

Linde Finance B.V.

## 2012 Financial Statements



Amsterdam, 20 March 2013

## Table of contents

Table of contents .....	2
Financial highlights.....	3
Director's report .....	5
Responsibility statement .....	6
Board of Supervisory Director's Report .....	7
Balance Sheet Assets as per 31 December 2012.....	8
Balance Sheet Equity and Liabilities as per 31 December 2012.....	9
Profit and loss account as per 31 December 2012.....	10
Cash flow statement for the year ended 31 December 2012 .....	11
General accounting principles .....	12
Notes to the annual accounts as per 31 December 2012 .....	13
Assets.....	13
Liabilities .....	15
Profit and loss.....	19
Independent auditor's report.....	25

## Financial highlights

Linde Finance B.V. has a 2.0 billion multi currency Commercial Paper ("CP") Programme which is unconditionally guaranteed by Linde AG. As per 31 December 2012, Linde Finance B.V. had nominal EUR 275.0 million CP outstanding (2011: EUR 59.9 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 2012 the nominal debt outstanding under this programme is EUR 6,162.1 million (2011: EUR 5,145.7 million). There of EUR 4,983.0 (2011: EUR 5,145.7 million is issued by Linde Finance B.V. ). From the EUR 6,162.1 million a EUR 1,000.0 bond was issued on 17 September 2012 by Linde AG, with a maturity of 17 September 2020 as well as a NOK 2,000.0 million bond was issued on 28 September 2012 with a maturity of 28 September 2017.

As per 31 December 2012, Linde Finance B.V. has nominal EUR 1.1 billion (2011: EUR 1.1 billion) and GBP 250.0 million (2011: GBP 250.0) subordinated bonds outstanding. Linde Finance B.V. also has debt outstanding for nominal GBP 200.0 million (2011: GBP 300.0) which originally has been issued by the former BOC Group plc and for which Linde Finance B.V. has been substituted as issuer in December 2007.

During the year, the interest income amounted to EUR 736.7 million (2011: EUR 709.1 million). The interest expense amounted to EUR 703.4 million (2011: EUR 688.7 million).

The profit after taxation was EUR 24.2 million (2011: EUR 14.5 million). Linde Finance B.V. operates under an advance pricing agreement (APA) with the Dutch fiscal authorities. This APA ruling defines the minimum returns for inter-company loans.

During 2012 Linde Finance B.V. issued the following Senior Bonds and Medium Term Notes under the EUR 10 bn Debt Issuance Programme:

Type	Currency	Principal (X 1.000.000)	Coupon	Issue date	Maturity date
Medium Term Note	USD	20	variable	20.04.2012	20.04.2017
Senior Bond	EUR	500	1.75%	11.06.2012	11.06.2019

In April 2012, Linde Finance B.V. issued a five-year USD 20.0 million Medium Term Note that bears a variable interest rate of three months USD Libor + 85 bps. In June 2012, Linde Finance B.V. placed a new EUR 500 million bond. The seven-year bond has a fixed interest coupon of 1.75 percent and is guaranteed by Linde AG. The proceeds of both issues are used for general corporate purposes.

Linde Finance B.V. redeemed a EUR 723.5 million bond which fell due in April on schedule. The GBP 100.0 million 12.25 percent Unsecured Loan Stock due 2012/2017 was redeemed early on 2 October 2012 by exercising a call option.

In May 2012 Linde Finance B.V. credit rating was upgraded by Standard & Poor's by one notch to 'A / A-1' (long- and short-term) with a stable outlook (aligned with the ratings of the ultimate parent Linde AG). The credit rating of the subordinated bonds was also upgraded by one notch to BBB+. Moody's kept its 'A3 / P-2' (long- and short-term) credit rating of Linde Finance B.V. unchanged in 2012. The credit rating of the subordinated bonds is Baa2. The outlook for all ratings is stable.

Amsterdam, 20 March 2013

The Board of Managing Directors

Micha Glaser

## Director's report

The Board of Directors of Linde Finance B.V. hereby presents the financial statements for the book year ended 31 December 2012. 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, Buitenveldertselaan 106, the Netherlands and has been incorporated on 12 May 1999 under Dutch law. Linde Finance B.V. acts as a finance company for the benefit of The Linde Group companies. Linde Finance B.V. ultimate parent is Linde AG, which is listed on the German Stock Exchange.

### Objectives

Linde Finance B.V. 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 Linde Finance B.V..

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, Linde Finance B.V. has a conservative approach. Currency risks are avoided in line with the 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 30 page 30.

For 2013 the anticipated result of Linde Finance B.V. will remain positive as in previous years, also if we take into account the ongoing turmoil in the financial markets. We expect no significant changes in the number of personnel and no significant changes in the structure of Linde Finance B.V..

## **Responsibility statement**

The Board of Managing Directors of Linde Finance B.V. wish to state:

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

The Board of Managing Directors

Micha Glaser

## **Board of Supervisory Director's Report**

The Board of Supervisory Directors hereby submits the report for the book year 2012. The financial statements have been audited by KPMG Accountants N.V. and were provided with an unqualified auditor's opinion on 20 March 2013. The independent auditor's report can be found on page 26 of the financial statements.

In connection with the listing of Bonds at the Luxembourg Stock Exchange Linde Finance B.V. is regarded as an "organisation of Public Interest" (Organisatie van Openbaar Belang).

The current composition of the Board of Supervisory Directors is:

Georg Denoke (1965, German nationality), member of the Board of Supervisory Directors since 12 September 2006.

Dr. Sven Schneider (1966, German nationality), member of the Board of Supervisory Directors since 22 April 2011.

Björn Schneider (1971, German nationality), member of the Board of Supervisory Directors since 24 August 2004.

The Board of Supervisory Directors met two times in 2012. Besides these meetings there are ongoing contacts between the Board of Supervisory Directors and the Board of Management Directors.

The size of Linde Finance B.V. enables the Board of Supervisory Directors to operate without separate committees. This means that the Board of Supervisory Directors as a whole acts as Audit Committee as well.

Amsterdam, 20 March 2013.

On behalf of the Board of Supervisory Directors,

Georg Denoke  
Chairman

## Balance Sheet Assets as per 31 December 2012

(before appropriation of profit)

Assets		31.12.2012 (x 1.000 EUR)	31.12.2011 (x 1.000 EUR)
<b>Financial fixed assets</b>			
Loans to group companies	1	8,336,306	9,104,817
Fixed assets		28	
Prepaid expenses	2	9,676	6,964
		<u>8,346,010</u>	<u>9,111,781</u>
 <b>Current assets</b>			
Loans to group companies	3	3,207,394	3,613,590
Interest receivable from group companies	4	174,346	221,439
Tax receivable	5	4,456	125
Other receivables from third parties	6	45,964	56,404
Deferred derivatives results	7	53,585	63,000
Forward exchange contracts	18	116,158	56,582
Collateral deposits	8	5,900	3,800
Cash at banks	9	36,819	2,469
		<u>3,644,622</u>	<u>4,017,409</u>
<b>Total Assets</b>		<u><u>11,990,632</u></u>	<u><u>13,129,190</u></u>

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



## Balance Sheet Equity and Liabilities as per 31 December 2012

(before appropriation of profit)

Equity and Liabilities		31.12.2012 (x 1.000 EUR)	31.12.2011 (x 1.000 EUR)
<b>Capital and reserves</b>			
Share capital	10	5,000	5,000
Share premium		150,000	150,000
Retained earnings		85,764	71,247
Unappropriated profits		24,191	14,517
		<u>264,955</u>	<u>240,764</u>
<b>Long term liabilities</b>			
Bonds notes payable	11	4,758,292	4,748,517
Subordinated bonds	12	1,434,918	1,431,367
Loans from group companies	13	221,022	646,824
		<u>6,414,232</u>	<u>6,826,708</u>
<b>Current liabilities</b>			
Bonds notes payable	11	370,019	774,971
Collateral borrowing	14	107,600	95,200
Commercial Paper	15	275,000	59,904
Loans from group companies	13	4,198,469	4,822,336
Interest payable to third parties	16	146,397	186,610
Interest payable to group companies	17	53,287	75,594
Forward exchange contracts	18	138,426	40,110
Other payables	19	13,113	3,991
Tax payable		8,100	-
Accounts payable	20	1,035	3,002
		<u>5,311,445</u>	<u>6,061,718</u>
<b>Total Liabilities</b>		<u><u>11,990,632</u></u>	<u><u>13,129,190</u></u>

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

## Profit and loss account as per 31 December 2012

(before appropriation of profit)

		31.12.2012 (x 1.000 EUR)	31.12.2011 (x 1.000 EUR)
<b>Interest income</b>	21		
Group company loans		497,140	574,732
Other interest income		<u>239,542</u>	134,342 *
		<b>736,682</b>	<u>709,074</u>
<b>Interest expense</b>	22		
Group company loans		-246,916	- 254,203
Other interest expense		<u>-456,509</u>	- 434,543 *
		<b>-703,425</b>	<u>- 688,746</u>
<b>Net interest result</b>		<b>33,257</b>	20,328
General and administrative expenses	23	<u>-898</u>	<u>1,044</u>
<b>Profit before taxation</b>		<b>32,360</b>	19,284
Taxation	24	<u>-8,168</u>	<u>4,767</u>
<b>Net profit after taxation</b>		<u><b>24,191</b></u>	<u><b>14,517</b></u>

\* The 2011 figures have been restated for comparison purposes

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

## Cash flow statement for the year ended 31 December 2012

	01.01.2012 31.12.2012 (x 1.000 EUR)	01.01.2011 31.12.2011 (x 1.000 EUR)
Net profit after taxation	24,191	14,517
<b>Net cashflow provided by operating activities:</b>		
In-/decrease financial fixed assets	765,771	- 1,387,994
In-/decrease current assets	407,137	- 886,919
In-/decrease long term liabilities	-412,476	113,558
In-/decrease current liabilities	<u>-750,273</u>	<u>2,148,750</u>
Total cash flow from operating activities	34,350	1,912
<b>Net cashflow provided by finance activities:</b>		
	<u>0</u>	<u>0</u>
In-/decrease cash at banks	34,350	1,912
Cash at banks 01 January	<u>2,469</u>	<u>557</u>
Bank balances 31 December	<u>36,819</u>	<u>2,469</u>

Included in the cash flows for the year are the following amounts:

Interest Income received	716,821	578,382
Interest expenses paid	679,991	548,826
Income taxes paid	2,081	2,435

### Note

The cash flow statement is based on the indirect method which implies that part of the figures relating to operational cash flows, 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. The financial statements are prepared on a going concern basis.

### Accounting policies

The initial measurement of all assets and liabilities is fair value. The subsequent measurement of all assets and liabilities is amortised cost 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.

### Cost price hedge accounting

Linde Finance B.V. applies the cost price hedging model to hedge interest rate risk and foreign currency risk. Cost price hedging means that derivative financial instruments follow the valuation principle of the hedged item (i.e. cost price). Linde Finance B.V. documents the hedge relationships in general hedge documentation and periodically assess the effectiveness of the hedge relationships by verifying that no over hedges exists based on the critical terms check. A loss as a result of an over hedge will be directly recorded in the profit and loss account based on the principle of lower of cost and market value.

These policies represent no change from the previous period.

### Cash flow statement

The cash flow statement is prepared in accordance with the indirect method.

### 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 include 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 2012

## 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>31.12.2012</b> <b>(x 1.000 EUR)</b>		<b>31.12.2011</b> <b>(x 1.000 EUR)</b>
Balance January 01	<b>9,099,607</b>	*	7,718,185
New loans	<b>2,354,054</b>		3,478,913
To short term loans	- <b>768,476</b>	-	1,852,171
Translation adjustment	<b>341,944</b>		46,538
Loans redeemed	- <b>2,698,794</b>	-	286,648
<b>Total</b>	<b><u>8,328,334</u></b>		<b><u>9,104,817</u></b>

\* As 31 December 2012 the figures have been reconciled from nominal amounts versus book value in 2011. Therefore the start balance per first January 2012 has been adjusted.

An amount of EUR 2,186.2 million (2011: EUR 3,897.7 million) of the principal portions outstanding have a final maturity over more than five years.

Long-term loans to group companies for a total amount of EUR 1,853.7 million (2011: EUR 1,927.7 million) are denominated in a currency other than Euro. If no natural hedge is in place Linde Finance B.V. has entered into various foreign exchange contracts to hedge foreign currency risks. The valuation of the loans and foreign exchange contracts is based on the prevailing rate of exchange of the respective reporting dates. The average interest rate on the long term loans to group companies as on 31 December 2012 was 5.17 % (2011: 4.45%).

### 2. Prepaid expenses

In May 2010 Linde Finance B.V. signed a EUR 2.5 billion syndicated revolving credit facility (Guaranteed by Linde AG). The facility will expire in May 2015. Linde Finance B.V. paid an upfront premium of EUR 8.2 million of which EUR1.6 million has been classified as a current asset. The outstanding value per 31 December 2012 of EUR 3.8 million

(2011: EUR 3.9 million) will be amortised over the remaining tenor of the facility. Prepaid expenses also include proceeds of unwound derivatives, with a maturity of longer than one year. Please see note seven for further explanations.

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

Linde Finance B.V. holds loans to group companies for EUR 3,204.9 million (2011: EUR 3,613.6 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 at 31 December 2012 was 2.77% (2011: 2.62%).

Short-term loans to group companies for a total amount of EUR 515.8 million (2011: EUR 518.7 million) are denominated in a currency other than Euro. If no natural hedge is in place Linde Finance B.V. has entered into foreign exchange contracts to hedge foreign currency risks. The valuation of the loans and foreign exchange contracts is based on the prevailing rate of exchange on the respective reporting dates.

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

Interest receivables from group companies include accrued interest on loans of EUR 169.9 million (2011: EUR 200.5 million) and EUR 2.4 million (2011: EUR 20.9 million) accrued interest on derivatives with group companies.

### **5. Tax receivable**

As per 31 December 2012 Linde Finance B.V. has a tax receivable of EUR 4.5 million (2011: EUR 0.1 million) related to corporate income tax and withholding tax.

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

Other receivables include accrued interest of EUR 37.2million (2011: EUR 55.4 million) from interest rate and cross currency swaps with third parties.

### **7. Deferred derivatives results**

Deferred derivatives results, include to be amortised proceeds of unwound derivatives with group companies of EUR 51.9 million (2011: EUR 48.7 million) and no upfront premiums on derivatives with group companies (2011 EUR 12.0 million). The unwinding of derivatives has been executed on a risk neutral basis. EUR 7.4 million (2011: EUR 0.0 million) relates to settlement payments from the unwind of interest rate swaps in 2012. These amounts will be amortised over the remaining tenor of the settled swaps.

### **8. Collateral (deposits)**

Since 2010 Linde Finance B.V. has CSA agreements in place with major financial parties to mitigate the counterparty risk. The outstanding value of the cash collateral deposited by Linde Finance B.V. at banks as per 31 December 2012 is EUR 5.9 million (2011: EUR 3.8 million).

## 9. Cash at banks

Cash at banks for an amount of EUR 36.8 million (2011: EUR 2.5 million) are at the disposal of Linde Finance B.V..

## Liabilities

### 10. Capital and reserves

Authorized share capital consists of 15.000 shares of EUR 1.000 each. As per 31 December 2012, the total number of share outstanding which are fully paid in, are 5,000 (31 December 2011: 5,000). All shares of Linde Finance B.V. are held by Linde Holdings Netherlands B.V. Schiedam, the Netherlands. Linde Finance B.V. ultimate parent is Linde AG, which is listed on the German Stock Exchange.

	Share Capital (x 1.000 EUR)	Share Premium (x 1.000 EUR)	Retained Earnings (x 1.000 EUR)	Unappropriated profits (x 1.000 EUR)	Total (x 1.000 EUR)
Balance 31 December 2010	5,000	150,000	71,247	-	226,247
Paid in capital/result 2011		-	14,517		14,517
Balance 31 December 2011	5,000	150,000	85,764	-	240,764
Unappropriated profits 2012				24,191	24,191
Balance 31 December 2012	<u>5,000</u>	<u>150,000</u>	<u>85,764</u>	<u>24,191</u>	<u>264,955</u>

### 11. Bonds notes payable and subordinate bonds

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:

	31.12.2012 (x 1.000 EUR)	31.12.2011 (x 1.000 EUR)
< 1 year	370,332	774,971
1-5 years	2,500,133	1,867,746
> 5 years	3,692,764	2,880,771
	<u>6,563,229</u>	<u>5,523,488</u>

The bonds notes payable, bear an average interest of 3.95% (2011: 4.80%). An amount of nominal EUR 6,162.1million (2011: nominal EUR 5,145.7 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 favour of Linde Finance B.V. .Bonds notes payable under the terms of the Debt Issuance Programme for an amount of EUR 1,169.1 million (2011: EUR 1,238.7 million) are denominated in a

currency other than Euro. If no natural hedge is in place Linde Finance B.V. has entered into foreign exchange contracts/cross currency swaps to hedge foreign currency risks.

Currency	Principal (x1.000.000)	Coupon	Maturity date		Exchange
EUR	75	2.625%	22.01.2013		Bourse de Luxembourg
EUR	52	3.500%	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
NOK	2,000	2.750%	28.09.2017	issued by Linde AG	Bourse de Luxembourg
EUR	50	variable	23.05.2018		Bourse de Luxembourg
EUR	750	3.125%	12.12.2018		Bourse de Luxembourg
EUR	500	1.750%	11.06.2019		Bourse de Luxembourg
EUR	1,000	1.750%	17.09.2020	issued by Linde AG	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

The above list only comprises listed bonds.



## 12. Subordinated bonds

In the period 2003 till 2006 Linde Finance B.V. issued subordinated bonds as listed in the table below.

Currency	Principal (x1.000.000)	Coupon	Effective yield	Call date	Final maturity date	Coupon when call is not exercised
EUR	700	7.375%	7.557%	14.07.2016	14.07.2066	3 month Euribor+4,125%
GBP	250	8.125%	8.125%	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%

Linde Finance B.V. 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 bonds 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 Linde Finance B.V. 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. Since the issue of these bonds, Linde Finance B.V. did not have the intention and has not made use of its right.

The bonds are unconditionally, irrevocably guaranteed by Linde AG.

## 13. Loans from group companies

Linde Finance B.V. holds loans from group companies for a total amount of EUR 4,419.5 million (2011: EUR 5,469.2 million). An amount of EUR 221.0 million (2011: EUR 646.8 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 2012 the average interest rate on these loans was 0.67% (2011: 1.73%).

Short-term loans from group companies for an amount of EUR 2,394.3 million (2011: EUR 2,074.3 million) are denominated in a currency other than Euro for which Linde Finance B.V. has entered into foreign exchange contracts to hedge foreign currency risks. The valuation of the loans and foreign exchange contracts is based on the prevailing rate of exchange on the respective reporting dates.

## 14. Collateral (borrowing)

Since 2010 Linde Finance B.V. has CSA agreements with major financial market participants to mitigate the counterparty risk. The outstanding value of the cash collateral deposited at Linde Finance B.V. by various banks as per 31 December 2012 is EUR 107.6 million (2011: EUR 95.2 million).

## 15. Commercial Paper

As per 31 December 2012 Linde Finance B.V. has EUR 275.0 million (2011: EUR 59.9 million) CP outstanding. Commercial paper has been issued under the terms of the EUR 2.0 billion Commercial Paper Programme. With respect to this programme Linde AG has issued an unconditional and irrevocable guarantee in favour of Linde Finance B.V.. The average interest rate on the outstanding CP as per 31 December 2012 was 0.08% (2011: 1.4 %).

## 16. Interest payable to third parties

	<b>31.12.2012</b> <b>(x 1.000 EUR)</b>	31.12.2011 <b>(x 1.000 EUR)</b>
Accrued interest bonds notes payable	<b>94,889</b>	115,814
Accrued interest subordinated bonds	<b>48,273</b>	47,200
Accrued interest collateral	<b>0</b>	44
Accrued interest derivatives	<b>3,235</b>	23,552
	<b><u>146,397</u></b>	<b><u>186,610</u></b>

## 17. Interest payable to group companies

Interest payable to group companies include accrued interest on loans from group companies of EUR 17.4 million (2011: EUR 29.0 million) and accrued interest on derivatives with group companies of EUR 36.0 million (2011: EUR 46.6 million).

## 18. Forward exchange contract

The forward exchange contracts are all in a hedging relationship for which Linde Finance B.V. applies cost price hedge accounting. Cost price hedging means that derivative financial instruments are valued at the same valuation principle as the hedged item. Therefore the Forward exchange contracts are revalued at the spot rate of the reporting date. The difference between the spot rate as on the date of contract and the forward rate on which it gets settled is amortized over the maturity of the forward exchange contract.

## 19. Other payables

Other payables include upfront premiums received on derivatives with third parties for an amount of EUR 5.6 million (2011: EUR 3.6 million), which will be amortised over the remaining tenor.

## 20. Accounts payable

Accounts payable include debt push down fees of EUR 0.99 million (2011: EUR 3.0 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 arm's lengths basis

## Profit and loss

### 21. Interest income

The interest income includes EUR 497.1 million (2011 EUR 574.7 million) of interest income on loans given to group companies. The other interest income EUR 239.5 million (2011: EUR 134.3 million), mainly is from interest income out of external derivatives.

### 22. Interest Expense

The other interest expense EUR 456.5 million (2011: EUR 434.5 million), mainly is from interest expense out of external derivatives and the amortisation of discounts. The interest expense includes EUR 4.9 million (2011: EUR 4.4 million) internal fee related to the guarantee issued by Linde AG.

### 23. General and administrative expenses

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

	<b>31.12.2012</b> <b>(x 1.000 EUR)</b>	<b>31.12.2011</b> <b>(x 1.000 EUR)</b>
Wages and salaries	<b>590</b>	669
Other G&A expenses	<b>308</b>	375
	<b><u>898</u></b>	<b><u>1,044</u></b>

## 24. Taxation

Taxes on income for the period can be analyzed as follows:

	<b>31.12.2012</b> <b>(x 1.000 EUR)</b>	<b>31.12.2011</b> <b>(x 1.000 EUR)</b>
Profit before taxation	32,360	19,284
Deductible costs	<u>32,360</u>	<u>4</u>
		19,289
Income tax rate	<b>25.00%</b>	25.00%
Income tax expense	<b>8,168</b>	<b>4,812</b>
Tax income & expenses related to different period	-	- 45
Income tax expenses	8,168	4,767
Effective tax rate	<b>25.24%</b>	<b>24.71%</b>

Linde Finance B.V. operates under the advance pricing agreement (APA) with the Dutch fiscal authorities. This APA ruling defines the minimum returns for inter-company loans.

## 25. Directors

Linde Finance B.V. has one Managing Director (2011: 1) and the Supervisory Board three Members (2011: 3). The members of the Supervisory Board did not receive remuneration during 2011. Furthermore Linde Finance B.V. 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.

## 26. Employees

During 2012 Linde Finance B.V. had an average of 4.1 full time equivalents (2011: 4.1).

The wages and salaries as referred to in note 22 include social security charges of EUR 51,980 (2011: EUR 48,119) and pension premium costs of EUR 44,686 (2011: EUR 41,724). 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 Linde Finance B.V. may voluntary contribute to the pension recovery plan. There is no mandatory obligation to do so.

## 27. Off balance sheet commitments

Linde Finance B.V. has entered into a number of interest rate swap agreements, with a principal amount of EUR 9.6 billion (2011: EUR 6.9 billion) and a number of cross currency swap agreements, with a principal amount of EUR 289.5 million (2011: EUR 247.5 million).

The net notional amounts of FX contract amount to EUR 1.9 billion.

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).

Linde Finance B.V. has limited rental, back office and IT commitments with third parties. Total expenses are approximately EUR 0.1 million per annum.

Since May 2010 Linde Finance B.V. 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 at year end is 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 is 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>31.12.2012</b> <b>(x 1.0 million EUR)</b>		<b>31.12.2011</b> <b>(x 1.0 million EUR)</b>
Loans to group companies ( non current)	<b>9,541.4</b>		10,332.9
Loans to group companies (current)	<b>3,256.2</b>		3,625.6
Interest rate swaps/cross currency swaps external	<b>172.8</b>		74.0
Foreign exchange contracts	<b>25.0</b>		56.2
Interest rate swaps/cross currency swaps internal	<b>94.2</b>		54.7
Bonds/notes payable	-	<b>6,435.8</b>	-
Subordinated bonds	-	<b>1,592.1</b>	-
Loans form group companies	-	<b>4,401.8</b>	-
Interest rate swaps/cross currency swaps external	-	<b>75.0</b>	-
Foreign exchange contracts	-	<b>28.1</b>	-
Interest rate swaps/cross currency swaps internal	-	<b>167.7</b>	-

## 28. 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:

Linde AG	Munich	DEU	5,186.9 million	45.0%
Linde UK Holdings Limited	Guilford	GBR	3,004.1 million	26.0%
Linde Gas Holding Sweden AB	Lidingo	SWE	821.0 million	7.1%
Linde Holdings Netherlands B.V.	Schiedam	NLD	589.8 million	5.1%
BOC Holdings	Guilford	GBR	391.7 million	3.4%
Abello Linde SA	Barcelona	ESP	328.3 million	2.8%
BOC Group Limited	Guilford	GBR	246.3 million	2.1%
Linde Gas GmbH	Stadl- Paura	AUT	200.0 million	1.7%
Linde Canada Limited	Mississauga	CAN	191.9 million	1.7%

Major outstanding deposits exposures from related companies in EUR equivalent:

The BOC Group Limited	Guilford	GBR	1,064.7 million	24.4%
Airco Coating Technology Limited	Guilford	GBR	779.1 million	17.9%
Linde Canada Holdings Limited	Guilford	GBR	296.8 million	6.8%
BOC Helex	Guilford	GBR	305.1 million	7.0%
Linde UK Holdings Ltd	Guilford	GBR	240.1 million	5.5%
Linde Holdings, LLC	Tulsa	USA	194.3 million	4.5%
Linde North America, Inc.	Murray Hill	USA	153.9 million	3.5%
The BOC Group B.V.	Schiedam	NL	120.7 million	2.8%

## 29. Risk management

### Foreign currency risk

It is the objective of Linde Finance B.V. to eliminate foreign currency risks. With the exception of margins generated by foreign currency denominated back to back loans, Linde Finance B.V. enters into currency contracts and cross currency swaps in order to hedge Linde Finance B.V. 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. The positions are regular checked as part of the risk management procedures.

The below table gives the net fx cash flow positions per 31 December 2012. The totals are all unhedged margins on loans and corresponding deposits. As stipulated in the foreign currency risk management approach.

Currency	Largest positions of Net FX cash flow positions per currency	per 31.12.2012 EUR Value	Lastest Maturity
GBP	8,114,384	9,993,910	24 April 2023
CAD	3,060,730	2,337,651	17 December 2018
USD	2,060,001	1,561,035	20 April 2017
Other currencies		-221,514	

The total Value at Risk (VaR) for the largest positions is per 31 December 2012 is EUR 1.6 mio. The VaR calculation is based on a 97.5% VaR for Linde Finance FX positions (Multivariate normality assumed, i.e., Markowitz approach).

### Interest risk

It is Linde Finance B.V. policy that interest exposures with duration longer than one year are being hedged, by entering into interest rate- and/or cross currency swaps.

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			Cummulated mismatch Eur ( X1000)
		Eur ( X1000)	Eur ( X1000)	
less then 5 years	31/12/2017			-
less then 4 years	31/12/2016			-
less then 3 years	31/12/2015			-
less then 2 years	31/12/2014			-
less then 1 year	31/12/2012	-	100,327	100,327

## Credit risk / Counterpart risk

Linde Finance B.V. solely provides loans within The Linde Group. 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-1 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.

Linde Finance B.V. 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

Linde Finance B.V. 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, 20 March 2013

The Board of Managing Directors

Micha Glaser

The Board of Supervisory Directors

Georg Denoke, Chairman  
Dr. Sven Schneider  
Björn Schneider

## 30. Other Information

### Appropriation of Results

In accordance with Article 27 of Linde Finance B.V. Articles of Association, profits, of any, are at the disposal of the General Meeting of shareholder. The Directors propose to add the net profits to the retained earnings.

### Subsequent events

No subsequent events of any significantly have occurred in 2013.



## **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 2012 of Linde Finance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2012, 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 these financial statements and for the preparation of the director's 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 Company'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 Company'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 2012 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 director's report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the director's 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, 20 March 2013

KPMG Accountants N.V.

F.M. van den Wildenberg RA