THE LINDE GROUP

Report by the Executive Board to the Annual General Meeting on agenda item 7 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 and para. 4 sentence 2 German Stock Corporation Act

The Executive Board hereby submits the following report to the Annual General Meeting on agenda item 7 in accordance with section 71 para. 1 no. 8 in conjunction with section 186 para. 3 and 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 authorisation. This report is available for inspection at the offices of the Company as of the calling of the Annual General Meeting, and will be mailed to each shareholder upon request. Such report is also available via the Company's website at www.linde.com/annualgeneralmeeting and will be made available to the Annual General Meeting.

The report is published as follows:

Under item 7 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 2 May 2021 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 at the time when such authorisation is exercised. The existing authorisation in accordance with the resolution of the Annual General Meeting of 4 May 2012 is effective until 3 May 2017. However, an authorisation to use equity derivatives in connection with the acquisition of treasury shares according to section 71 para. 1 no. 8 German Stock Corporation Act shall be approved at this year's Annual General Meeting. Thus, the Company shall already be granted a new authorisation by the general meeting in the context of the authorisation of the use of equity derivatives to acquire treasury shares.

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 sale offers is in line with this principle. If a public offer is oversubscribed, offers must be accepted by quota. In this context, allotment may take place in proportion to the shares tendered (tender quota) rather than in proportion to the shares held, since this allows to technically effect the purchase process in an economically viable manner. A privileged acquisition or acceptance of small quantity offers for up to 100 tendered 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, the treasury shares acquired by the Company may either be redeemed – with or without a reduction of the share capital – or be resold by way of a public offer to all shareholders or via the stock exchange. With the last two options, the shareholders' right to equal treatment is observed also in the event of a disposal of the shares. In addition, the treasury shares acquired by the Company may be used for other purposes. In so doing, the subscription right of the shareholders may be excluded altogether or in part.

The proposed authorisation further provides in accordance with the statutory 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 sell the acquired 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 in 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 if such time is designated as relevant in the agreement containing the obligation to transfer. 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 requirements and respond quickly and flexibly to favourable stock market situations. The economic and voting right interests of the shareholders are preserved. The shareholders will not suffer any disadvantage due to the small volume, 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 in the Company of the same kind at the time of sale. Interested shareholders can therefore acquire any shares necessary to maintain their participation quota through the stock exchange at virtually the same conditions. When exercising the authorisation, any other issue or sale of shares or issue of option and/or conversion rights is to be taken into consideration if and to the extent such issue is made under the exercise of an authorisation to exclude the subscription rights pursuant to section 186 para. 3 sentence 4 German Stock Corporation Act during the term of this authorisation.

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 The 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 the sellers 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 be authorised to grant, with the approval of the Supervisory Board, treasury shares under exclusion of the subscription rights of the shareholders. 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 subscription rights is in the interest of the Company.

Furthermore, the Company shall be given the option of using treasury shares to settle option or conversion rights and conversion obligations arising from certain option and/or convertible 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.

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 or in case of a share capital increase under exclusion of subscription rights of shareholders in favour of the holders of option and/or 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 and/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 holders of option and/or conversion rights pursuant to the terms and conditions of the option and/or conversion rights.

Furthermore, the Company shall be given the option to settle option rights to be issued by the Company to managerial staff under the Performance Share Programme resolved by the Annual General Meeting on 4 May 2012 under agenda item 8 as part of the new Long Term Incentive Plan 2012 with treasury shares held by the Company. Under the resolution regarding the new Programme, the issuance of up to 4,000,000 option rights is planned over a period of five years. This corresponds to approximately 2.3 percent of the share capital. For the Performance Share Programme, the creation of conditional capital out of which the stock options can be settled has been approved by the Annual General Meeting on 4 May 2012 under agenda item 8. Both options of settling the options – both with treasury shares and out of the conditional capital – is provided for, so that the Company may take its decision based on what is most expedient in the specific case.

Furthermore, the Company shall be given the option to issue shares to managerial staff and employees of Linde Aktiengesellschaft and its affiliated companies, including the right to settle acquisition rights and obligations of such persons. This option is especially relevant for the issuance of matching shares under the new Long Term Incentive Plan 2012. Each manager must invest a compulsory personal investment amount and must hold these shares for at least four years. After the end of this vesting period, the Company will grant each of the plan participants one share (matching share) for each share acquired through personal investment without additional payment. It is planned to allow for treasury shares to be issued as the matching shares; this will require the exclusion of subscription rights.

In selling treasury shares by means of a public offer made to all shareholders, the Executive Board shall be given the right, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for fractional amounts. The exclusion of subscription rights for fractional amounts is necessary in order to make the sale of acquired treasury shares by way of an offer for sale to the shareholders technically feasible. The treasury shares excluded as free fractions from shareholders' subscription rights will either be sold on the stock exchange or will otherwise be sold for the Company based upon the best terms and conditions available.

The Executive Board will inform the Annual General Meeting of the transactions carried out under this authorisation.