

Linde Finance B.V.

2011 Financial Statements



Amsterdam, 26 March, 2012

Table of Contents

DIRECTOR'S REPORT	1
FINANCIAL HIGHLIGHTS	2
RESPONSIBILITY STATEMENT	3
BALANCE SHEET AS PER 31 DECEMBER, 2011 (before appropriation of profit)	4
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER, 2011	6
STATEMENT OF CHANGES IN EQUITY	7
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2011	8
GENERAL ACCOUNTING PRINCIPLES	9
NOTES TO THE ANNUAL ACCOUNTS AS PER 31 DECEMBER, 2011	10
Financial Fixed Assets	10
Current Assets	11
Liabilities	12
Profit and Loss	16
OTHER INFORMATION	22
INDEPENDENT AUDITOR'S REPORT	23

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, 2011. 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 risks including: 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 28 on page 20.

For 2012 the anticipated result of the Company will remain positive as in previous years also if we take into account the turmoil on the financial markets. We expect no significant changes in personnel numbers nor significant changes in the structure of the Company.

FINANCIAL HIGHLIGHTS

The Company has a EUR 2,0 billion multi currency European Commercial Paper (ECP) Programme in place. This Programme is unconditionally guaranteed by Linde AG. As per 31 December, 2011, the Company had EUR 59,9 million of ECP outstanding (2010: EUR 0,0 million). This ECP programme is supplementary to the EUR 10,0 billion Debt Issuance Programme, also guaranteed by Linde AG. At the end of December, 2011 the Company had nominal EUR 5.145,7 million (2010: EUR 4.040,6 million) debt outstanding under this programme.

As per 31 December, 2011 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 574,7 million (2010: EUR 495,8 million). The interest expense amounted to EUR 554,4 million (2010: EUR 483,8 million).

The profit after tax is EUR 14,5 million (2010: EUR 8,3 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 2011 the Company issued the following bonds and Medium Term Notes:

Type	Currency	Principal (x 1.000.000)	Coupon	Start date	Maturity date
Bond	EUR	600	3,875%	01.06.2011	01.06.2021
Bond	EUR	750	3,125%	12.12.2011	12.12.2018
Medium Term Note	USD	50	variable	11.07.2011	11.07.2016
Medium Term Note	USD	50	variable	02.03.2011	02.03.2016
Medium Term Note	USD	20	variable	19.07.2011	19.07.2016

To optimize the maturity profile of its long term debt the Company repurchased in June 2011 EUR 84,0 million nominal of the outstanding 5,375% September 2013 bond and EUR 276,5 million nominal of the outstanding 4,375% April 2012 bond while issuing at the same time a new ten year EUR 600 million bond. The proceeds of the bond issue of December 2011 have been used for general corporate purposes.

In 2011 Linde Finance B.V.'s credit ratings by Standard & Poor's remained unchanged 'A- / A-2' (long- and short-term) with a stable outlook (equalized with the ratings of the ultimate parent Linde AG). The credit rating of the subordinated bonds is BBB. Also Moody's kept its 'A3 / P-2' (long- and short-term) credit ratings of Linde Finance B.V. unchanged. The credit rating of the subordinated bonds is Baa2. The outlook for all ratings is stable.

Amsterdam, 26 March, 2012

The Board of Managing Directors

N.G.M. LimmeM. Glaser

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
M. Glaser

BALANCE SHEET AS PER 31 DECEMBER, 2011 (before appropriation of profit)

		2011	2010
ASSETS		(x 1.000 EUR)	(x 1.000 EUR)
Financial fixed assets			
Loans to group companies	1	9.104.817	7.718.185
Prepaid expenses	2	6.964	5.602
		9.111.781	7.723.787
Current assets			
Loans to group companies	3	3.613.590	2.770.182
Interest receivable from group companies	4	221.439	192.284
Tax receivables	5	125	1.054
Other receivables from third parties	6	56.404	60.647
Prepaid expenses	7	63.000	83.008
Forward exchange contracts	18	56.582	3.746
Collateral deposits	8	3.800	17.100
Cash at banks	9	2.469	557
		4.017.409	3.128.578
Total Assets		<u>13.129.190</u>	<u>10.852.365</u>

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

BALANCE SHEET AS PER 31 DECEMBER, 2011 (before appropriation of profit)

		2011	2010
LIABILITIES		(x 1.000 EUR)	(x 1.000 EUR)
Capital and reserves			
Share capital	10	5.000	5.000
Capital and reserves		150.000	150.000
Retained earnings		71.247	62.901
Unappropriated profits		14.517	8.346
		<u>240.764</u>	<u>226.247</u>
Long term liabilities			
Bonds notes payable	11	4.748.517	4.425.624
Subordinated bonds	12	1.431.367	1.433.097
Loans from group companies	13	646.824	854.429
		<u>6.826.708</u>	<u>6.713.150</u>
Current Liabilities			
Bonds notes payable	11	774.971	–
Collateral borrowing	14	95.200	141.500
Commercial paper	15	59.904	–
Loans from group companies	13	4.822.336	3.496.662
Interest payable to third parties	16	186.610	179.191
Interest payable to group companies	17	75.594	67.649
Forward exchange contract	18	40.110	17.459
Other payable	19	3.991	6.345
Accounts payable	20	3.002	4.162
		<u>6.061.718</u>	<u>3.912.968</u>
Total Liabilities		<u>13.129.190</u>	<u>10.852.365</u>

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER, 2011

		2011 (x 1.000 EUR)	2010 (x 1.000 EUR)
Interest income			
Group company loans		574.732	495.701
Other interest income		<u>0</u>	<u>86</u>
		574.732	495.787
Interest expense	21		
Group company loans		-254.203	-215.861
Other interest expense		<u>-300.201</u>	<u>-267.919</u>
		-554.404	-483.780
Net interest result		20.328	12.007
Other			
General and administrative expenses	22	<u>-1.044</u>	<u>-810</u>
Profit before taxation		19.284	11.197
Taxation	23	-4.767	-2.851
Net profit after taxation		<u>14.517</u>	<u>8.346</u>

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

STATEMENT OF CHANGES IN EQUITY

Movements in capital and reserves were as follows:

		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 December 31, 2009	5.000	12.000	62.901		79.901
Paid in capital/result 2010		138.000	8.346		146.346
Balance December 31, 2010	5.000	150.000	71.247		226.247
Unappropriated profits 2011				14.517	14.517
Balance December 31, 2011	<u>5.000</u>	<u>150.000</u>	<u>71.247</u>	<u>14.517</u>	<u>240.764</u>

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2011

		01.01.2011-31.12.2011	01.01.2010-31.12.2010
		(x 1.000 EUR)	(x 1.000 EUR)
Net Profit after taxation	(21-23)	14.517	8.346
Net cash flow provide by operating activities			
in-/decrease financial fixed assets	(1+2)	-1.387.994	664.783
in-/decrease current assets	(3-8+18)	-886.919	-1.189.971
in-/decrease long term liabilities	(11-13)	113.558	-88.349
in-/decrease current liabilities	(11+14-20)	2.148.750	464.216
Net Cash flow provide by investment activities		-	-
Net Cash flow provide by finance activities		-	-
Paid in capital (Share premium)	(10)		138.000
In-/decrease cash at banks		1.912	-2.975
Bank balances 01 January		557	3.532
Bank balances 31 December		<u>2.469</u>	<u>557</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 amortized cost 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 amortized cost value 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, 2011

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:

	2011	2010
	(x 1.000 EUR)	(x 1.000 EUR)
Balance January 01	7.718.185	8.388.570
New loans	3.478.913	2.056.508
To short term loans	-1.852.171	-2.775.268
Translation adjustment	46.538	70.418
Loans redeemed	-286.648	-22.043
Total	<u>9.104.817</u>	<u>7.718.185</u>

An amount of EUR 3.897,7 million (2010: EUR 3.820,7 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 1.927,7 million (2010: EUR 2.320,8 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 long term loans to group companies are provided based on an arms length principle. The average interest rate on these long term to group companies loans as per 31 December, 2011 was 4,45% (2010: 4,86%).

2. Prepaid expenses

In May 2010 the Company signed an EUR 2,5 billion syndicated revolving credit facility (guaranteed by Linde AG). The 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, 2011 of EUR 3,9 million (2010: EUR 5,6 million) will be amortised over the remaining tenor of the facility.

Other prepaid expenses for an amount of EUR 3,1 million (2010: EUR 0,0 million) are fees related to issuance of Bonds and Medium Term Notes. These fees will be amortised over the remaining tenor of the issued debt.

Current Assets

3. Loans to group companies

The Company holds loans to group companies of EUR 3.613,6 million (2010: EUR 2.770,2 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, 2011 was 2,62% (2010: 1,27%).

Short-term loans to group companies for a total amount of EUR 518,7 million (2010: EUR 106,2 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.

4. Interest receivables from group companies

Interest receivables from group companies include accrued interest on loans of EUR 200,5 million (2010: EUR 166,0 million) and EUR 20,9 million (2010: EUR 26,3 million) accrued interest on derivatives with group companies.

5. Tax receivables

As per 31 December, 2011 the Company has a tax receivable of EUR 0,1 million (2010: EUR 1,1 million) related to corporate income tax and withholding tax.

6. Other receivables from third parties

Other receivables include accrued interest of EUR 55,4 million (2010: EUR 59,1 million) from interest rate and cross currency swaps with third parties.

7. Prepaid expenses

Prepaid expenses include to be amortised proceeds of unwound derivatives with group companies of EUR 48,7 million (2010: EUR 78,2 million) and upfront premiums on derivatives with group companies of EUR 12,0 million (2010 EUR 3,1 million). The unwinding of derivatives has been executed on a risk neutral basis.

8. Collateral (deposits)

Since 2010 the Company has CSA agreements with major financial market participants to mitigate the counterparty risk. The outstanding value of the cash collateral as per 31 December, 2011 is EUR 3,8 million (2010: EUR 17,1 million).

9. Cash at banks

Cash at banks for an amount of EUR 2,5 million (2010: EUR 0,6 million) are at the disposal of the Company.

Liabilities

10. Capital and reserves

Authorized share capital consists of 15.000 shares of EUR 1.000 each. As per 31 December, 2011, 5.000 shares were issued and fully paid in (31 December, 2010: 5.000). All shares of the Company are owned by Linde Holdings Netherlands B.V., Schiedam, the Netherlands. The ultimate parent company is Linde AG, Munich, Germany.

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 December 31, 2009	5.000	12.000	62.901		79.901
Paid in capital/result 2010		138.000	8.346		146.346
Balance December 31, 2010	5.000	150.000	71.247	0	226.247
Unappropriated profits 2011				14.517	14.517
Balance December 31, 2011	<u>5.000</u>	<u>150.000</u>	<u>71.247</u>	<u>14.517</u>	<u>240.764</u>

11. Bonds notes payable

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

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

	31.12.2011	31.12.2010
	(x 1.000 EUR)	(x 1.000 EUR)
< 1 year	774.971	0
Sub total current liabilities	<u>774.971</u>	<u>0</u>
1-5 years	1.867.746	2.656.820
> 5 years	2.880.771	1.768.804
Sub total long term liabilities	<u>4.748.517</u>	<u>4.425.624</u>
Total	<u>5.523.488</u>	<u>4.425.624</u>

The bonds notes payable bear an average interest of 4,80% (2010: 5,14%). An amount of nominal EUR 5.145,7 million (2010: nominal EUR 4.040,6 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 nominal EUR 1.238,7 million (2010: EUR 1.113,4 million) are denominated in a currency other than Euro. If no natural hedge is in place the Company has entered into foreign exchange contracts/cross currency swaps to hedge foreign currency risk.

The table below specifies all listed bonds:

Currency	Principal	Coupon	Maturity date		Exchange
	(x 1.000.000)				
EUR	723,5	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	216	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
EUR	750	3,125%	12.12.2018		Bourse de Luxembourg
EUR	600	3,875%	01.06.2021		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

12. 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
	(x 1.000.000)					
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.

13. Loans from group companies

The Company holds loans from group companies for a total amount of EUR 5.469,2 million (2010: EUR 4.351,1 million). An amount of EUR 646,8 million (2010: EUR 854,4 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, 2011 the average interest rate on these loans was 1,73% (2010: 1,87%).

Short-term loans from group companies for an amount of EUR 2.074,3 million (2010: EUR 1.745,2 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.

14. Collateral (borrowing)

Since 2010 the Company has CSA agreements in place with major financial market participants to mitigate the counterparty risk. The outstanding value of the cash collateral as per 31 December, 2011 is EUR 95,2 million (2010: EUR 141,5 million).

15. Commercial Paper

As per 31 December 2011, the Company has EUR 59,9 million (2010: EUR 0,0 million) European Commercial Paper outstanding (ECP). The Commercial Paper has been issued under the terms of the EUR 2,0 billion European Commercial Paper Programme. With respect to this programme Linde AG has issued an unconditioned and irrevocable guarantee in the favor of the Company. The average interest rate on the outstanding ECP as per 31 December, 2011 was 1,4% (2010: 0,0%).

16. Interest payable to third parties

Interest payable to third parties is shown as below:

	31.12.2011	31.12.2010
	(x 1.000 EUR)	(x 1.000 EUR)
Accrued interest bonds notes payable	115.814	109.440
Accrued interest subordinated bonds	47.200	47.168
Accrued interest collateral	44	68
Accrued interest derivatives	23.552	22.515
	<u>186.610</u>	<u>179.191</u>

17. Interest payable to group companies

Interest payable to group companies include accrued interest on loans from group companies of EUR 29,0 million (2010: EUR 25,7 million) and accrued interest on derivatives with group companies of EUR 46,6 million (2010: EUR 42,0 million).

18. Forward exchange contracts

Forward exchange contracts are included in the balance sheet based on the prevailing rate of exchange on the respective reporting date. The ultimo 2010 figures have been restated for comparing purposes.

19. Other payables

Other payables include upfront premiums received on derivatives with third parties for an amount of EUR 3,6 million (2010: EUR 5,9 million), which will be amortised over the remaining tenor.

20. Account payable

Accounts payable include debt push down fees of EUR 3,0 million (2010: EUR 4,2 million), which will be amortised over the remaining tenor. Debt push down fees are upfront received fees for the substitution of borrowers of outstanding fixed long term loan at an arms's lengths basis

Profit and Loss

21. Interest expense

The interest expense includes EUR 4,4 million (2010: 5,0 million) internal fee related to the guarantee issued by Linde AG.

22. General and administrative expenses

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

	2011 (x 1.000 EUR)	2010 (x 1.000 EUR)
Wages and salaries	669	449
Other G&A expenses	375	361
Total	<u>1.044</u>	<u>810</u>

For wages and salaries we refer to page 17; directors and employees

23. Taxation

	2011 (x 1.000 EUR)	2010 (x 1.000 EUR)
Profit before taxation	19.284	11.197
Non-deductible costs	<u>4</u>	<u>2</u>
	19.288	11.199
Income tax rate	25%	25,50%
	4.812	2.845
Tax income & expenses related to different period	<u>-45</u>	<u>6</u>
Income tax expenses	4.767	2.851
Effective tax rate	24,71%	25,46%

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

24. Directors

The Company has one Managing Director (2010: 1) and the Supervisory Board three members (2010: 3). The members of the Supervisory Board did not receive a remuneration during 2011. 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.

25. Employees

During 2011 the Company had an average of 4,1 FTE (2010: 4,4).

The wages and salaries as referred to in note 22 include social security charges of EUR 48.119 (2010: EUR 41.734) and pension premium costs of EUR 41.724 (2010: EUR 46.868). 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.

26. Off balance sheet commitments

The Company has entered into a number of interest rate swap agreements, with a principal amount of EUR 6,9 billion (2010: EUR 4,4 billion), and a number of cross currency swap agreements, with a principal amount of EUR 247,5 million (2010: EUR 269,1 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 revolving 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 European 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. As the company has CSA agreements in place relating to the derivatives of financial instruments, the credit risk is not taken into account in the determination of the fair value of those instruments.

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

	2011	2010
	(x 1.000 EUR)	(x 1.000 EUR)
Loans to group companies (non current)	10.332,9	8.690,1
Loans to group companies (current)	3.625,6	2.772,5
Interest rate swaps/cross currency swaps (external)	74,0	99,8
Foreign exchange contracts	56,2	21,6
Interest rate swaps/cross currency swaps (internal)	54,7	36,0
 Bonds/Notes payable	 -5.571,9	 -4.483,1
Subordinated bonds	-1.451,5	-1.439,4
Loans from group companies	-5.566,0	-4.505,4
Interest rate swaps/cross currency swaps (external)	-42,8	-28,9
Foreign exchange contracts	-21,4	-16,9
Interest rate swaps/cross currency swaps (internal)	-79,6	-69,2

27.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 31.12.2011:

Linde AG	Munich	GER	5.837,1 million	45,9%
Linde UK Holdings Limited	Guilford	GBR	2.975,2 million	23,4%
Linde Gas Holdings Sweden AB	Lindigo	SWE	1.020,8 million	8,0%
Linde Holdings Netherlands BV	Schiedam	NLD	852,7 million	6,7%
Linde Österreich Holding GmbH	Stadl-Paura	AUT	408,8 million	3,2%
The BOC Group Limited	Guilford	GBR	380,4 million	3,0%
BOC Holdings Limited	Guilford	GBR	352,4 million	2,8%
Linde Canada Limited	Mississauga	CAN	238,0 million	1,9%

Major outstanding deposit exposures from related companies in EUR equivalent as per 31.12.2011

The BOC Group Limited	Guilford	GBR	810,2 million	14,8%
Airco Coating Technology Limited	Guilford	GBR	766,9 million	14,0%
Linde AG	Munich	GER	635,4 million	11,6%
Commercium Immobilien- und Beteiligung GmbH	Munich	GER	408,8 million	7,5%
BOC Holdings Limited	Guilford	GBR	371,4 million	6,8%
Linde Gas Holdings Sweden AB	Lindigo	SWE	367,6 million	6,7%
Linde Canada Holdings Limited	Guilford	GBR	284,7 million	5,2%
BOC Helex	Guilford	GBR	213,2 million	3,9%

28. 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's 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. The positions are regular checked as part of the risk management procedures

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. However small exposures exist per year end 2011, which are acceptable/ can be tolerated. We refer to note 26, first paragraph, for additional information.

The table below shows the "un-matched" open nominal positions according to their maturity. For durations of one year and above for all currencies in EUR equivalents. A positive sign is a net long position.

Time bucket	bucket end date			Cumulative mismatch
		EUR (x1.000)	EUR (x1.000)	EUR (x1.000)
less then 5 years	31.12.2016	472		472
less then 4 years	31.12.2015	0		472
less then 3 years	31.12.2014	0		472
less then 2 years	31.12.2013	2.332		2.804
less then 1 year	31.12.2012		-68.245	-65.441

Credit risk / Counter party risk

The Company solely provides loans within The Linde Group. In co-operation with Linde AG Corporate Centre, assessments of credit risks are made, which are periodically reviewed. Inter-company credit exposure has been insured with Linde AG through a Credit Assurance Agreement. The Company has an amount of EUR 2 million of equity at risk. Any amount above EUR 2 million is insured through the above mentions 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 European Commercial Paper Programme, presently has a A-2 rating by Standard & Poor's and 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 counterparty 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, 26 March, 2012

The Board of Managing Directors

N.G.M. Limmen
M. Glaser

The Supervisory Board

G. J.G. Denoke, Chairman
S. Schneider
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 2012.

INDEPENDENT AUDITOR'S REPORT

To the general meeting of shareholders of Linde Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of Linde Finance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2011, 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 2011 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, 26 March 2012

KPMG ACCOUNTANTS N.V.

F.M. van den Wildenberg RA