THE LINDE GROUP

Report by the Executive Board to the Annual General Meeting on agenda item 7 regarding the exclusion of subscription rights upon issue of convertible bonds and/or bonds with warrants pursuant to section 221 para. 4 sentence 2 German Stock Corporation Act in conjunction with section 186 para. 3 and para. 4 sentence 2 German Stock Corporation Act

The Executive Board renders the following report on agenda item 7 to the Annual General Meeting in accordance with section 221 para. 4 sentence 2 German Stock Corporation Act in conjunction with section 186 para. 3 sentence 4 and para. 4 sentence 2 German Stock Corporation Act on the reasons for the authorisation of the Executive Board to exclude the subscription right of shareholders when availing itself of the authorisation. This report will be available for inspection as from the day of publication of the notice convening the Annual General Meeting via the Company's website at ▶ *WWW.LINDE.COM/ANNUALGENERALMEETING* and will also be available at the Annual General Meeting. It will be sent to any shareholder upon his or her request.

The report is published as follows:

The Executive Board and the Supervisory Board propose to the Annual General Meeting a new authorisation and the creation of new conditional capital for the issuance of convertible bonds and/or bonds with warrants (collectively the "bonds"). The issuance of convertible bonds and/or bonds with warrants (or a combination of these instruments, as the case may be) may provide a further opportunity, in addition to the conventional possibilities of raising debt and equity capital, to make use, depending on the market situation, of attractive financing alternatives on the capital market. The issuance shall be limited to a total nominal value of the bonds of up to EUR 4,500,000,000 and an entitlement to subscribe up to 18,359,375 no-par-value bearer shares in the Company.

The issuance of convertible bonds and/or bonds with warrants facilitates the raising of debt capital at favourable conditions which may potentially be converted into equity capital upon maturity and thus may remain with the Company. The further envisaged possibility to also create conversion obligations in addition to the granting of conversion and/or option rights provides more leeway for the structuring of such financing instrument. The authorisation will provide the Company with the necessary flexibility to place the bonds itself or through affiliates controlled by the Company ("Group Affiliates"). In addition to euros, the bonds may also be denominated in another legal currency, for example that of an OECD country, and may be issued with limited or unlimited duration. The authorisation contains details for the determination of the conversion and/or option price.

The authorisation granted at the Annual General Meeting of 29 May 2013 ad agenda item 7 to issue convertible bonds and/or bonds with warrants shall be replaced by a new authorisation to issue convertible bonds and/or bonds with warrants maintaining complete flexibility. The authorisation resolved by the Annual General Meeting of 29 May 2013 ad agenda item 7 will be cancelled. To service the option and/or conversion rights and to fulfil the conversion obligations under these bonds, the creation of conditional capital shall be resolved. Upon registration with the commercial register, the existing conditional capital created by resolution of the Annual General Meeting of 29 May 2013 ad agenda item 7 pursuant to number 3.8 of the Articles of Association in the existing wording is cancelled.

Shareholders are in principle offered a subscription right. In case of a placement through Group Affiliates, the Company shall also ensure that the shareholders are granted the statutory subscription right. In order to facilitate the settlement, the bonds may be issued to one or several credit institutions with the obligation to offer the bonds to the shareholders for subscription in accordance with their subscription right.

However, the Executive Board shall be authorised to exclude, with the consent of the Supervisory Board, the subscription right of the shareholders to the extent that the issuance of shares under conversion and/or option rights or conversion obligations is restricted to a maximum of 10 percent of the share capital of the Company. Any other issuance of shares against cash consideration and issuance of option and/or conversion rights shall be taken into account when determining this maximum limit of 10 percent of the share capital to the extent that such issuance is made during the term of this authorisation under exercise of an authorisation to exclude the subscription right pursuant to section 186 para. 3 sentence 4 German Stock Corporation Act. The share capital which is represented by acquired treasury shares which have been sold during the term of this authorisation in analogous application of section 186 para. 3 sentence 4 German Stock Corporation Act shall also be taken into account. This ensures that no convertible bonds and/or bonds with warrants are issued where this would result in the exclusion of the subscription right of the shareholders by the Executive Board for a total of more than 10 percent of the share capital in direct or indirect application of section 186 para. 3 sentence 4 German Stock Corporation Act. This further restriction is in the best interest of the shareholders who would like to maintain the proportion of their shareholding to the greatest extent possible in case of any capital measure to this effect.

This possibility to exclude the subscription right provides the Company with the flexibility to seize favourable short-term capital market situations and, by determining the conditions in accordance with prevailing market terms, to achieve better terms regarding the interest rate and issue price of the bond. The decisive factor is that, as opposed to an issuance of bonds with subscription rights, the issue price can be determined immediately before the placement, thereby avoiding an increased risk of price change for the duration of the subscription period. In contrast, if a subscription right is granted, the subscription price would have to be disclosed until three days prior to the end of the subscription period. In view of the frequently observed volatility on the stock markets, there would therefore be a market risk for a number of days, which would result in safety margins deducted when stipulating the determination of the terms and conditions of the bond and thus conditions which are not in accordance with prevailing market terms. Also, the granting of a subscription right could jeopardise any successful placement with third parties, or result in additional expenses, due to the uncertainty of the exercise thereof.

The determination of an issue price of the bonds which is not materially below the notional market value computed in accordance with generally accepted financial mathematical methods is intended to take into account the shareholders' need for protection with regard to an economic dilution of their shareholding. If the issue price were equivalent to the market value, the value of the subscription right would virtually be decreased to zero. This ensures the protection of the shareholders against economic dilution of their shareholding, and the shareholders will not suffer any significant economic disadvantage on account of the exclusion of the subscription rights. Shareholders who would like to maintain their share in the Company's share capital or to acquire bonds in accordance with the proportion of their shareholding can achieve this by way of additional purchases over the market on roughly the same terms and conditions.

Moreover, the Executive Board shall be authorised, with the consent of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription right. Such fractional amounts may result from the amount of the respective issuance volume and the need for a practicable subscription ratio. In these cases, the exclusion of the subscription right for fractional amounts facilitates the implementation of the capital measure. The fractional new shares, which are excluded from the subscription right of the shareholders, will either be sold over the stock exchange or otherwise disposed of to the benefit of the Company based upon the best terms and conditions available. As the exclusion is restricted to fractional amounts, there is no significant dilution for the shareholders.

Furthermore, the Executive Board shall be provided with the possibility to exclude, with the consent of the Supervisory Board, the subscription right of the shareholders in order to grant to the bearers or holders of previously issued conversion or option rights or convertible bonds with conversion obligation subscription rights for the same number of shares to which they would be entitled upon exercise of their conversion or option rights or upon compliance with their conversion obligations. This avoids that the bearers/holders of conversion and/or option rights (also with conversion obligation) are placed at an economic disadvantage; they are granted dilution protection which is in accordance with capital market practice, which facilitates the placement of the convertible bonds and/or bonds with warrants, and which enables the Company to have a higher cash inflow, as there is no need in these cases for a reduction of the conversion and/or option price or for any other dilution protection. The only disadvantage for the former shareholders lies in the fact that the bearers/holders of conversion and/or option rights (also with conversion obligation) are granted a subscription right to which they would in any event be entitled if they had already exercised their conversion and/or option rights or complied with their conversion obligation. Consequently, on consideration of the pros and cons, the exclusion of the subscription rights in this case is deemed reasonable.

The issuance of convertible bonds and/or bonds with warrants with conversion or option rights/conversion or option obligations under exclusion of subscription rights is only allowed to the extent that the total share value of the new shares attributable to such issuance does not exceed, in the aggregate, 20 percent of the Company's share capital existing at the time of the effectiveness of the authorisation or, if lower, at the time of the execution of this authorisation. This limit is reduced by the share capital attributable to those shares which are issued or sold under exclusion of the subscription rights according to other authorisations during the period of this authorisation and up to the time this authorisation is used, other than shares issued to employees of Linde Aktiengesellschaft and/or any of its affiliates under exclusion of the subscription right. This overall aggregation further narrows the authorisation of the Executive Board to issue shares under exclusion of subscription rights.

In addition, the terms and conditions of the bonds may provide, for the purpose of increasing flexibility, that instead of issuing shares to holders of convertible bonds or bonds with warrants, the Company will pay the equivalent value in cash. The proposed conditional capital serves the purpose of satisfying the conversion and/or option rights connected with the convertible bonds and/or bonds with warrants or to comply with conversion obligations in respect of shares in the Company, to the extent that treasury shares are not used for this purpose.

PROFESSOR DR ALDO BELLONI
[CHIEF EXECUTIVE OFFICER]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

DR CHRISTIAN BRUCH
[MEMBER OF THE EXECUTIVE BOARD]

DR SVEN SCHNEIDER
[MEMBER OF THE EXECUTIVE BOARD]

BERND EULITZ
[MEMBER OF THE EXECUTIVE BOARD]