	(x 1.000 EUR)
Loans from group companies (non current)	<b>8.690,1</b>	9.272,6
Loans from group companies (current)	<b>2.772,5</b>	1.361,6
Interest rate swaps / cross currency swaps (external)	<b>99,8</b>	103,1
Foreign exchange contracts	<b>21,6</b>	21,7
Interest rate swaps / cross currency swaps (internal)	<b>36,0</b>	20,1
 Bond / Notes payable	 <b>-4.483,1</b>	 -4.313,3
Subordinated bonds	<b>-1.439,4</b>	-1.422,1
Loans to group companies	<b>-4.505,4</b>	-3.481,7
Interest rate swaps / cross currency swaps (external)	<b>-28,9</b>	-14,5
Foreign exchange contracts	<b>-16,9</b>	-5,9
Interest rate swaps / cross currency swaps (internal)	<b>-69,2</b>	-72,8

## 25. Related parties

All transactions are conducted on an arm's length basis. Further information on related party transactions is also disclosed in relevant notes to the annual accounts.

Major outstanding loan exposures to related companies in EUR equivalent as per 31.12.2010:

Linde AG	Munich	GER	€ 3.555,6	million	34,0%
Linde UK Holdings Limited	Guildford	GBR	€ 2.981,9	million	28,5%
Linde Gas Holding Sweden AB	Lidingö	SWE	€ 1.000,0	million	9,6%
Linde Holdings Netherlands B.V.	Schiedam	NLD	€ 832,0	million	8,0%
Linde Gas GmbH	Stadl-Paura	AUT	€ 581,8	million	5,6%
BOC Holdings	Guildford	GBR	€ 395,8	million	3,8%
The BOC Group Limited	Guildford	GBR	€ 378,5	million	3,6%
Linde Canada Limited	Mississauga	CAN	€ 272,7	million	2,6%
PU Elgas	North Ryde	AUS	€ 130,0	million	1,2%

Major outstanding deposit exposures from related companies in EUR equivalent as per 31.12.2010

Airco Coating Technology Limited	Guildford	GBR	€ 758,2	million	17,4%
Commercium Immobilien- und Beteiligungs- GmbH	Munich	GER	€ 630,5	million	14,5%
The BOC Group Limited	Guildford	GBR	€ 556,1	million	12,8%
BOC Holdings	Guildford	GBR	€ 373,8	million	8,6%
Linde Canada Holdings Limited	Guildford	GBR	€ 272,7	million	6,3%
Linde Gas Holding Sweden AB	Lidingö	GBR	€ 210,0	million	4,8%
AGA AB	Lidingö	SWE	€ 179,6	million	4,1%
Linde Gas GmbH	Stadl-Paura	AUT	€ 170,0	million	3,9%

## 26. Risk management

### Foreign currency risk

It is the objective of the Company to eliminate foreign currency risks. With the exception of margins generated by foreign currency denominated back to back loans, the Company enters into currency contracts and cross currency swaps in order to hedge the Company's currency exposure. The related assets and liabilities are translated into Euro at the balance sheet date. The related derivatives used to hedge the currency risk exposure are included in the balance sheet in accordance with the cost price hedging model.

### Interest risk

It is the Company's policy that interest exposures with a duration longer than one year are being hedged, by entering into interest rate- and/or cross currency swaps. We refer to note 24, first paragraph, for additional information.

The table below shows the interest exposure mismatch for the cumulated positions for all currencies in EUR equivalents.

Time bucket	bucket end date	Cumulative mismatch		
		EUR (x1.000)	EUR (x1.000)	EUR (x1.000)
10 years	31.12.2020	379		379
5 years	31.12.2015		0	379
4 years	31.12.2014	275		654
3 years	31.12.2013	1.500		2.154
2 years	31.12.2012	310		2.464
within 1 year	31.12.2011		-134.332	-131.868

## Credit risk / Counterpart risk

The Company solely provides loans within The Linde Group. In co-operation with Linde AG Corporate Centre assessments of credit risks are made and credit limits are set, which are periodically reviewed. Inter-company credit exposure has been insured with Linde AG through a Credit Assurance Agreement. The associated expenses are charged on to the companies through an additional risk premium on top of the base rate.

Linde AG, which has issued an unconditional and irrevocable guarantee in relation to the debt issuance and Commercial Paper Programme, presently has a A- / A-2 rating by Standard & Poor's and A3 / P-2 rating by Moody's.

Cash at banks and financial derivatives are only deposited and/or entered into with banks.

The Company has CSA agreements in place with all of its major financial counterparts in order to mitigate the counterpart risk associated with derivative transactions.

## Liquidity risk

The Company's access to liquidity is secured by the five-year EUR 2,5 billion syndicated credit facility which is currently unused and expires in May 2015.

Amsterdam, 14 March, 2011

The Board of Managing Directors

N.G.M. Limmen

The Supervisory Board

G. J.G. Denoke, Chairman

E.H. Wehlen

B. Schneider

## **OTHER INFORMATION**

### **Appropriation of results**

In accordance with Article 27 of the Company's Articles of Association, profits, if any, are at the disposal of the General Meeting of Shareholders. The directors propose to add the net profit to retained earnings.

### **Subsequent events**

No subsequent events of any significance have occurred in 2011.

## **AUDITOR'S REPORT**

To: the Board of Directors of Linde Finance B.V.

### Report on the financial statements

We have audited the accompanying financial statements 2010 of Linde Finance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2010, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

### Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Linde Finance B.V. as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

### Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 14 March 2011

KPMG ACCOUNTANTS N.V.

Koert Oosterhof RA