

## **Share Transfer Report**

Report of

**Linde Intermediate Holding AG**, Munich,

as majority shareholder of

**Linde Aktiengesellschaft**, Munich,

on the

requirements to transfer the Minority Shareholders' shares in Linde Aktiengesellschaft to Linde Intermediate Holding AG and the adequacy of the cash settlement according to Sec. 62 para. 5 sentence 8 German Transformation Act (*Umwandlungsgesetz*) in conjunction with Sec. 327c para. 2 sentence 1 German Stock Corporation Act (*Aktiengesetz*)

November 1, 2018

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### Annexes

Annex 1:	Deposit confirmation of UniCredit Bank AG dated October 31, 2018 concerning the number of shares in Linde AG held by Linde Intermediate Holding AG
Annex 2:	Deposit confirmation of Deutsche Bank Aktiengesellschaft dated October 31, 2018 concerning the number of treasury shares held by Linde AG
Annex 3:	Ad hoc release by Linde AG dated April 25, 2018 concerning the intention of Linde plc, Linde AG and Praxair, Inc., to carry out a squeeze-out at Linde AG following the completion of the merger
Annex 4:	Letter of Linde Intermediate Holding AG to the executive board of Linde AG dated November 1, 2018 (transfer request of Linde Intermediate Holding AG according to Sec. 62 para. 5 German Transformation Act in conjunction with Sec. 327a para. 1 sentence 1 German Stock Corporation Act)
Annex 5:	Notarized merger agreement between Linde Intermediate Holding AG and Linde Aktiengesellschaft dated November 1, 2018
Annex 6:	Expert opinion of Ernst & Young GmbH on the company value of Linde Aktiengesellschaft and on the determination of an adequate cash settlement according to Sec. 327b para. 1 German Stock Corporation Act on the valuation date December 12, 2018 as of October 25, 2018
Annex 7:	Guarantee of UniCredit Bank AG according to Sec. 62 para. 5 sentence 8 German Transformation Act in conjunction with Sec. 327a para. 1 sentence 1 German Stock Corporation Act dated October 31, 2018
Annex 8:	Draft of the transfer resolution to be made by the general meeting of Linde Aktiengesellschaft

To inform the general meeting of Linde Aktiengesellschaft, a Stock Corporation under German law with its registered office in Munich and entered in the commercial register of the local court of Munich under HRB 169850 (“**Linde AG**”), on the planned squeeze-out of the Minority Shareholders of Linde AG in the context of a group merger (so-called squeeze-out under transformation or merger law) Linde Intermediate Holding AG, a stock corporation under German law with its registered office in Munich and entered in the commercial register of the local court of Munich under HRB 234880 (“**Linde Intermediate**” or the “**Majority Shareholder**”), issues the following report (the “**Share Transfer Report**”) according to Sec. 62 para. 5 sentence 8 German Transformation Act (“**German Transformation Act**”) in conjunction with Sec. 327c para. 2 sentence 1 German Stock Corporation Act (“**German Stock Corporation Act**”), in which the requirements to transfer the shares of the remaining shareholders of Linde AG (“**Minority Shareholders**”) and the adequacy of the cash settlement will be explained and substantiated.

## 1. Introduction

The envisaged merger of Linde AG into Linde Intermediate in connection with the squeeze-out of the Minority Shareholders in exchange for cash compensation is executed against the backdrop of the merger between Linde AG and its subsidiaries (together the “**Linde AG Group**”) and Praxair, Inc., a listed stock corporation under the laws of the State of Delaware (“**Praxair, Inc.**”), and its subsidiaries (together the “**Praxair Group**”) under Linde plc, a stock corporation (public limited company) incorporated under Irish law (the “**Business Combination**”). With completion of the Business Combination, both Linde AG and Praxair, Inc. have become indirect subsidiaries of Linde plc (Linde plc, Linde AG Group and Praxair Group together the “**Linde plc Group**”).

As part of the Business Combination, Linde plc acquired 170,874,958 shares, representing approximately 92% of the nominal capital of Linde AG, by way of a voluntary public takeover offer in the form of an exchange offer (“**Exchange Offer**”).

In the course of the Business Combination, Linde plc first transferred the shares in Linde AG to a direct subsidiary, Linde Holding GmbH. Linde Holding GmbH then immediately transferred the shares in Linde AG to Linde Intermediate. As of the signing date of this Share Transfer Report, Linde Intermediate thus holds 170,874,958 Linde AG shares (see the deposit confirmation of UniCredit Bank AG, attached as **Annex 1**). After deducting 95.109 treasury shares held by Linde AG in accordance with Sec. 62 para. 1 sentence 2 German Transformation Act (see the deposit confirmation of Deutsche Bank Aktiengesellschaft, Frankfurt (Eschborn branch) attached as **Annex 2**) this corresponds to a percentage of the nominal capital of Linde AG of approximately 92%. Linde Intermediate thus holds more than nine-tenths of the nominal capital of Linde AG; it is thus the majority shareholder within the meaning of Sec. 62 para. 5 sentence 1 German Transformation Act. An overview of the current group structure of Linde plc Group can be found under *Section 2.1 “Group Structure of Linde plc Group”*.

Via ad hoc release dated April 25, 2018, Linde AG announced that Linde plc, Linde AG and Praxair, Inc. have agreed to carry out a squeeze-out in the event of the successful completion of the Business Combination in order to simplify the group structure. A copy of this ad hoc release is attached as **Annex 3** to this share transfer report.

Following the successful completion of the Business Combination, Linde Intermediate addressed the request to the executive board of Linde AG in a letter dated November 1, 2018, that within three months of the execution of the merger agreement, the general meeting of Linde AG resolves to transfer the shares of Linde AG's minority shareholders to Linde Intermediate as the majority shareholder in exchange for payment of adequate cash compensation. A copy of this letter by Linde Intermediate dated November 1, 2018 is attached to this Share Transfer Report as **Annex 4**.

Linde Intermediate and Linde AG have discussed and agreed on the content of the merger agreement. After the final version of the merger agreement between the parties had been agreed on, Linde Intermediate and Linde AG executed the merger agreement on November 1, 2018 for the notarial record of Dr. Tilman Götte with office in Munich (roll of deeds no. 2924 G for the year 2018). According to this agreement, Linde AG transfers its assets as a whole to Linde Intermediate by dissolution without liquidation according to Sec. 2 no. 1, 4 *et seq.* and Sec. 60 German Transformation Act. The merger agreement states that the Minority Shareholders of Linde AG are to be squeezed out in connection with the merger. A copy of this merger agreement is attached to this Share Transfer Report as **Annex 5**.

Linde Intermediate determined the adequate cash settlement, which is to be paid to the Minority Shareholders of Linde AG according to Sec. 62 para. 5 sentence 8 German Transformation Act in conjunction with Sec. 327b para. 1 sentence 1 German Stock Corporation Act for the transfer of their shares to Linde Intermediate, on the basis of an expert opinion on the company value of Linde AG prepared by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (“**EY**”) (“**Valuation Opinion**”), which is included in this Share Transfer Report as **Annex 6**. Additional information and explanations about the company value of Linde AG and about the determination of an adequate cash settlement according to Sec. 327b para. 1 German Stock Corporation Act on the valuation date December 12, 2018 as the day of the general meeting, which has to make a resolution on the transfer of the Minority Shareholders' shares, can be found under *Section 8 “Explanation and Justification of the Adequacy of the Cash Settlement”*. Linde AG first announced the amount of the expected cash compensation in an ad-hoc release dated October 15, 2018 and subsequently announced the amount of the determined cash compensation in an ad-hoc release dated November 1, 2018.

Furthermore, Linde Intermediate has communicated to the Linde AG executive board a guarantee by UniCredit Bank AG dated October 31, 2018 according to Sec. 62 para. 5 sentence 8 German Transformation Act in conjunction with Sec. 327b para. 3 German Stock Corporation Act. By way of this guarantee, UniCredit Bank AG has assumed the fulfilment of the obligation of Linde Intermediate to pay the Minority Shareholders of Linde AG the

determined cash settlement per transferred share without any delay after the transfer resolution has taken effect. This guarantee is included in this Share Transfer Report as **Annex 7**.

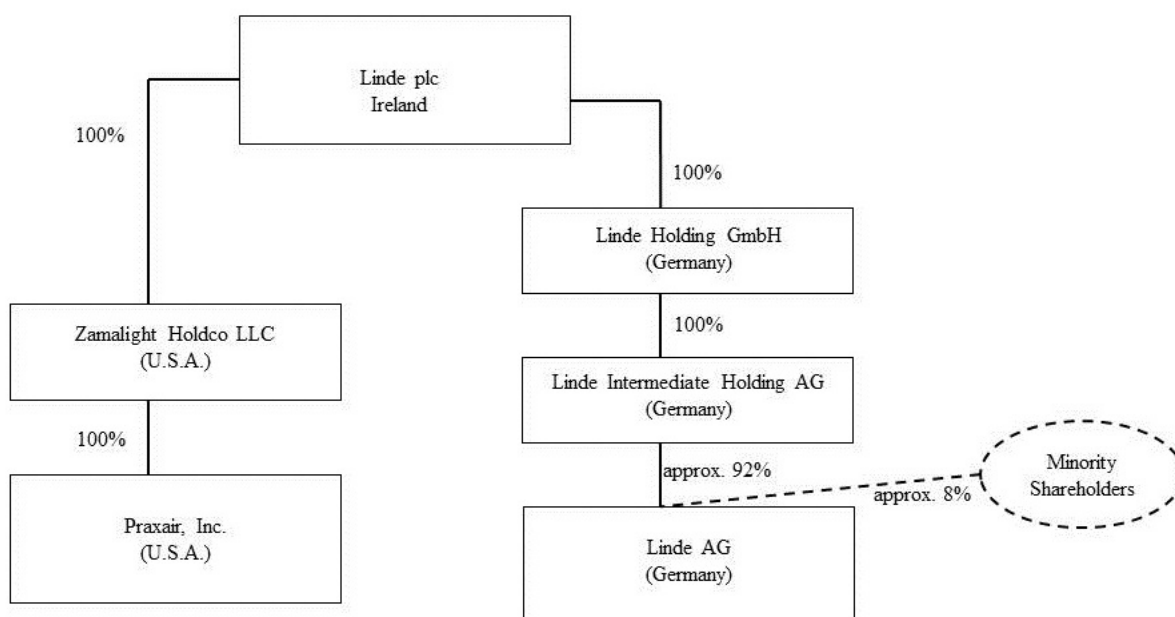
The adequacy of the cash settlement has been examined by an expert auditor appointed by court according to Sec. 62 para. 5 sentence 8 German Transformation Act in conjunction with Sec. 327c para. 2 sentence 2 German Stock Corporation Act. Following the motion of Linde Intermediate of April 25, 2018, the local court Munich I, has elected and appointed Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (“**Ebner Stolz**”) by resolution dated April 30, 2018 (reference number: 5 HK O 5973/18), amended by resolution dated May 2, 2018, as the expert auditor of the appropriateness of the cash compensation and at the same time, at the joint request of Linde Intermediate and Linde AG, as a precautionary measure, as joint merger auditor. Ebner Stolz submits a separate audit report on the appropriateness of the cash compensation pursuant to Sec. 62 para. 5 sentence 5 German Transformation Act, Sec. 327c para. 2 sentence 2 to 4 German Stock Corporation Act, which like the merger audit report prepared by Ebner Stolz is available for review by shareholders at the Linde AG premises and online on the Linde AG website from the time the general meeting is convened.

On December 12, 2018, the extraordinary general meeting of Linde AG is to resolve on the transfer of the Minority Shareholders’ shares to the Majority Shareholder in exchange for payment of adequate cash compensation determined by the Majority Shareholder. The draft of the transfer resolution is included in this Share Transfer Report as **Annex 8**.

## **2. Description of Linde plc Group, Linde AG and Linde Intermediate**

### **2.1 Group Structure of Linde plc Group**

Linde plc is the joint parent company of Linde AG Group and Praxair Group. Linde AG and Praxair, Inc. each are indirect subsidiaries of Linde plc. Linde Intermediate, which holds 92% of the nominal capital in Linde AG, is a wholly-owned, direct subsidiary of Linde Holding GmbH (further information under *Section 2.5.2 “Linde Holding GmbH”*), which is again a wholly-owned, direct subsidiary of Linde plc. Praxair, Inc. is a wholly-owned, direct subsidiary of Zamalight Holdco LLC (for further information see *Section 2.5.1 “Praxair, Inc. and Zamalight Holdco LLC”*), which is again a wholly-owned, direct subsidiary of Linde plc. The current group structure is displayed in the following chart:



## 2.2 Information on Linde AG

### 2.2.1 Company History

Linde AG was established on June 21, 1879 under the name “Gesellschaft für Linde’s Eismaschinen” as a German stock corporation. The industrial company is rooted in the production of refrigeration systems in the late 19<sup>th</sup> century. The company then went over to production of refrigerants and liquefaction products, which led to the development of the gas industry. In 1905, Linde succeeded in the production of pure nitrogen and, in 1907, the company founded Linde Air Products, from which Praxair emerged. By 1929, the company had already established 20 new nitrogen production plants. On June 22, 1965 the general meeting made a resolution to change the company’s name to “Linde Aktiengesellschaft”. In the 1970s, Linde AG started the construction of large industrial plants. In 1999, Linde AG Group purchased the Swedish gas producer Aktiebolag Gasaccumulator AB (AGA). Through this acquisition, the company became the world’s fourth-largest gas supplier. In 2004, Linde AG Group sold its refrigeration division, which was once its core business. With Linde AG Group’s acquisition of the British company, The BOC Group plc, in September 2006, the global position of the company was further strengthened. During the same month, Linde AG Group sold its conveyers business (forklift trucks), which since then has operated as the new brand Kion. In 2012, Linde AG Group acquired the U.S. homecare company Lincare Holdings Inc. With the completion of this Business Combination on October 31, 2018, Linde AG became a direct subsidiary of Linde plc (for more information see *Section 1 “Introduction”*).

### 2.2.2 Registration, Registered Office, Financial Year and Business Purpose

Linde AG is entered in the commercial register of the local court of Munich under HRB 169850. The business address and head office of Linde AG is at Klosterhofstraße 1, 80331



Munich, Germany. The financial year of Linde AG is the calendar year. According to Paragraph 2 of the articles of association of Linde AG, the business purpose is as follows:

- production and sale of technical and other gases and their derivatives, as well as the construction, acquisition, sale and operation of plants, in which technical or other gases are produced or used;
- production and sale of mechanical and engineering products;
- production and sale of medical technology products, pharmaceutical products or other healthcare products; and
- planning and construction, purchase, sale and operation of processes and other industrial plants, healthcare facilities and research facilities.

The company is entitled to carry out all measures and actions that are connected to its corporate objective or are directly or indirectly suitable to serve it. This includes research and development and cooperation with third parties in these areas. It can trade and provide every kind of service in the aforementioned areas. It may also limit its activities to some of the areas mentioned. The company may establish branches in Germany and abroad, establish other companies and acquire and participate in them, in particular in those whose corporate objectives extend wholly or partly to the aforementioned areas. It may make structural changes to companies in which it holds a participation, combine them under single management or limit itself to their management or administration and dispose of its shareholdings. It may spin off all or part of its operations into associated companies.

### **2.2.3 Nominal Capital, Shareholders and Stock Exchange Trading**

#### **(1) Nominal Capital and Stock Exchange Trading**

As of the signing date of this Share Transfer Report, the nominal capital of Linde AG amounts to EUR 475,476,940.80 and is divided in 185,733,180 no-par value bearer shares, each with a proportionate interest in the nominal capital of EUR 2.56.

The shares of Linde AG are listed in the Prime Standard of the regulated market of the Frankfurt Stock Exchange under ISIN DE0006483001 and in the regulated markets of the stock exchanges of Berlin, Dusseldorf, Hamburg, Munich and Stuttgart and in the Tradegate Exchange. They are additionally traded in the over-the-counter market at the stock exchange of Hanover.

#### **(2) Shareholders and Treasury Shares**

Linde AG holds 95,109 treasury shares (see deposit confirmation of Deutsche Bank Aktiengesellschaft, Frankfurt (Eschborn branch) attached as **Annex 2**). Linde Intermediate currently directly holds 170,874,958 shares in Linde AG (see the deposit confirmation of UniCredit Bank AG, attached as **Annex 1**). After deduction of treasury shares in accordance

with Sec. 62 para. 1 sentence 2 German Transformation Act, this corresponds to approximately 92% of the outstanding nominal capital of Linde AG. The remaining shares, representing around 8% of the outstanding nominal capital of Linde AG, are in free float.

(3) Authorized Capital

(i) Authorized Capital I

Until May 2, 2023 the executive board of Linde AG is authorized to increase the nominal capital with the approval of the supervisory board of Linde AG by up to EUR 47,000,000.00 through a single or multiple issuing of up to 18,359,375 new bearer shares with a pro rata amount of the nominal capital of EUR 2.56 each against cash and/or non-cash contributions (Authorized Capital I).

In principle, the new shares are to be offered to shareholders for subscription.

However, the executive board is authorized, with the approval of the supervisory board, to exclude fractional amounts from shareholders' subscription rights and also to exclude the subscription rights to the extent necessary to grant holders of option and/or conversion rights or conversion obligations issued by Linde AG or its direct or indirect subsidiaries, subscription rights to new no-par value shares to the extent to which they would be entitled, after exercising the option and/or conversion rights or after fulfilling a conversion obligation.

In addition, the executive board is authorized, with the consent of the supervisory board, to exclude shareholders' subscription rights, if the new shares are issued in the event of a capital increase against cash contributions at an issue price that is not significantly lower than the stock exchange price of the already listed no-par value shares with the same securities number, and the total nominal capital attributable to the issued shares does not exceed 10% of the nominal capital either at the time this authorization takes effect or at the time it is exercised. This maximum limit of 10% of the nominal capital shall include the proportion of the nominal capital attributable to the shares issued or to be issued to service bonds with warrants and/or convertible bonds. However, such offsetting takes place only to the extent that the bonds with warrants and/or convertible bonds are issued in corresponding application of Sec. 186 para. 3 sentence 4 German Stock Corporation Act, with the exclusion of shareholders' subscription rights during the term of this authorization. Also to be included is the nominal capital, which arithmetically relates to those shares that are issued on the basis of authorized capital or sold as treasury shares after repurchase during the term of this authorization, pursuant to or in accordance with Sec. 186 para. 3 sentence 4 German Stock Corporation Act.

In addition, the executive board is authorized, with the approval of the supervisory board, to exclude subscription rights in the event of capital increases in exchange for assets in kind, in particular in the context of the acquisition of companies, parts of companies or interests in companies in the context of business combinations, or in the event of contributions of other contributable assets including receivables from the company.

The executive board is also authorized, with the approval of the supervisory board, to exclude subscription rights for an amount of up to EUR 3,500,000.00, to the extent necessary to issue shares to employees of Linde AG and/or its affiliated companies, in exclusion of shareholders' subscription rights.

The proportionate amount of the nominal capital represented by shares issued under exclusion of shareholders' subscription rights, with the exception of shares issued to employees of Linde AG and/or one of its affiliated companies under exclusion of subscription rights, may not exceed a total of 20% of the company's nominal capital existing at the time this authorization takes effect or, if lower, at the time this authorization is exercised. This limit shall include the nominal capital attributable to those shares to be issued on the basis of an authorization of the executive board to service bonds with warrants and/or convertible bonds, to the extent that they are issued during the term up to the time this authorization is exercised under exclusion of subscription rights, or that which is attributable to shares that are issued or sold during the term up to the time this authorization is exercised under exclusion of subscription rights, under any other authorization of the executive board, with the exception of shares issued to employees of Linde AG and/or an affiliated company under exclusion of subscription rights.

The executive board is authorized to determine the further details of the capital increase and its implementation with the approval of the supervisory board. The new shares may also be taken over by certain banks with the obligation to offer them to shareholders (indirect subscription right).

(ii) Authorized Capital II

The executive board of Linde AG is authorized, with the approval of the Linde AG supervisory board, to increase the nominal capital until May 2, 2021 by up to EUR 47,000,000.00, by issuing a total of up to 18,359,375 new no-par value bearer shares on one or more occasions, each representing a proportionate interest in the nominal capital of EUR 2.56, in exchange for cash contributions and/or assets in kind (Authorized Capital II).

In principle, the new no-par shares are to be offered to the shareholders for subscription.

The executive board of Linde AG is, however, authorized, with the approval of the supervisory board of Linde AG, to exclude fractional amounts from shareholders' subscription rights and also to exclude subscription rights to the extent necessary to grant holders of option and/or conversion rights or conversion obligations issued by Linde AG or its direct or indirect subsidiaries, subscription rights to new shares to the extent to which they would be entitled after exercising the option and/or conversion rights, or after fulfilling a conversion obligation.

In addition, the executive board is authorized, with the approval of the supervisory board, to exclude shareholders' subscription rights if, in the event of a capital increase in exchange for cash contributions, the new shares are issued at an issue price that is not significantly lower

than the stock exchange price of the already listed no-par value shares with the same features, and the total nominal capital attributable to the issued shares does not exceed 10% of the nominal capital, either at the time this authorization takes effect or at the time it is exercised. This maximum limit of 10% of the nominal capital shall include the proportion of the nominal capital attributable to the shares issued or to be issued to service bonds with warrants and/or convertible bonds. However, such offsetting takes place only to the extent that the bonds with warrants or convertible bonds are issued in corresponding application of Sec. 186 para. 3 sentence 4 German Stock Corporation Act with the exclusion of shareholders' subscription rights during the term of this authorization. Also to be included is the nominal capital, which arithmetically relates to those shares that are issued on the basis of authorized capital or sold as treasury shares after repurchase during the term of this authorization pursuant to, or in accordance with, Sec. 186 para. 3 sentence 4 German Stock Corporation Act.

In addition, the executive board is authorized, with the approval of the supervisory board, to exclude the subscription rights in the event of capital increases in exchange for assets in kind, in particular in the context of the acquisition of companies, parts of companies or interests in companies, in the context of company mergers or in the event of contributions of other contributable assets including receivables from Linde AG.

The executive board is authorized to determine the further details of the capital increase and its implementation with the approval of the supervisory board. The new shares may also be taken over by certain banks with the obligation to offer them to shareholders (indirect subscription right).

(4) Conditional Capital

(i) Conditional Capital 2018

The nominal capital is conditionally increased by up to EUR 47,000,000.00 by issuing up to 18,359,375 new no-par value bearer shares, each representing a proportionate interest in the nominal capital of EUR 2.56 each (Conditional Capital 2018).

The conditional capital increase will be implemented only to the extent that (i) the holders or creditors of conversion rights or warrants that exist or are attached to the convertible bonds and/or bonds with warrants issued by the Company or Group companies under the management of the Company, in accordance with the authorization resolved by the Annual General Meeting on May 3, 2018 until May 2, 2023, exercise their conversion or option rights, or (ii) the holders or creditors of convertible bonds issued by the Company or Group companies under the Company's management, on the basis of the authorization resolved by the Annual General Meeting on May 3, 2018 until May 2, 2023, fulfill their conversion obligation, in cases (i) and (ii) to the extent that no treasury shares are used for conversion. The new shares shall be issued at the option or conversion price to be determined in accordance with the above authorization resolution. The new shares participate in profits from the beginning of the financial year in which they are issued by exercising conversion or option rights, or by fulfilling conversion obligations; insofar as this is legally permissible, the

executive board may, with the approval of the supervisory board, determine that the new shares to be issued are also entitled to dividends for the immediately preceding financial year in deviation from the provisions of Sec. 60 para. 2 German Stock Corporation Act. The executive board is authorized, with the approval of the supervisory board, to determine the further details of the implementation of the conditional capital increase.

As of the signing date of this Share Transfer Report, the Conditional Capital 2018 was not exercised.

(ii) Conditional Capital 2012

The nominal capital is conditionally increased by up to EUR 10,240,000.00 by issuing up to 4,000,000 new no-par value bearer shares, each representing a proportionate interest in the nominal capital of EUR 2.56 each (Conditional Capital 2012).

The conditional capital increase is solely resolved upon in order to grant subscription rights to members of the executive board of Linde AG, to members of governing bodies of associated companies in Germany and in foreign countries, as well as to selected executives of Linde AG and associated companies in Germany and in foreign countries, based on the authorization resolution of the Annual General Meeting of May 4, 2012. It is carried out only to the extent that subscription rights are exercised in accordance with the authorization resolution and that Linde AG does not render the compensation in cash or in its own shares. The new shares, which will be issued according to the exercised subscription rights, will first be entitled to dividends in the fiscal year for which at the time of their issuance no resolution on the appropriation of profits has been resolved.

At the time the Share Transfer Report was signed, the Conditional Capital 2012 was not exercised.

#### **2.2.4 Executive Bodies and Representation**

The executive bodies of Linde AG are the executive board, the supervisory board and the general meeting. According to Sec. 5.1 of the articles of association of Linde AG, the executive board of Linde AG consists of various persons. The exact number of executive board members is determined by the supervisory board.

Currently, the executive board of Linde AG comprises the following five members:

- Mr. Prof. Dr. Aldo Belloni;
- Mr. Dr. Christian Bruch;
- Mr. Bernd Eulitz;
- Mr. Sanjiv Lamba; and

- Mr. Dr. Sven Schneider.

According to Sec. 6 of the articles of association of Linde AG, Linde AG is legally represented by two executive board members or by one executive board member together with a person with full power of attorney (*Prokura*). Otherwise, the company is represented by persons with full power of attorney (*Prokuristen*) or other authorized signatories, according to further details to be provided by the executive board.

According to Sec. 7 of the articles of association of Linde AG, the supervisory board of Linde AG consists of the number of members that is stated as the minimum number in the relevant applicable legal provisions. Pursuant to the German Stock Corporation Act and the German Codetermination Act, the supervisory board of Linde AG consists of twelve members, six of whom are elected by the general meeting and the other six by employee representatives. The current supervisory board members of Linde AG are as follows:

- Mr. Prof. Dr. Wolfgang Reitzle (Chairman);
- Mr. Gernot Hahl (Deputy Chairman)\*;
- Mr. Franz Fehrenbach (further Deputy Chairman);
- Ms. Prof. Dr. Dr. Ann-Kristin Achleitner;
- Mr. Prof. Dr. Clemens Börsig;
- Ms. Anke Couturier\*;
- Mr. Dr. Thomas Enders;
- Mr. Dr. Hans-Peter Kabbalo\*;
- Mr. Dr. Martin Kimmich\*;
- Ms. Dr. Victoria Ossadnik;
- Ms. Andrea Ries\*; and
- Mr. Xaver Schmidt\*.

*\*employee representatives*

## **2.2.5 Business Activities, Group Structure and Major Holdings**

### (1) Business Activities

The Linde AG Group is a global gases and engineering company. The Linde AG Group is divided into two divisions: the Gases Division and the Engineering Division. There are five segments within the Group: (i) the three segments of the Gases Division, namely Europe,

Middle East and Africa (“**EMEA**”), Asia/Pacific (“**APAC**”) and America, (ii) the Engineering segment and (iii) the Other Activities segment.

- The Gases Division includes the production and sale of gases for the purposes of industry, medicine, environmental protection and research and development. In addition, the company offers application technology know-how, services and the hardware required for the use of gases.
  - In the EMEA segment of the Gases Division, the Linde AG Group mainly operates several major plants in Algeria, Austria, Bulgaria, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Lithuania, the Netherlands, Norway, Poland, Portugal, Romania, Russia, Saudi Arabia, Slovakia, South Africa, Spain, Sweden, Switzerland, Turkey and the United Kingdom. The EMEA segment includes approximately 250 plants, of which approximately 150 are cryogenic air separation plants, approximately 70 are hydrogen plants and approximately 30 are carbon dioxide plants. Smaller plants for air gases are not included in these figures. Further plants are operated jointly with joint venture partners.
  - In the America segment of the Gases Division, the Linde AG Group mainly operates major plants in Argentina, Chile, Ecuador, Mexico, the United States and Venezuela. Operations in Brazil, Canada and Colombia, as well as significant parts of the operations in the United States, will be sold in connection with the completion of the business combination with Praxair. Further plants are operated jointly with joint venture partners.
  - In the APAC segment of the Gases Division, the Linde AG Group mainly operates major plants in Australia, Bangladesh, China, India, Indonesia, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam. Operations in India, South Korea and China will be sold in connection with the completion of the business combination with Praxair. Plants in the Asia/Pacific segment include approximately 170 plants, of which approximately 110 are cryogenic air separation plants, approximately 40 are hydrogen plants and approximately 20 are carbon dioxide plants. Smaller plants for air gases are not included in these figures. Further plants are operated jointly with joint venture partners.
- The Engineering Division comprises the design and construction of turnkey olefin plants, plants for the production of hydrogen and synthesis gases and for natural gas treatment, as well as air separation plants. In addition, plant components are developed and manufactured, and services are provided. The division includes large owned locations in Pullach and Dresden (Germany); moreover, large locations in Houston, Texas and Tulsa, Oklahoma (United States), Samara (Russia), Vadodara (India) and Hangzhou (China) are

rented. The Engineering Division's own research and development center is located in Pullach (Germany).

- Other activities include the business of logistics service provider Gist and corporate activities. Gist is mainly active in the United Kingdom and Ireland. The company supplies chilled food and beverages.

## (2) Group Structure and Major Holdings

Linde AG itself is active in operations and also holds direct and indirect interests in various Group companies that together form the Linde AG Group. Globally, Linde AG has over 600 subsidiaries and 35 affiliated companies or joint ventures, which Linde AG influences significantly or has joint control over, as well as further participations in companies. An overview of the major participations is included in the published financial report of the Linde AG Group for the financial year 2017.

## 2.2.6 Business Development and Performance Situation

### (1) Key figures of Linde AG Group for the financial years 2015, 2016 and 2017

The following table provides an overview of the key figures for the Linde AG Group for the past three financial years (each from 1 January to 31 December). The individual key figures are unchanged, taken from the published financial report of the Linde AG Group for the 2017 financial year. They are derived from the consolidated financial statements of the Linde AG Group for the 2015, 2016 and 2017 financial years, prepared in accordance with International Financial Reporting Standards ("IFRS"). The key figures for the 2015 financial year include the business of the logistics service provider Gist as a continuing operation. For the financial years 2016 and 2017, the business of the logistics service provider Gist was reported as discontinued operations, because the business was to be sold.

Key figures (in EUR million)	2017	2016	2015
Sales from continuing operations	17,113	16,948	17,345
of which foreign share in %	92.6	92.7	92.5
EBIT	1,944	2,075	2,029
Profit after tax	1,404	1,206	1,133
Earnings per share - undiluted in EUR*	7.56	6.50	6.10
Intangible, tangible and financial assets	24,787	26,911	27,445
Stockpiles	1,211	1,231	1,241
Claims**	2,777	2,971	2,995
Means of payment, payment equivalents and securities	2,055	1,594	1,838
Other assets	2,683	2,482	1,828
Total assets	33,513	35,189	35,347



Equity capital	15,059	15,480	15,449
Equity capital ratio in %	44.9	44.0	43.7
Investments	1,766	2,004	2,036
Return on capital employed (before special items) in %	10.2	9.4	9.5
EBIT-profit margin in %	11.4	12.2	11.7
Cash flow from operating activities in % of sales	20.3	20.1	20.7

\* Based on the weighted average number of shares outstanding.

\*\* Including receivables from finance leases.

## (2) Business Development and Performance Situation in the Financial Year 2017

After the consolidated financial statements as of December 31, 2017, the Linde AG Group generated Group sales of EUR 17.113 billion and an operating result (“**EBIT**”) of EUR 1.944 billion.

Despite negative currency effects, the Linde AG Group increased Group sales from continuing operations by 1.0% to EUR 17.113 billion (py: EUR 16.948 billion) in the 2017 financial year. The continued positive development in the EMEA and Asia/Pacific segments as well as the higher sales contribution of the Engineering Division contributed to this positive development.

Group operating profit from continuing operations increased by 2.8% to EUR 4.213 billion (py: EUR 4.098 billion). Adjusted for currency effects resulting from the conversion of the various local currencies into the reporting currency EUR, Group sales were 2.1% higher than in the previous year. Group operating profit grew by 4.1% on a currency-adjusted basis.

At 24.6%, the group’s operating margin was 40 basis points higher than in the previous year (py: 24.2%). The measures introduced as part of the Group-wide efficiency programs (Focus and LIFT programs) also contributed to this improvement. Both programs together are expected to lead to annual savings of around EUR 550 million beginning in 2019. The expenses of EUR 280 million incurred in financial year 2017 were classified as special items (py: EUR 116 million). In addition, expenses in connection with the merger with Praxair, Inc. in the amount of EUR 93 million were recognized as special items (py: EUR 10 million).

Cost of implemented services increased disproportionately compared to sales. In addition to higher recorded special items, this was also due to higher natural gas prices and energy costs compared with the previous year. By contrast, currency effects reduced costs in the amount of around EUR 90 million. The gross margin in financial 2017 was 34.1% (py: 36.0%).

The other functional costs decreased by EUR 112 million compared to the previous year, mainly due to two opposed developments. On the one hand, special items included in other functional costs were significantly higher than in the previous year (py: EUR 99 million) at

EUR 292 million. On the other hand, the measures introduced to increase efficiency in financial 2017 led to savings.

The balance of other operating income and expenses included income from the disposal of noncurrent assets in the amount of EUR 134 million (py: EUR 150 million). The financial result improved, mainly due to lower financing costs and the reduction in financial liabilities.

Income taxes decreased, primarily due to the effects of the tax reform in the USA. The Tax Cuts and Jobs Act provides, among other things, for a reduction in the nationwide corporate tax rate for companies from January 1, 2018 from 35% to 21%. For subsidiaries in the USA, Linde AG has an excess of future tax liabilities over future tax receivables, the measurement of which was based on a national tax rate of 35%. The reduction of the tax rate required a revaluation of these deferred taxes. This resulted in a positive effect of EUR 250 million, which reduced income taxes accordingly. The income tax rate was thus 8.5%. Excluding the effects of the revaluation of deferred taxes in the USA, the tax rate was 23.4%.

The notes presented relate exclusively to continuing operations. As the business of the logistics service provider Gist was to be sold in the current year, it was presented as a discontinued operation. Earnings after taxes from discontinued operations amounted to EUR 30 million in 2017 (py: EUR - 52 million). The previous year includes a loss of EUR 75 million from fair value measurement, less costs to sell.

### (3) Business Development 2018

In the first half of 2018, sales in the Linde AG Group fell by 3.3% compared with the same period of the previous year of EUR 8.640 billion (py: EUR 8.935 billion). This decline was mainly due to currency effects. In addition, the first-time application of the new IFRS 15 accounting standard to revenues from contracts with customers as of January 1, 2018 had a negative impact on revenues. The offsetting of the costs previously accounted for, gross against the reimbursement of sales costs by the customer, resulted in a reduction in sales and in the same amount in the cost of sales. This resulted in a positive effect on the operating margin, whereas the operating result remained unaffected. Adjusted for purely translational currency effects and the first-time application of IFRS 15, group sales were 4.7% higher than in the previous year.

Group operating profit rose by 3.5% to EUR 2.210 billion (py: EUR 2.136 billion); adjusted for exchange rate effects, the increase was 10.1%. At 25.6%, the Group's operating margin was significantly higher than the previous year's figure of 23.9%. In addition to the measures introduced as part of the Group-wide LIFT efficiency program, portfolio optimization and the good macroeconomic conditions, the first-time application of IFRS 15 also contributed to this improvement.

In the first half of 2018, expenses of EUR 72 million (py: EUR 27 million), in connection with the planned merger with Praxair, Inc., were classified as special items. Cost of sales fell by EUR 353 million to EUR 5.536 billion (py: EUR 5.889 billion) in the reporting period. In

addition to currency effects, this decline was also due to the first-time application of the new IFRS 15 accounting standard.

At EUR 3.104 billion, gross profit was slightly higher than in the previous year (py: EUR 3.046 billion). The gross margin improved to 35.9% (py: 34.1%). Other functional costs decreased by EUR 156 million compared to the previous year, mainly due to the efficiency improvement measures and currency effects. In addition, the special items included in functional costs decreased from EUR 135 million to EUR 72 million.

EBIT at the end of June 2018 was EUR 1.222 billion and thus above the previous year (py: EUR 1.009 billion). The financial result improved to EUR - 97 million (py: EUR - 144 million), mainly due to lower financing costs and the reduction in financial liabilities. The Linde AG Group thus generated earnings before taxes of EUR 1.125 billion (py: EUR 865 million). Income tax expense amounted to EUR 242 million (py: EUR 206 million). This corresponds to an income tax rate of 21.5% (py: 23.8%). After deducting tax expense, the Linde AG Group reported earnings after tax of EUR 883 million (py: EUR 659 million) for the first six months of 2018.

In the second quarter of 2018, the Executive Board of Linde AG decided to no longer report the business of logistics service provider Gist as discontinued operations. Negotiations with potential buyers were broken off in the second quarter and a sale is therefore no longer highly probable. The notes and prior-year figures presented have been adjusted accordingly in order to facilitate better comparability of business development in the first half of 2018.

#### (4) Description of Divestitures Required for Regulatory Reasons

##### (a) Divestitures required for regulatory reasons

In connection with the antitrust approvals obtained in respect of the business combination of Linde AG and Praxair, Inc. it was necessary for Linde AG and Praxair, Inc. to commit vis-à-vis the relevant authorities to divest certain assets or businesses of Linde AG and Praxair, Inc. The commitments to these divestitures were necessary in the view of overlaps in the combined product portfolio of Linde AG and Praxair, Inc. with regard to the antitrust approval and review processes for the business combination of Linde AG and Praxair, Inc. These divestitures to be made by Linde AG have not yet been consummated, as a result of which the divestitures are included in the consolidated financial statements of the Linde AG Group for the 2017 financial year, in particular.

##### (b) Divestitures in North and South America

On July 16, 2018, Linde AG signed a sale and purchase agreement to sell the majority of Linde AG Group's gases business in North America and certain business activities in South America to a consortium comprising entities of German industrial gases manufacturer Messer Group and CVC Capital Partners Fund VII. The scope of the divestiture has been

supplemented to address additional requirements of the antitrust authorities and is covered by amendment agreements dated September 22, 2018 and October 19, 2018.

The assets to be divested mainly comprise of almost the entire bulk business of the Linde AG Group in the United States of America, sales from the carbon monoxide, hydrogen, syngas and steam reforming business activities, parts of the local pipeline and specialty gases business and access to the helium sources of Linde AG Group (including associated businesses in Puerto Rico and the U.S. Virgin Islands) and the business of Linde AG Group in Brazil, Canada and Colombia and include approximately 5,300 employees (calculated as full-time equivalent employees). With regard to the aforementioned divestiture of the majority of the bulk business of Linde AG Group in the United States of America, restructuring measures (carve-outs) are necessary to separate the assets to be divested from the business activities that remain with the Linde AG Group. This applies to certain assets related to the atmospheric gases and CO<sub>2</sub> business.

In 2017, the businesses to be sold generated annual sales of EUR 1.5 billion and an EBITDA of EUR 350 million. The purchase price of EUR 3.0 billion is subject to fixed deductions for certain items relating to liabilities of the divested business, and customary adjustments for cash, financial debt and working capital at closing of the sale and purchase agreement. The sale and purchase agreement contains representations, warranties and covenants (including sufficiency of assets in light of the carve-out) that can be considered customary for a transaction of this nature. The purchaser may terminate the sale and purchase agreement if the closing of the sale and purchase agreement has not occurred prior to April 11, 2019.

In the course of the merger control proceedings in the United States of America, Linde AG has entered into an agreement with the Federal Trade Commission (FTC) dated October 1, 2018, which provides for the divestiture of additional assets. The final version of this agreement is expected to be adopted at the beginning of December 2018, following a public comment hearing period. These commitments include the sale of certain assets related to the sale of hydrogen, carbon monoxide, syngas and superheated steam produced in Clear Lake, Texas and La Porte, Texas, each to separate purchasers. These assets include a total of approximately 150 employees (calculated as full-time equivalent employees) and generated total revenues of approximately EUR 300 million and an EBITDA of approximately EUR 100 million in the 2017 financial year. An agreement on the divestiture of assets has only been concluded for certain of these assets.

In accordance with the agreement with the FTC dated October 1, 2018, Linde AG is obliged to close the divestitures set forth above until January 29, 2019; afterwards, the divestitures would be implemented on terms set forth by the FTC. Furthermore, Linde AG is obliged to globally conduct all business activities independent from each other and economically viable and as a competitor of the Praxair Group and not to globally coordinate any aspect of operations, including the marketing or sale of any products, with the Praxair Group until the completion of the divestitures set forth above (except for the divestitures in Clear Lake, Texas and La Porte, Texas).

(c) Divestitures in India

In connection with the merger control proceedings in India, Linde AG has made certain divestiture commitments to the Competition Commission of India. Linde AG has committed to divest one on-site air separation plant (Plant JSW Steel Limited – 2), its shareholding in its Indian joint venture with Inox Air Products Private Limited (Bellary Oxygen Company Private Limited), one cylinder filling station in Hyderabad (without the nitrogen oxide plant) and one cylinder filling station in Chennai. The assets to be divested include approximately 70 employees (calculated as full-time equivalent employees) and generated total revenues of approximately EUR 50 million in the 2017 financial year. An agreement on the divestiture of these assets has not yet been entered into.

(d) Divestitures in the Republic of Korea

The Korea Fair Trade Commission (KFTC) ordered Linde AG to divest the assets of Linde AG Group in the Republic of Korea, including the tonnage and bulk oxygen, nitrogen and argon facilities. The assets to be divested include approximately 130 employees (calculated as full-time equivalent employees) and generated total revenues of approximately EUR 170 million in the 2017 financial year. An agreement on the divestiture of these assets has not yet been entered into.

(e) Divestitures in the People's Republic of China

In connection with the merger control proceedings in the People's Republic of China, Linde AG has made certain divestiture commitments to the State Administration for Market Regulation of the People's Republic of China (SAMR). These include the shareholding of Linde AG Group in a joint venture concerning four air separation units as well as certain helium sourcing contracts and helium customer contracts. The assets to be divested include approximately 260 employees (calculated as full-time equivalent employees) and generated total revenues of approximately EUR 60 million in the 2017 financial year. An agreement on the divestiture of these assets has not yet been entered into.

(f) Consideration of the divestitures required for regulatory reasons in the valuation

The consideration of the divestitures required for regulatory reasons in the valuation is described and explained on the pages 95 *et seq.* of the Valuation Opinion of EY (attached as **Annex 6**).

## **2.2.7 Employees and Codetermination**

As of August 31, 2018 Linde AG Group has 62,409 employees (calculated as full-time equivalent employees). Upon completion of this Share Transfer Report, there has not been a significant change in the number of Linde employees in comparison to August 31, 2018. Linde AG itself currently has approximately 5,600 employees in Germany (calculated as full-time equivalent employees).

At Linde AG, one works council is installed each for (i) the Linde Head Office in Munich, (ii) the Linde Gas Germany Division in plants in Bad Driburg-Herste, Berlin, Bitterfeld, Bielefeld, Bochum, Bremen, Burghausen, Duisburg, Dusseldorf, Dormagen, Eisenhüttenstadt, Gablingen, Göllheim, Hamburg, Hamburg-Finkenwerder, Hamburg-Müggenburg, Hanover, Herne, Cologne-Worringen, Leuna, Marl, Meitingen-Herbertshofen, Neuwied, Niefern, Nuremberg, Oberhaching, Oberschleißheim, Pullach, Salzgitter, Stolberg, Stuttgart, Unterschleißheim, Wiesbaden, Worms, and (iii) the Linde Engineering Division at the plants in Dresden, Schalchen and Pullach. The Linde AG Group also has a European works council, a group works council, three committees for senior executives (corporate headquarters in Munich, Linde Engineering in Pullach and Linde Gas in Pullach), a representative body for severely disabled employees at the Linde Engineering sites in Pullach and Linde Gas in Pullach, a corporate committee for the disabled, a group, youth and training representative committee, several divisional committees and an economic committee. Upon effectiveness of the merger, these employee representative bodies will continue to exist.

At present, Linde AG has a supervisory board, which consists of twelve members according to the provisions of the German Codetermination Act, six of whom are shareholder representatives and six of whom are employee representatives.

## **2.3 Information on Linde Intermediate**

### **2.3.1 Registration, Registered Office, Financial Year and Business Purpose**

Linde Intermediate is entered in the commercial register of the local court of Munich under HRB 234880. The business address and head office of Linde Intermediate is at Klosterhofstraße 1, 80331 Munich, Germany. The financial year of Linde Intermediate Holding AG is the calendar year. According to article 2 of the articles of association of Linde Intermediate, the business purpose is as follows:

- buying, holding, selling and managing debt instrument and direct or indirect participations in other companies or undertakings, and the paid or unpaid supply of administrative, financial, commercial and technical services to affiliated companies;
- holding and managing own assets; and
- all matters related hereto.

### **2.3.2 Nominal Capital and Shareholder Structure**

The nominal capital of Linde Intermediate amounts to EUR 50,000.00 and is divided in 50,000 registered no-par value shares. The shares of Linde Intermediate are neither admitted to trading on the regulated market of a stock exchange nor are they traded on the over-the-counter market. All shares are held by Linde Holding GmbH (see *Section 2.5.12. "Linde Holding GmbH"*).

A domination and profit-and-loss transfer agreement was concluded between Linde Intermediate as the controlled company and Linde Holding GmbH as the controlling company on July 12, 2017 and registered with the commercial register on August 2, 2017. By agreement dated June 8, 2018, Linde Intermediate and Linde Holding GmbH terminated this domination and profit-and-loss transfer agreement by mutual agreement with effect as of June 30, 2018. By agreement dated June 8, 2018, Linde Holding GmbH as the controlling company and Linde Intermediate as the controlled company concluded a domination agreement that was registered with the commercial register on July 3, 2018.

### **2.3.3 Executive Bodies and Representation**

The executive bodies of Linde Intermediate are the executive board, the supervisory board and the general meeting. According to its articles of association, Linde Intermediate is legally represented by two executive board members or by one board member together with one person with full power of attorney (*Prokurist*), provided that the executive board is comprised of multiple members. The supervisory board can determine that all or individual members of the executive board can be individual representatives (*einzelvertretungsbefugt*).

As of the signing date of this Share Transfer Report, the executive board of Linde Intermediate consists of the following members, each of whom is an individual representative (*einzelvertretungsbefugt*):

- Mr. Dr. Christian Bruch and
- Mr. Eduardo F. Menezes.

The supervisory board of Linde Intermediate consists of six members. The current supervisory board members of Linde Intermediate are the following:

- Mr. Dr. Thomas Enders;
- Mr. Prof. Dr. Clemens Börsig;
- Ms. Dr. Victoria Ossadnik;
- Mr. Guillermo Bichara;
- Mr. David P. Strauss; and
- Mr. Matthew J. White.

### **2.3.4 Previous Activities**

Linde Intermediate was established by Linde Holding GmbH on July 28, 2017. To this date, Linde Intermediate has not carried out any significant business activities, with the exception of activities in connection with its formation, the conclusion and cancellation of a domination and profit-and-loss transfer agreement with Linde Holding GmbH, the conclusion of a

domination agreement with Linde Holding GmbH, the conclusion of agreements to acquire approximately 92% of Linde AG shares from Linde Holding GmbH and the execution of a merger agreement with Linde AG.

### 2.3.5 Business Performance and Results of Linde Intermediate

#### (1) Business activities of Linde Intermediate

Linde Intermediate currently has no operating business of its own.

#### (2) Key data for Linde Intermediate for the 2017 and 2018 financial years

According to the annual financial statements of Linde Intermediate as of December 31, 2017, Linde Intermediate reported a loss from ordinary activities of EUR 17,400.76. The net loss for the year was offset by Linde Holding GmbH under the domination and profit-and-loss transfer agreement in force at that time.

Following the annual financial statements of Linde Intermediate for the short financial year from January 1, 2018 to June 30, 2018, Linde Intermediate achieved a result for the short financial year of EUR -15,268.31. The net loss for the year was offset by Linde Holding GmbH under the control and profit transfer agreement in force at that time.

The following table provides an overview of the key figures of Linde Intermediate for the short financial year from July 28, 2017 to December 31, 2017 and for the short financial year from January 1, 2018 to June 30, 2018.

Key figures (in EUR)	2018	2017
Fixed assets	0	0
Floating assets	61,900.00	67,380.06
of which loss compensation claim	15,268.31	17,400.76
of which bank balances	46,631.69	49,979.30
Balance sheet total	61,900.00	67,380.06
Equity capital	50,000.00	50,000.00
Provisions	11,900.00	17,380.06
Annual net profit	0	0

## 2.4 Information on Linde plc as Parent Company

### 2.4.1 Registration, Registered Office, Financial Year and Business Purpose

Linde plc was established as a stock corporation under Irish law (*public limited company*) on April 18, 2017, and is entered in the *Irish Companies Registration Office* under no. 602527. The financial year of Linde plc is the calendar year. The registered office of Linde plc is at Ten Earlsfort Terrace, Dublin 2, D02 T380, Ireland. The head office of Linde plc is at The



Priestley Centre, 10 Priestley Road, The Surrey Research Park, Guildford, Surrey GU2 7XY, United Kingdom.

Pursuant to article 3 of the constitution of Linde plc, the business purpose of Linde plc includes business activities as a parent company and coordinating the administration, finances and activities of all subsidiaries and related companies. Comprised as well is the execution of all legal activities that are necessary and useful for the business activities of such a parent company, and in particular for the business activities of a management services provider in all of its lines of business, acting as managing director in the control and coordination of administrating other companies or businesses, fixed assets and real estate of companies or legal persons, as well as all supply of services related thereto, that are considered to be appropriate by the board of directors of the Company, and the execution of the parent company's powers as shareholders in other companies.

#### **2.4.2 Nominal Capital and Shareholder Structure**

Until October 17, 2018, the nominal capital of Linde plc was held by two shareholders: Cumberland Corporate Services Limited and Enceladus Holding Limited, both private companies limited by shares under Irish law. On October 17, 2018, Cumberland Corporate Services Limited transferred all of its shares in Linde plc to Enceladus Holding Limited, whereupon Enceladus Holding Limited became the sole shareholder of Linde plc holding 25,000 A ordinary shares in the capital of the company. On October 24, 2018, immediately following the issuance of ordinary shares in the capital of Linde plc to (then former) shareholders of Linde AG pursuant to the terms of the Exchange Offer, the 25,000 A ordinary shares held by Enceladus Holding Limited in the capital of Linde plc were automatically converted to deferred shares and thereafter acquired and cancelled by the company for nil consideration.

Until October 17, 2018, the authorized share capital of Linde plc was EUR 1,775,000 divided into 1,750,000,000 ordinary shares with a nominal value of EUR 0.001 each and 25,000 A ordinary shares with a nominal value of EUR 1.00 each. Since October 17, 2018, the authorized share capital of Linde plc has been EUR 1,825,000 divided into 1,750,000,000 ordinary shares with a nominal value of EUR 0.001 each, 25,000 A ordinary shares with a nominal value of EUR 1.00 each, 25,000 deferred shares with a nominal value of EUR 1.00 each and 25,000,000 preferred shares with a nominal value of EUR 0.001 each.

On October 24, 2018 and October 31, 2018 respectively, during the course of the completion of the Business Combination, Linde plc issued 263,147,436 ordinary shares with a nominal value of EUR 0.001 each to the former shareholders of Linde AG who had accepted the Exchange Offer and 287,907,133 ordinary shares with a nominal value of EUR 0.001 each, to the former shareholders of Praxair, Inc. Consequently, those Linde AG shareholders who accepted the Exchange Offer received for each outstanding share in Linde AG, 1.540 ordinary shares in Linde plc. The former shareholders of Praxair, Inc. received for each formerly held outstanding ordinary share in Praxair, Inc. one ordinary share of Linde plc. Enceladus

Holding Limited and Cumberland Corporate Services Limited are no longer shareholders of Linde plc. The issued nominal capital of Linde plc currently amounts to a total of EUR 551,054.57.

### **2.4.3 Executive Bodies and Representation**

Linde plc has a single executive body, the board of directors, which is formed in accordance with the Corporate Governance Standards of the NYSE Listed Company Manual. The board of directors has twelve members. Eleven members of the board of directors are *non-executive directors*, and the twelfth member is the *Chief Executive Officer* of Linde plc.

Currently, the board of directors consists of the following members:

- Mr. Prof. Dr. Wolfgang Reitzle\*;
- Mr. Stephen F. Angel\*\*;
- Ms. Prof. Dr. Dr. Ann-Kristin Achleitner;
- Mr. Prof. Dr. Clemens Börsig;
- Ms. Dr. Nance K. Dicciani;
- Mr. Dr. Thomas Enders;
- Mr. Franz Fehrenbach;
- Mr. Edward G. Galante;
- Mr. Larry D. McVay;
- Ms. Dr. Victoria Ossadnik;
- Mr. Martin H. Richenhagen; and
- Mr. Robert L. Wood.

\* *Chairman*

\*\* *Chief Executive Officer*

## **2.5 Further Companies of Linde plc Group**

### **2.5.1 Praxair, Inc. and Zamalight Holdco LLC**

- (1) Praxair, Inc.

Praxair, Inc. was established as a corporation under the laws of the State of Delaware. The head office of the management of Praxair, Inc. is located at 10 Riverview Drive, Danbury, Connecticut 06810-5113, United States of America. The address of the registered office in the U.S. State of Delaware is 251 Little Falls Drive, City of Wilmington, County of New Castle, 19808. The name of the registered agent under this address is “The Corporation Trust Company”.

Article 3 of the certificate of incorporation of Praxair, Inc. describes the business purpose as follows: The form of business activity and business purpose to be executed and pursued by the company is to undertake every business activity permitted by law, pursue every purpose and execute every power permitted by law or undertake every action and activity permitted by law, which a company may pursue under the General Corporation Law of the U.S. state of Delaware (in its applicable version).

All shares of Praxair, Inc. are held by Zamalight Holdco LLC (see the chart under *Section 2.1 “Group Structure of Linde plc Group”*).

The Praxair Group is a leading industrial gases company in North and South America. The Praxair Group’s main products in the industrial gases business are atmospheric gases (oxygen, nitrogen, argon and rare gases) and process gases (carbon dioxide, carbon monoxide, acetylene, propane and helium, hydrogen). The Praxair Group also designs and constructs equipment for industrial gas production mainly for its own needs. The surface technologies division of Praxair Surface Technologies, Inc. produces wear- and high-temperature-corrosion-resistant metallic and ceramic coatings and powders. The Praxair Group serves a variety of industries including healthcare, oil refining, manufacturing, food, beverage carbonation, fiber optics, steel, aerospace, chemicals and water treatment.

#### (2) Zamalight Holdco LLC

Zamalight Holdco LLC is a limited liability company under the laws of the U.S. state of Delaware. The head office of Zamalight Holdco LLC is located at 10 Riverview Drive, Danbury, Connecticut 06810-5113, the registered office of the company is located in the U.S. state of Delaware, at 251 Little Falls Drive, in the City of Wilmington, County of New Castle, 19808. All shares in Zamalight Holdco LLC are held by Linde plc. Zamalight Holdco LLC has so far not performed any essential activities other than measures relating to its own establishment and activities relating to the completion of the Business Combination.

### **2.5.2 Linde Holding GmbH**

Linde Holding GmbH is entered into the commercial register of the local court of Munich under HRB 234787. The business address and head office of Linde Holding GmbH is at Klosterhofstraße 1, 80331 Munich, Germany. The financial year of Linde Holding GmbH is the calendar year. According to article 2 of the articles of association of Linde Holding GmbH, the business purpose is as follows:

- buying, holding, selling and managing debt instruments and direct or indirect participations in other companies or undertakings and the paid or unpaid supply of administrative, financial, commercial and technical services to affiliated companies;
- holding and managing own assets; and
- all matters related hereto.

The nominal capital of Linde Holding GmbH amounts to EUR 50,000.00 and is divided into 50,000 shares with a value of EUR 1.00 each. All shares are held by Linde plc.

The current executive bodies of Linde Holding are the management board and the general meeting. According to its articles of association, Linde Holding GmbH is legally represented by two managing directors or by one managing director together with one person with full power of attorney (*Prokurist*), provided that the management board is comprised of multiple managing directors. The general meeting can determine that all or individual members of the managing directors can be individual representatives (*einzelvertretungsbefugt*).

As of the signing date of this Share Transfer Report, the management of Linde Holding GmbH consists of the following members, each of whom is an individual representative (*einzelvertretungsbefugt*):

- Mr. Dr. Christian Bruch and
- Mr. Eduardo F. Menezes.

Because Linde Holding GmbH, since it has been the German parent company of Linde AG Group, is subject to the provisions of the German Codetermination Act according to Sec. 1 para. 1, Sec. 5 para. 3 German Codetermination Act, so-called “status proceedings” according to Sec. 97 *et seq.* German Stock Corporation Act are to be carried out in order to establish a codetermined supervisory board at the level of Linde Holding GmbH. Linde AG Group generally employs no more than 10,000 employees in Germany, meaning that the supervisory board of Linde Holding GmbH will be composed of twelve members, *i.e.*, six shareholder representatives and six employee representatives, in accordance with Sec. 7 para. 1 sentence 1 no. 1 German Codetermination Act. Irrespective of the competence of the general meeting of Linde Holding GmbH under company law, the parties aim to appoint the shareholder representatives as members of the supervisory board of Linde Holding GmbH by resolution of the general meeting of Linde Holding GmbH in due time prior to the conclusion of the status proceedings. It is also intended to have the employee representatives Mr. Gernot Hahl, Ms. Anke Couturier, Dr. Hans-Peter Kabbalo, Dr. Martin Kimmich, Ms. Andrea Ries and Mr. Xaver Schmidt, subject to their approval, in accordance with Sec. 104 German Stock Corporation Act appointed by court order as members of the supervisory board of Linde Holding GmbH for the period until employee representative elections are held.

Linde Holding GmbH was established by Linde plc. Linde Holding GmbH established Linde Intermediate on July 28, 2017. Apart from this, Linde Holding GmbH has not carried out any significant business activities, with the exception of activities in connection with its formation, the formation of Linde Intermediate, the conclusion and cancellation of a domination and profit-and-loss transfer agreement with Linde Intermediate, the conclusion of a domination agreement with Linde Intermediate and the conclusion of agreements to acquire approximately 92% of the Linde AG shares from Linde plc and the transfer of the acquired Linde AG shares to Linde Intermediate. Linde Holding GmbH (as the controlling company) and Linde Intermediate (as the controlled company) registered a domination agreement with the commercial register on July 3, 2018.

## **2.6 Business Activities of Linde plc Group**

Until completion of the Exchange Offer and the Business Combination, Linde plc itself has not performed any essential activities apart from measures relating to its own establishment and measures necessary for the closing of the Business Combination, for example, the establishment of subsidiaries, the submission of relevant documents necessary under securities law, and the preparation and publication of an offer document directed to the acquisition of all outstanding shares in Linde AG and the completion of the Exchange Offer as well as the provision of guarantees in connection with the execution of agreements of Linde AG and Praxair, Inc. related to the divestment of certain business activities in North and South America as well as Europe to comply with regulatory requirements for the completion of the business combination. Until completion of the Business Combination, Linde plc did not dispose of any material assets and employees.

Since the completion of the Business Combination, Linde plc serves as the parent company of Praxair Group and Linde AG Group. The markets and geographic presence of Linde plc Group correspond to those of Praxair Group and Linde AG Group together, whereas activities related to the holding and strategic governance activities are primarily carried out by Linde plc in Great Britain.

This makes Linde plc Group a globally operating gases and engineering company.

## **3. Acquisition of the Majority Shareholding in Linde AG by Linde Intermediate**

### **3.1 Exchange Offer by Linde plc to the Shareholders of Linde AG**

On June 1, 2017, Linde plc announced its decision to make a voluntary public takeover offer (Exchange Offer) for all shares of Linde AG. The Exchange Offer was published on August 15, 2017. Linde plc offered to the shareholders of Linde AG to acquire all no-par value bearer shares of Linde AG. Linde plc offered 1.540 shares in Linde plc in exchange for one Linde AG share.

Until the end of the additional acceptance period on November 24, 2017, 12.00 p.m. CET (midnight), the Exchange Offer was accepted for a total of 170,874,958 Linde AG shares. The Exchange Offer was closed on October 31, 2018.

### **3.2 Transfer of Linde AG Shares to Linde Intermediate**

Immediately following completion of the Exchange Offer on October 31, 2018, all Linde AG shares acquired by Linde plc were initially transferred to Linde Holding GmbH. To this end, Linde plc entered into an agreement with Linde Holding GmbH on October 29, 2018 for the deposition of the Linde AG shares that came into effect upon the effectiveness of the Business Combination on October 31, 2018.

Immediately following the transfer of Linde AG shares by Linde plc, Linde Holding GmbH transferred all Linde AG shares acquired to Linde Intermediate. To this end, Linde Holding GmbH concluded an agreement with Linde Intermediate on October 29, 2018 for the deposition of the Linde AG shares that came into effect upon the transfer of ownership of the Linde AG shares to Linde plc in the course of the settlement of the Exchange Offer, by Linde plc transferring the Linde AG shares to Linde Holding GmbH on October 31, 2018.

### **3.3 Current Shareholding**

As of the signing date of this Share Transfer Report, Linde Intermediate directly holds 170,874,958 Linde AG shares (see the deposit confirmation of UniCredit Bank AG, attached as **Annex 1**), which corresponds to approximately 92% of the nominal capital of Linde AG, after deduction of the treasury shares held by Linde AG.

## **4. Major Reasons for the Merger and the Squeeze-Out of the Minority Shareholders**

### **4.1 Simplification of the Group Structure**

The merger of Linde AG to Linde Intermediate and the squeeze-out of the Minority Shareholders of Linde AG serves the purpose of simplifying the organization and structure of the Linde plc Group. By merging Linde AG to Linde Intermediate, one group level is omitted. Linde AG will cease to exist as a legal entity and its assets will be transferred to Linde Intermediate by way of the universal succession. Following the merger, Linde Intermediate will continue as the operating business of Linde AG and hold the shares in its subsidiaries and associated companies. It will replace Linde AG as the parent company of the Linde AG Group. In turn, Linde plc will hold all shares in Linde Intermediate through Linde GmbH, a direct fully owned subsidiary. A domination agreement is in place between Linde Intermediate Holding GmbH and Linde Intermediate. Furthermore, Linde plc can execute its voting power in the general meeting through Linde Holding GmbH as sole shareholder in Linde Intermediate and perform its strategic management function as parent company.

## 4.2 Cost Saving, Flexibility and Transaction Safety

With the cessation of one legal entity in the shareholding chain, financial reporting costs can be cut. The squeeze-out of the Minority Shareholders as part of the merger will also have the effect that to the Minority Shareholders will be granted an adequate cash settlement and they will not be offered shares in the acquiring legal entity as is usually the case in a merger. With the completion of the squeeze-out of the Minority Shareholders and the merger, all shares in Linde Intermediate will be held by Linde Holding GmbH, the parent company of Linde Intermediate. As a consequence, the costs and lead time for the preparation and execution of the general annual meeting that occur with a large number of shareholders will not apply anymore (for example provision of an adequate location, publication of the invitation in the German electronic federal gazette (*Bundesanzeiger*), preparation of the annual report in preparation of the general meeting, reports to the general meeting, processing of information, etc.).

As a general rule, structural measures can be executed more economically and flexibly after the merger in connection with a squeeze-out of the Minority Shareholders, for example, capital increases, intercompany agreements, changes of the legal form, mergers and spin-offs. Without the need for long-term planning and time-consuming preparation of the Annual General Meeting, changes in the economic environment can be reacted to more quickly and easily, business opportunities can be seized more efficiently and changes within the Group can be facilitated and accelerated. Furthermore, potentially lengthy, expensive and labor-intensive judicial and extrajudicial proceedings with Minority Shareholders on the level of the parent company of Linde AG Group can be avoided. In particular, actions for annulment and rescission of Minority Shareholders against the resolutions of the general meeting of Linde Intermediate Holding AG can be ruled out for the future.

## 4.3 More Efficient Integration into Linde plc Group

A merger-related squeeze-out allows for a more efficient integration of the business currently managed by Linde AG into the Linde plc Group as the restrictions of sections 311 et seqq. German Stock Corporation Act on *de facto groups* are eliminated upon effectiveness of such merger-related squeeze-out.

Currently, the relationship between Linde AG and the companies directly or indirectly controlling Linde AG, i.e., Linde Intermediate, Linde Holding GmbH and Linde plc, is subject to sections 311 et seqq. German Stock Corporation Act governing *de facto groups*. In a *de facto group*, the executive board of the dependent stock corporation is obliged to manage the company within its sole responsibility. In that respect, the executive board is exclusively bound by the interests of the dependent stock corporation. While it lies within the executive board's broad discretion to comply with instructions, suggestions or requests of the controlling entity if it deems doing so to be in the best interest of the dependent stock corporation, the executive board of the dependent stock corporation is not required to follow any such instructions, suggestions or requests. Any measure requested by the controlling

entity which entails any disadvantage for the dependent stock corporation may only be implemented if such disadvantage can be quantified and is compensated in its entirety pursuant to section 311(1) and (2) German Stock Corporation Act. Any significant measures for which the respective disadvantages cannot be quantified are deemed to be inadmissible. Such legal restrictions applicable to *de facto groups* impede and limit the integration of a stock corporation, which is not affiliated to the group by way of a domination agreement, into the group of the ultimate parent company.

Following the completion of the sales requested by the U.S. antitrust authority, that are expected to occur shortly, the businesses of the Praxair-Group and of the Linde AG-Group may, without limitation, cooperate, share information and technology and closely coordinate with respect to their appearance on the markets. While in a *de facto group* only unreal synergies, i.e., synergies which can be realized by any majority shareholder irrespective of the envisaged transaction, may be realized, the Linde plc Group will, following the effectiveness of the merger-related squeeze-out, also be able to realize real synergies, i.e., synergies which may only be realized once the majority shareholder has effected the envisaged transaction, i.e. the merger-related squeeze-out at hand. The unlimited integration of Linde AG into the Linde plc Group and the realization of the entire synergy potential of the Linde plc Group, which was created through the business combination between Linde AG and Praxair, Inc., will therefore only be fully possible upon the elimination of the restrictions provided by sections 311 et seqq. German Stock Corporation Act.

The termination of the restrictions provided by the principles applicable to a *de facto group* is therefore of significant importance for the full (and not merely partial) integration of Linde AG into the Linde plc Group. In that regard, the group-wide realization also of real synergies and the value increase through uniform planning and the implementation of a joint strategy is facilitated if the group has a leadership which can implement its strategy also vis-à-vis the other companies of the group through binding instructions. Furthermore, it allows for the implementation of an optimized organizational, tax and liquidity set-up of the Linde plc Group without requiring compensation payments for disadvantages based on fair market value in the context of global restructuring measures or regional consolidations of business units, which might also require complex valuations. The termination of the restrictions applicable to *de facto groups* also allows for a flexible centralization of functions within the Linde plc Group which, in turn, avoids unnecessary group-wide double structures.

Upon the effectiveness of the merger-related squeeze-out, the business currently carried out by Linde AG will be continued by Linde Intermediate. Although Linde Intermediate also has the legal form of a stock corporation, it is affiliated to its sole shareholder, Linde Holding GmbH, by way of a domination agreement. The executive board of Linde Intermediate is obliged to follow instructions provided by Linde Holding GmbH. This applies even if such instructions entail any disadvantages for Linde Intermediate. The management board of Linde Holding GmbH in turn must comply with any resolutions passed by the shareholders' meeting. The sole shareholder of Linde Holding GmbH is Linde plc. Hence, the merger-



related squeeze-out for the first time establishes an indirect, legally binding right of Linde plc to instruct the executive board of the entity carrying out the current business of Linde AG.

#### **4.4 No Obligation to Prepare a Dependency Report**

Upon effectiveness of the merger, Linde AG is no longer required to prepare a so-called dependency report pursuant to section 312 German Stock Corporation Act. As of now, the executive board of Linde AG is obliged to prepare such annual report regarding the legal relationships of Linde AG and its affiliates. Such report has to include all legal transactions of Linde AG with other companies of the Linde plc-Group as well as all legal transactions or measures which Linde AG has carried out or has omitted to carry out upon initiative of another company of the Linde plc-Group. Information on legal transactions must include any service or performance obligation and any consideration; information on measures must include their respective reasons as well as their advantages and disadvantages for Linde AG. In the event of any compensation of disadvantages, it must be described in detail how the respective disadvantage was compensated during the course of the financial year or to which advantages the company was granted a legal claim. The dependency report needs to be examined by the auditor of Linde AG. Upon effectiveness of the merger-related squeeze-out, the obligation to prepare such dependency report terminates. Due to the existing domination agreement between Linde Holding GmbH and Linde Intermediate, Linde Intermediate is not obliged to prepare a dependency report.

#### **4.5 Withdrawal of the Listing**

With the merger of Linde AG to Linde Intermediate, the listing of Linde AG will be withdrawn. A listing of Linde Intermediate alongside the listing of Linde plc at the Frankfurt and New York stock exchanges is not intended. As a consequence, on one group level, the costs in connection with a listing at a stock exchange cease to apply, for example, costs to comply with disclosure requirements and other requirements under capital markets laws.

With the delisting from the stock exchange, Linde AG will no longer be subject to any subsequent obligations under capital market law, in particular the obligation to publish information that constitutes insider information for the company concerned (see Art. 17 in conjunction with Art. 7 of the Market Abuse Regulation). This facilitates the execution of corporate transactions, such as company acquisitions.

### **5. Alternatives for the Planned Merger, in Connection with Which a Squeeze-Out of Minority Shareholders Occurs**

Potential alternatives for the merger of Linde AG to Linde Intermediate in connection with a squeeze-out of the Minority Shareholders of Linde AG are either not adequate in order to accomplish the goals aimed for, or they would involve other disadvantages according to Linde Intermediate and Linde AG.

Linde plc as the offeror has not reached the shareholding threshold necessary for a squeeze-out of the Minority Shareholders under takeover law according to Sec. 39a *et seq.* of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz (WpÜG)*) following the public takeover of Linde AG by Linde plc. Sec. 39a para. 1 sentence 1 of the German Securities Acquisition and Takeover Act requires a shareholding threshold of 95% of the voting capital in the target company. Before the shares were transferred to Linde Intermediate, Linde plc had acquired approximately 92% of the shares in Linde AG in the course of the takeover process. Likewise, a squeeze-out of the Minority Shareholders solely according to Sec. 327a *et seq.* of the German Stock Corporation Act or an integration under Sec. 319 *et seq.* of the German Stock Corporation Act cannot be taken into consideration, as Linde Intermediate does not hold 95% of the nominal capital of Linde AG.

Concluding a control and profit transfer agreement between Linde Intermediate as the controlling company and Linde AG as the controlled company would also have facilitated the integration of Linde AG into the Linde plc Group and terminated the obligation to prepare a dependency report. However, it would have had the effect of the continued existence of Linde AG as an own legal entity and as a listed stock corporation. The Minority Shareholders would still hold a participation in Linde AG. The goals in connection with a simplification of the group structure, higher transaction safety and cost saving could however not be reached in the aforementioned way.

A merger of Linde AG to Linde Intermediate without squeezing out the Minority Shareholders would result in a more extensive transaction and higher costs. In this case, Linde AG would discontinue existing as a legal entity, however the Minority Shareholders would receive shares in Linde Intermediate instead of a cash settlement. If these shares are not admitted for trading at a stock exchange, not-consenting shareholders must be offered a cash settlement according to Sec. 29 German Transformation Act. If the Minority Shareholders continue to hold their share, the above-mentioned advantages of Linde Holding GmbH as sole shareholder cannot be realized. In the event of an effectiveness of the merger without a squeeze-out of the minority shareholders, the existing domination agreement between Linde Holding GmbH and Linde Intermediate would have terminated, pursuant to section 307 German Stock Corporation Act, by the end of the financial year at the latest. The integration of Linde AG into the Linde plc Group would not have been facilitated due to the termination of the domination agreement and the *de facto group* which would have resulted thereof. Further, Linde Intermediate would have been obliged to prepare a dependency report as from the termination of the domination agreement.

The revocation of the stock exchange listing (“delisting”) at the request of the Executive Board of Linde AG does not allow all the advantages described to be realized. The delisting would remove the costs of the stock exchange listing and the associated obligations. However, the intended group structure and the increased flexibility and transaction security that is made possible by the exclusion of minority shareholders under merger law cannot be achieved by a delisting.

## **6. Requirements for the Squeeze-Out of the Minority Shareholders**

The requirements to transfer the Minority Shareholders' shares to the Majority Shareholder by means of a squeeze-out under transformation law pursuant to Sec. 62 para. 5 German Transformation Act in conjunction with Sec. 327a *et seq.* German Stock Corporation Act will be discussed in the following, initially on a general basis and afterwards specifically with regard to the intended transfer of the Minority Shareholders' shares in Linde AG to Linde Intermediate.

### **6.1 Overview**

If, in case of a merger of two stock corporations by means of absorption, shares amounting to at least nine-tenths of the nominal capital of the transferring stock company are held directly by the acquiring stock company, the general meeting of the transferring stock company may, within three months after the execution of the merger agreement, adopt a resolution pursuant to Sec. 327a para. 1 sentence 1 German Stock Corporation Act on the transfer of the shares of the remaining shareholders to the Majority Shareholder against an adequate cash settlement. It is not required for a separate merger resolution within the meaning of Sec. 13 German Transformation Act to be passed by either the general meeting of the transferring stock company (Sec. 62 para. 4 sentence 2 German Transformation Act) or the general meeting of the acquiring stock company (Sec. 62 para. 1 sentence 1 German Transformation Act).

Pursuant to Sec. 62 para. 5 sentence 2 German Transformation Act, the merger agreement or its draft shall state that a squeeze-out of the Minority Shareholders of the transferring company should take place in connection with the merger.

Following the execution of the merger agreement, pursuant to Sec. 62 para. 5 sentence 3, para. 3 sentence 1, Sec. 63 para. 1 German Transformation Act, the merger agreement or its draft, the annual reports and the management reports (if required by accounting law) for the last three financial years of the companies involved in the merger, and, if applicable, the merger report of the companies involved in the merger and the merger audit report by the expert auditor chosen and appointed by the court, shall be laid out in the business premises or published on the web site of the acquiring company for review by the shareholders for a period of one month. If the most recent annual financial statement refers to a financial year that has expired more than six months prior to the execution of the merger agreement or its draft, an interim balance sheet shall be published in addition to the annual financial statements pursuant to the details set forth in Sec. 63 para. 1 no. 3, para. 2 German Transformation Act.

At the same time, the executive board of the acquiring company shall publish a notice regarding the imminent merger in the acquiring company's designated publications pursuant to Sec. 62 para. 5 sentence 3, para. 3 sentence 2 German Transformation Act and submit the merger agreement or its draft to the commercial register at the registered office of the acquiring company.

Within three months after the execution of the merger agreement, the general meeting of the acquiring company can make a transfer resolution pursuant to Sec. 327a para. 1 sentence 1 German Stock Corporation Act on the transfer of the Minority Shareholders' shares to the Majority Shareholder.

Pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327b para. 1 sentence 1, German Stock Corporation Act, the Majority Shareholder sets the amount of the adequate cash settlement that shall be paid to the transferring company's Minority Shareholders for the transfer of their share to the Majority Shareholder. It shall take into account the circumstances of the transferring company at the time the resolution is adopted by the general meeting. Pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327b para. 1 sentence 2 German Stock Corporation Act, the executive board of the transferring company is obliged to provide to the Majority Shareholders all documents and information that are necessary for the calculation and determination of the adequate cash settlement.

Pursuant to Section 62 para. 5 sentence 8 German Transformation Act, Section 327c para. 2 sentence 1 German Stock Corporation Act, the majority shareholder is required to submit a written report to the Annual General Meeting of the transferring company in which the conditions for the transfer of the shares of the Minority Shareholders are set out and explained, and the appropriateness of the cash compensation is justified.

Pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327a para. 2 sentences 2 to 4 German Stock Corporation Act, the adequacy of the cash settlement shall be audited by an expert auditor chosen and appointed by a court on the request of the majority shareholder. The auditor will report in writing on the result of this audit. The audit report pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327 para. 2 sentence 4 in conjunction with Sec. 293e para. 1 German Stock Corporation Act shall be concluded with a recommendation as to whether the cash settlement determined by the majority shareholder is adequate.

Prior to the convocation of the general meeting pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327b para. 3 German Stock Corporation Act, the majority shareholder shall submit to the executive board of the transferring company the declaration of a credit institution authorized to conduct business within the scope of the German Stock Corporation Act, by which the credit institution guarantees the performance of the majority shareholder's obligation to pay to the Minority Shareholders the set cash settlement for the transferred shares without undue delay after the effective date of the transfer resolution.

From the date of the convocation of the general meeting of the transferring company, which shall decide upon the transfer of the Minority Shareholders' shares to the majority shareholder, the merger agreement or its draft, the draft of the transfer resolution, the transferring company's financial statements and management's report for the last three financial years, the share transfer report by the majority shareholder, and the audit report of

the expert auditor chosen and appointed by the court on the adequacy of the cash settlement payable in the course of the squeeze-out under transformation law shall be laid out for review by the shareholders pursuant to Sec. 62 para. 5 sentence 5 and 8 German Transformation Act, Sec. 327c para. 3 German Stock Corporation Act.

Upon request, each shareholder shall be given a copy of the aforementioned documents without undue delay and free of charge. The duty to lay out or to send these documents does not apply if the documents are available on the company's web site for the same period of time. Pursuant to Sec. 62 para. 5 sentence 5 and 8 German Transformation Act and Sec. 327d sentence 1 German Stock Corporation Act, the documents shall be made available in the general meeting of the transferring company as well.

Following the adoption of the resolution to transfer the minority shareholders' shares to the majority shareholder by the general meeting, the executive board of the transferring company shall file the transfer resolution for registration with the commercial register at the registered office of the transferring company pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327e para. 1 sentence 1 German Stock Corporation Act. Moreover, the executive boards of the transferring and the acquiring company shall file the merger for registration with the commercial register at the registered office of their respective company (Sec. 16 para. 1 sentence 1 German Transformation Act).

The registration of the transfer resolution with the commercial register at the registered office of the transferring company shall be marked with a note pursuant to Sec. 62 para. 5 sentence 7 German Transformation Act according to which the transfer resolution will only take effect at the same date on which registration of the merger with the commercial register at the registered office of the acquiring company occurs. The merger will take effect (Sec. 20 para. 1 German Transformation Act) upon registration of the merger with the commercial register at the registered office of the acquiring company, which may only take place if the merger was previously registered with the commercial register at the registered office of the transferring company (Sec. 19 para. 1 sentence 1 German Transformation Act). In turn, the registration of the merger with the commercial registers at the registered offices of both legal entities involved in the merger shall only take place, due to the condition precedent provided in the merger agreement, if the transfer resolution was registered with the commercial register at the registered office of the transferring company.

The merger will take effect with the latest registration of the merger with the commercial register at the registered office of the acquiring company. Thereby, all shares of the minority shareholders of the transferring company shall be transferred to the majority shareholder by operation of law pursuant to Sec. 62 para. 5 sentences 7 and 8 German Transformation Act, Sec. 327e para. 3 sentence 1 German Stock Corporation Act. In turn, the Minority Shareholders receive the right to claim the payment of the agreed cash settlement.

## 6.2 Legal Form of the Entities Involved, Conclusion of a Merger Agreement, Stake of Linde Intermediate

If, in the case of a merger of two stock corporations, shares amounting to at least nine-tenths of the nominal capital of the transferring stock corporation belong directly to the acquiring stock corporation, the annual general meeting of the transferring stock corporation may pass a resolution pursuant to Sec. 327a para. 1 sentence 1 German Stock Corporation Act on the transfer of the shares of the remaining shareholders to the majority shareholder in exchange for an appropriate cash compensation within three months of the execution of the merger agreement.

Linde Intermediate as well as Linde AG are stock corporations under German Law. On November 1, 2018, Linde Intermediate and Linde AG executed a merger agreement according to which Linde AG, being the transferring company, transfers its assets as a whole with all rights and obligations by dissolution without liquidation to Linde Intermediate, being the acquiring company, pursuant to Sec. 2 No. 1, 60 *et seq.* German Transformation Act (see **Annex 5** of this Share Transfer Report).

The effectiveness of this merger agreement is, pursuant to its Section 8, subject to the condition precedent that a resolution of the general meeting of Linde AG pursuant to Sec. 62 para. 5 sentence 1 German Transformation Act, in conjunction with Sec. 327a para. 1 sentence 1 German Stock Corporation Act, regarding the transfer of the Minority Shareholders' shares in Linde AG to Linde Intermediate, being the Majority Shareholder, is registered with the commercial register at the registered office of Linde AG. The supervisory board of Linde AG granted its approval for the execution of the merger agreement on November 1, 2018.

On the signing date of the present Share Transfer Report, Linde Intermediate holds 170,874,958 no-par value bearer shares of Linde AG (see the deposit confirmation of UniCredit Bank AG, attached as **Annex 1**). With a nominal capital of Linde AG divided into 185,733,180 no-par-value shares, this corresponds deducting 95,109 treasury shares of Linde AG in accordance with Sec. 62 para. 1 sentence 2 German Transformation Act to a stake in the nominal capital of approximately 92%. Thus, Linde Intermediate holds more than nine-tenths of the nominal capital of Linde AG; as a result, it is the majority shareholder within the meaning of Sec. 62 para. 5 sentence 1 German Transformation Act. Linde Intermediate was also majority shareholder of Linde AG within the meaning of Sec. 62 Para. 5 sentence 1 German Transformation Act at the time of the date of the execution of the merger agreement on November 1, 2018, as well as of the date of formal transfer request of November 1, 2018 (see also **Annex 4** of this Share Transfer Report).

### **6.3 Statement That a Squeeze-Out of the Minority Shareholders Shall Take Place in Connection with the Merger**

Pursuant to Sec. 62 para. 5 sentence 2 German Transformation Act, the merger agreement or its draft shall state that a squeeze-out of the Minority Shareholders of the transferring company shall take place in connection with the merger.

The merger agreement executed on November 1, 2018 between Linde Intermediate and Linde AG states in Sec. 2 that a squeeze-out of the Minority Shareholders of Linde AG shall take place in connection with the merger.

According to the legal opinion of the executive board of the Majority Shareholder, it is not necessary that, in addition to the statement pursuant to Sec. 62 para. 5 sentence 2 German Transformation Act in the merger agreement or its draft, the Majority Shareholder requests from the transferring company, represented by its executive board, that the general meeting of the transferring company might resolve on the transfer of the shares of the Minority Shareholders to the Majority Shareholder against the payment of an adequate cash settlement (Sec. 327a para. 1 sentence 1 German Stock Corporation Act).

Notwithstanding this, Linde Intermediate addressed the request to the executive board of Linde AG in a letter dated November 1, 2018, that within three months of the execution of the merger agreement, the general meeting of Linde AG resolves to transfer the shares of Linde AG's minority shareholders to Linde Intermediate as the majority shareholder in exchange for an appropriate cash compensation. Therein, Linde Intermediate informed the executive board of Linde AG in its transfer request on the amount of the set cash settlement, which, pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327b para. 1 sentence 1 German Stock Corporation Act, shall be paid to the Minority Shareholders of Linde AG for the transfer of their shares to Linde Intermediate being the majority shareholder (see **Annex 4** of this Share Transfer Report).

In addition, it has provided the executive board of Linde AG with a warranty statement from UniCredit Bank AG (see **Annex 7** to this share transfer report).

### **6.4 Display of Documents in the Business Premises of Linde Intermediate, Publication, Submission of the Merger Agreement**

After the execution of the merger agreement, the documents listed under *Section 6.1 "Overview"* must be laid out for review by the shareholders on the business premises of the acquiring company pursuant to Sec. 62 para. 5 sentence 3, para. 3 sentence 1 German Transformation Act, in conjunction with Sec. 63 para. 1 German Transformation Act, or must be made available on the web site of the acquiring company pursuant to Sec. 62 para. 3 sentence 8 German Transformation Act for the period of one month. Upon request, each shareholder of the acquiring company will receive a copy of these documents immediately and free of charge pursuant to Sec. 62 para. 3 sentence 6 German Transformation Act. At the same time, the executive board of the acquiring company shall publish a notice

regarding the imminent merger in the acquiring company's designated publications pursuant to Sec. 62 para. 5 sentence 3, para. 3 sentence 2 German Transformation Act and submit the merger agreement or its draft to the commercial register at the registered office of the acquiring company. At the latest at the beginning of this period, pursuant to Sec. 62 para. 5 sentence 4 German Transformation Act, the submission obligation specified in Sec. 5 para. 3 German Transformation Act must be fulfilled, *i.e.*, the merger agreement or its draft must be forwarded to the relevant works council(s) of the legal entities involved in the merger.

Since the execution of the merger agreements, the following documents have been laid out on the business premises of the acquiring company and the transferring company (each Klosterhofstraße 1, 80331 Munich, Germany) for review by the shareholders of both companies:

- merger agreement dated November 1, 2018 between Linde Intermediate being the acquiring company and Linde AG being the transferring company;
- financial statements of Linde AG, consolidated financial statements, and consolidated management reports of Linde AG and Linde AG Group, in each case for the financial years 2015, 2016, and 2017;
- financial statements of Linde Intermediate for the short financial year 2017 and for the short financial year ending on June 30, 2018 (previous annual financial statements are not available due to the formation in 2017);
- Interim balance sheet of Linde AG as of August 31, 2018;
- joint merger report of the executive boards of Linde Intermediate and Linde AG, as a matter of precaution reported pursuant to Sec. 8 German Transformation Act, dated November 1, 2018;
- the audit report, prepared as a matter of precaution reported pursuant to Sec. 60 in conjunction with Sec. 12 German Transformation Act and dated October 31, 2018, of the expert auditor Ebner Stolz, chosen and appointed by the local court of Munich I for both legal entities involved in the merger, on the audit of the merger agreement between Linde Intermediate as the acquiring company and Linde AG as the transferring company;
- this report by Linde Intermediate pursuant to Sec. 327c para. 2 Sentence 1 German Stock Corporation Act; and
- the audit report of the expert auditor Ebner Stolz, selected and appointed by the local court of Munich I, for Linde Intermediate on the audit of the adequacy of the cash compensation in accordance with Sec. 327c para. 2 sentences 2 to 4 German Stock Corporation Act and dated October 31, 2018.



Furthermore, Linde AG published the aforementioned documents on the web site of Linde AG as well following the execution of the merger agreement and will keep them accessible until the conclusion of the general meeting of Linde AG, which will resolve on the transfer of the Minority Shareholders' shares in Linde AG.

The executive board of Linde Intermediate and, as a precautionary measure, the executive board of Linde AG will, immediately after the execution of the merger agreement, publish a notice of the pending merger in the German federal gazette (*Bundesanzeiger*) in accordance with Sec. 62 para. 5 sentence 3, para. 3 sentence 2 German Transformation Act. Linde Intermediate and Linde AG will also immediately submit the merger agreement to the commercial registers at their registered offices.

The merger agreement, in the version that was certified, will also be supplied to the works councils for (i) the Linde Head Office in Munich, (ii) for Linde Gases Division Deutschland in Bad Driburg-Herste, Berlin, Bitterfeld, Bielefeld, Bochum, Bremen, Burghausen, Duisburg, Dusseldorf, Dormagen, Eisenhüttenstadt, Gablingen, Göllheim, Hamburg, Hamburg-Finkenwerder, Hamburg-Müggenburg, Hanover, Herne, Cologne-Worringen, Leuna, Marl, Meitingen-Herbertshofen, Neuwied, Niefern, Nuremberg, Oberhaching, Oberschleißheim, Pullach, Salzgitter, Stolberg, Stuttgart, Unterschleißheim, Wiesbaden, Worms and (iii) for Linde Engineering Division in the Dresden, Schalchen and Pullach of the Linde AG and, as a precaution, the European Works Council and the Group Works Council for the Linde AG Group pursuant to Sec. 5 para. 3, 62 para. 5 sentence 4 German Transformation Act. As Linde Intermediate has no general works council, there was no obligation to supply pursuant to Sec. 5 para. 3, Sec. 62 para. 5 sentence 4 German Transformation Act.

## **6.5 Determination of the Adequate Cash Settlement**

Pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act and Sec. 327b para. 1 sentence 1 German Stock Corporation Act, the majority shareholder shall set the amount of the adequate cash settlement considering the circumstances of the transferring company at the time in which the resolution is adopted by the general meeting.

Linde Intermediate determined the adequate cash settlement on the basis of a company valuation of Linde AG. Linde Intermediate conducted the company valuation on the basis of the capitalized earnings value method (*Ertragswertverfahren*) and on an analysis of the relevant share price of Linde AG's shares having external expert support from EY.

On the basis of this company valuation, Linde Intermediate set the cash settlement pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327b para. 1 sentence 1 German Stock Corporation Act to

EUR 188.24 per non-par value share of Linde AG.

The adequacy of the cash settlement will be explained and justified below under *Section 8. “Explanation and Justification of the Adequacy of the Cash Settlement”*, as well as in the Valuation Opinion of EY, attached as **Annex 6** to this Share Transfer Report.

## **6.6 Share Transfer Report of the Majority Shareholder**

Pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327c para. 2 sentence 1 German Stock Corporation Act, the majority shareholder shall present a written share transfer report to the general meeting of the transferring company, in which it explains and justifies the requirements for the transfer of the Minority Shareholders’ shares and the adequacy of the cash settlement.

With this Share Transfer Report, Linde Intermediate, being the majority shareholder, presents to the general meeting of Linde AG the Share Transfer Report to be presented pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327 para. 2 sentence 1 German Stock Corporation Act, on the intended transfer of the minority shareholders’ shares against the payment of an adequate cash settlement. In the Share Transfer Report at hand, particularly the requirements for the transfer of the Minority Shareholders’ shares are explained and the adequacy of the cash settlement determined by Linde Intermediate is explained and reasoned. This Share Transfer Report will be accessible for the shareholders prior to and during the general meeting of Linde AG (see *Section 6.9 “Making Available Documents in Order to Prepare the General Meeting”* below).

## **6.7 Audit of the Adequacy of the Cash Settlement**

Pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327c para. 2 sentence 2 to 4 German Stock Corporation Act, the adequacy of the cash settlement shall be audited by an expert auditor chosen and appointed by a court upon request of the majority shareholder.

Upon request of Linde Intermediate, the responsible local court of Munich I appointed Ebner Stolz as expert auditor of the adequacy of the cash settlement on the occasion of the intended merger of the Minority Shareholders’ shares to the majority shareholder. Ebner Stolz reports the results of his audit of the adequacy of the cash compensation pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327c para. 2 sentence 2 to 4, Sec. 293e German Stock Corporation Act in a separate audit report. This audit report will also be made available to the shareholders prior to and during the general meeting of Linde AG (see *Section 6.9 “Making Available Documents in Order to Prepare the General Meeting”* below).

## **6.8 Warranty Declaration of a Credit Institute**

Before the shareholders’ meeting is convened, the majority shareholder must deliver to the executive board of the transferring company pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327b para. 3 German Stock Corporation Act the declaration of a credit institution authorized to operate within the scope of the German Stock Corporation Act

by which the credit institution guarantees the performance of the majority shareholder's obligation to pay the Minority Shareholders the set cash settlement for the transferred shares without undue delay after the effective date of the transfer resolution.

Whereas with regard to the squeeze-out under stock corporation law pursuant to Sec. 327a *et seq.* German Stock Corporation Act the transfer resolution takes effect upon its registration with the commercial register pursuant to Sec. 327e para. 3 German Stock Corporation Act, a different set of rules applies to a squeeze-out under merger law.

Pursuant to Sec. 62 para. 5 sentence 7 German Transformation Act, the registration of the transfer resolution shall be marked with the note that it will take effect at the same time as the registration of the merger with the commercial register at the registered office of the acquiring company will take effect. This means that the transfer resolution will take effect only if not only the transfer resolution is registered with the commercial register at the registered office of the transferring company, but also if the merger is registered with the commercial register at the registered office of the acquiring company. Consequently, in case the transfer resolution is registered with the commercial register at the registered office of the transferring company first, the Minority Shareholders' shares in the transferring company pass to the majority shareholder simultaneously with the registration of the merger with the commercial register at the registered office of the acquiring company. Thus, the obligation to pay the adequate cash settlement will become due at this very date (see *Section 6.11.1 "Transfer Resolution"* and *Section 7.2 "Entitlement of the Minority Shareholders to an Adequate Cash Settlement"* below).

This means for the warranty declaration pursuant to Sec. 62 para. 5 sentence 7 and 8 German Transformation Act, Sec. 327b para. 3 German Stock Corporation Act with regard to a squeeze-out under merger law: The credit institution must guarantee the performance of the majority shareholder's obligation to pay to the Minority Shareholders the set cash settlement without undue delay after not only the transfer resolution is registered with the commercial register at the registered office of the transferring company, but also the merger is registered with the commercial register at the registered office of the acquiring company and thus the transfer resolution takes effect.

The UniCredit Bank AG declared on October 31, 2018 by way of an independent guarantee undertaking to guarantee the performance of the obligation of Linde Intermediate Holding AG to pay the Minority Shareholders of Linde AG the set cash settlement in the amount of EUR 188.24 per share without undue delay after the transfer resolution takes effect, *i.e.*, not only (1) the transfer resolution is registered with the commercial register at the registered office of Linde AG, but also (2) the merger is registered with the commercial register at the registered office of Linde Intermediate (see [Annex 7](#) of this Share Transfer Report). The UniCredit Bank AG is a credit institution authorized to operate within the territorial scope of the Federal Republic of Germany.

The warranty declaration of UniCredit Bank AG entitles the Minority Shareholders from the date of the effectiveness of the transfer resolution to directly and irrevocably claim the payment of the cash settlement set for their respective shares from UniCredit Bank AG. The warranty declaration covers the obligation of Linde Intermediate to pay interests on the cash settlement pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327b para. 2 German Stock Corporation Act. Apart from that, the warranty declaration is limited to the cash settlement set by the Majority Shareholder in compliance with the legal requirements. This means, in case a court subsequently sets, in the course of appraisal proceedings, the adequacy of the cash settlement on a higher level, the difference is not covered by the warranty declaration.

## **6.9 Making Available Documents in Order to Prepare the General Meeting**

Starting with the convocation of the general meeting of Linde AG, which will resolve on the transfer of the Minority Shareholders' shares to the majority shareholders, the documents listed below may be accessed on the premises of Linde AG and via Linde AG's web site. In addition, these documents will be made available during the general meeting of Linde AG on December 12, 2018.

- draft of the transfer resolution (see **Annex 8** of this Share Transfer Report);
- financial statements of Linde AG, consolidated financial statements, and consolidated management reports of Linde AG and Linde AG Group, in each case for the financial years 2015, 2016, and 2017;
- written report of Linde Intermediate in its capacity as majority shareholder of Linde AG pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327c para. 2 sentence 1 German Stock Corporation Act, regarding the requirements of the transfer of the Minority Shareholders' shares in Linde AG to Linde Intermediate and regarding the explanation and justification of the adequacy of the set cash settlement, dated November 1, 2018, including its annexes (this Share Transfer Report);
- warranty declaration of UniCredit Bank AG pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327b para. 3 German Stock Corporation Act, dated October 31, 2018 (see **Annex 7** of this Share Transfer Report);
- audit report pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act in conjunction with Sec. 327c para. 2 sentence 2 to 4 German Stock Corporation Act of the expert auditor Ebner Stolz, chosen and appointed by the local court of Munich I, on the adequacy of the cash settlement on the occasion of the intended merger and transfer of the shares of the Minority Shareholders of Linde AG to Linde Intermediate;

- merger agreement between Linde Intermediate being the acquiring company and Linde AG being the transferring company, dated November 1, 2018 (see **Annex 4** of this Share Transfer Report);
- financial statements of Linde Intermediate for the short financial year 2017 and for the short financial year ending June 2018;
- Interim balance sheet of Linde AG as at 31 August 2018;
- joint merger report of the executive boards of Linde Intermediate and Linde AG, as a matter of precaution reported pursuant to Sec. 8 German Transformation Act, dated November 1, 2018, including its annexes; and
- audit report of the contract auditor Ebner Stolz chosen and appointed by the court on the audit of the merger agreement between Linde Intermediate, being the acquiring company, and Linde AG, being the transferring company, as a matter of precaution reported pursuant to Sec. 60 in conjunction with Sec. 12 German Transformation Act, dated October 31, 2018.

#### **6.10 Transfer Resolution of the General Meeting of Linde AG; Maintaining the Three-Month Period**

On December 12, 2018, the general meeting of Linde AG shall decide on the transfer of the Minority Shareholders' shares in Linde AG to the majority shareholder. As the merger agreement between Linde Intermediate and Linde AG was executed on November 1, 2018 (see *Section 6.2 "Legal Form of the Entities Involved, Conclusion of a Merger Agreement, Stake of Linde Intermediate"*), the time period pursuant to Sec. 62 para. 5 sentence 1 German Transformation Act, according to which the transfer resolution should be resolved within three months after the execution of the merger agreement, was met.

The draft of the transfer resolution submitted by the Majority Shareholder to Linde AG reads as follows:

“The non-par value bearer shares of the other shareholders of Linde AG (Minority Shareholders) shall be transferred to the majority shareholder pursuant to Sec. 62 para. 5 German Transformation Act in conjunction with Sec. 327a *et seq.* German Stock Corporation Act against the payment of an adequate cash settlement in the amount of EUR 188.24 per non-par value bearer share of Linde AG payable by Linde Intermediate having its registered office in Munich (majority shareholder).”

Accordingly, the main content of this resolution is the transfer of the shares held by the Minority Shareholders of Linde AG to Linde Intermediate being the majority shareholder against the payment of an adequate cash settlement in the amount of EUR 188.24 per non-par value share of Linde AG.

The resolution of the general meeting on the transfer of the Minority Shareholders' shares to the majority shareholder requires, pursuant to Sec. 62 para. 5 sentence 1 German Transformation Act, Sec. 327a para. 1 sentence 1 German Stock Corporation Act, a simple majority (Sec. 133 para. 1 German Stock Corporation Act). The majority shareholder is entitled to vote. There is no voting right exclusion.

## **6.11 Registration with the Commercial Register**

### **6.11.1 Transfer Resolution**

Following the resolution of the general meeting on the transfer of the Minority Shareholders' shares to the majority shareholder, the executive board of the Linde AG shall file the transfer resolution for registration with the commercial register at the transferring company pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327e para. 1 sentence 1 German Stock Corporation Act. The filing shall be accompanied by the merger agreement as well as by the written transfer resolution and its annexes, each in authentic original or notarized copy pursuant to Sec. 62 para. 5 sentence 6 and 9 German Transformation Act, Sec. 327e para. 1 sentence 2 German Stock Corporation Act.

In the registration, the executive board shall declare pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327e para. 2, Sec. 319 para. 5 sentence 1 German Stock Corporation Act, that an action against the effectiveness of the transfer resolution has not been raised or has not been raised within the time limits or that such an action has been denied finally and without recourse to appeal, or that such an action has been withdrawn (so-called negative declaration). As a basic principle, if the declaration is not made, the transfer resolution shall not be registered pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327e para. 2, Sec. 319 para. 5 sentence 2 German Stock Corporation Act. The declaration is not necessary if, after the raising of an action against the effectiveness of the transfer pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327e para. 2, Sec. 319 para. 6 sentence 3 German Stock Corporation Act, the competent court pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327e para. 2, Sec. 319 para. 6 sentence 7 (in this case the higher regional court of Munich) holds, on application of the Company, that the raising of the action does not prevent the registration (so-called release order). The release order shall be issued, pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327e para. 2, Sec. 319 para. 6 sentence 3 German Stock Corporation Act, if (i) the action is inadmissible or manifestly unfounded, (ii) the claimant has not provided deeds within one week after service of the application that prove that he has been holding a proportionate amount of not less than EUR 1,000 since notification of the meeting, or (iii) it appears preferable that the resolution of the general meeting takes effect immediately, because the material disadvantages for the company and the shareholders as set forth by the stock corporation outweigh, in the court's opinion, the disadvantages for the opponent, unless the infringement is particularly severe. Pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327e para. 2, Sec. 319 para. 6 sentence 9 German Stock Corporation Act, the release order is not subject to a contesting action.

The registration of the transfer resolution shall be marked with a note pursuant to Sec. 62 para. 5 sentence 7 German Transformation Act, according to which it only takes effect at the same time as the registration of the merger, with the commercial register at the registered office of the acquiring company, takes effect.

### **6.11.2 Merger**

In addition, the executive board of Linde AG and the executive board of Linde Intermediate shall file the merger for registration with the commercial register at their respective companies (Sec. 16 para. 1 sentence 1 German Transformation Act).

The merger will take effect (Sec. 20 para. 1 German Transformation Act) with the registration of the merger with the commercial register at the registered office of Linde Intermediate, which will only take place if the merger was registered previously with the commercial register at the registered office of Linde AG (Sec. 19 para. 1 sentence 1 German Transformation Act). In turn, the registration of the merger with the commercial register at the registered offices of both entities involved in the merger shall, due to the condition precedent provided in the merger agreement, take place only if the transfer resolution is registered with the commercial register at the registered office of the transferring company.

Consequently, the resolution on the transfer of the Minority Shareholders' share in Linde AG to Linde Intermediate Holdings AG will take effect simultaneously with the merger at the time of the registration of the merger with the commercial register at the registered office of Linde Intermediate.

Each of the parties of the merger agreement concluded between Linde Intermediate and Linde AG on November 1, 2018 may withdraw from the merger agreement if the merger does not come into effect by December 31, 2021 by way of its registration with the commercial register at Linde Intermediate. If, contrary to today's expectations, a withdrawal from the contract occurred and consequently the merger did not take effect, the resolution on the transfer of the Minority Shareholders' shares in Linde to Linde Intermediate would not take effect as well.

## **7. Consequences of the Transfer of the Minority Shareholders' Shares**

### **7.1 Transfer of the Shares to the Majority Shareholder**

Pursuant to Sec. 62 para. 5 sentence 7 and 8 German Transformation Act, Sec. 327e para. 3 sentence 1 German Stock Corporation Act, the Minority Shareholders' shares in Linde AG shall be transferred to Linde Intermediate, being the majority shareholder, upon the effective date of the transfer resolution. The transfer resolution takes effect if and when the resolution to be taken by the general meeting of Linde AG on the transfer of the Minority Shareholders' share in Linde AG to Linde Intermediate is registered with the commercial register at the registered office of Linde AG and the merger is registered with the commercial register at the registered office of Linde Intermediate. At this time, the Minority Shareholders lose their

status as a shareholder and therewith all their memberships rights arising from their shareholder status in Linde AG by virtue of law. Separate transactions or assignments regarding the shares are neither necessary nor possible. The Minority Shareholders receive the right to claim the payment of the adequate cash settlement by Linde Intermediate against the transfer of their shares, pursuant to Sec. 62 para. 5 German Transformation Act, Sec. 327a *et seq.* German Stock Corporation Act. The obligation to pay the adequate cash compensation becomes due at the effective date of the transfer resolution, *i.e.*, when and as soon as both the transfer resolution is registered with the commercial register at the registered office of Linde AG and the merger is registered with the commercial register at the registered office of Linde Intermediate.

Upon effectiveness of the transfer resolution, Linde Intermediate acquires the legal status as a shareholder and therewith all membership rights arising out of the Minority Shareholders' shares, which are necessarily linked to the legal status as shareholder. With the registration of the merger with the commercial register at the registered office of Linde Intermediate, the assets of Linde AG pass to Linde AG as a whole by way of universal succession (Sec. 20 para. 1 no. 1 German Transformation Act), Linde AG ceases to exist as an independent legal entity (Sec. 20 para. 1 no. 2 sentence 1 German Transformation Act) and also any membership rights arising out of shares in Linde AG cease to exist.

Upon effectiveness of the transfer resolution and the merger respectively, the share certificates of Linde AG's shares, provided that they are owned or co-owned by the Minority Shareholders, do no longer evidence the membership right of the Minority Shareholders in Linde AG, but rather the entitlement of the Minority Shareholders to the payment of the adequate cash settlement against Linde Intermediate, being the majority shareholder.

## **7.2 Entitlement of the Minority Shareholders to an Adequate Cash Settlement**

If and when the transfer resolution takes effect (see *Section 6.11.1 "Transfer Resolution"*), the holders of the transferred shares are entitled to claim payment of the set cash settlement in the amount of

EUR 188.24 per non-par value share of Linde AG

from Linde Intermediate, and *vice versa* Linde Intermediate, being the majority shareholder, is obliged to pay the set cash settlement.

The local court Munich being the competent register court of Linde AG will publish both the registration of the transfer resolution and the registration of the merger in the electronic information and communication system designated by the *Land* department of justice (accessible via the Internet under [www.handelsregisterbekanntmachungen.de](http://www.handelsregisterbekanntmachungen.de)) pursuant to Sec. 10 German Commercial Code. *Mutatis mutandis*, this applies to the registration of the merger for Linde Intermediate, whose competent register court is also the local court of Munich. With its electronic publication, the registration of the transfer resolution and the



registration of the merger respectively is deemed to be disclosed within the meaning of the statutory provision.

From the publication date of the transfer resolution's registration with the commercial register at the registered office of Linde AG, but not before the date of the registration of the merger with the commercial register at the registered office of Linde Intermediate, interest shall accrue on the cash settlement pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327b para. 2 German Stock Corporation Act at the rate of five percentage points over the applicable base rate according to Sec. 247 of the German Civil Code. The assertion of further claims for damage is not excluded.

Linde Intermediate will ensure the immediate payment of the cash compensation.

### **7.3 Technical Banking Aspects and Payment of the Cash Settlement**

Linde Intermediate appointed UniCredit Bank AG as central settlement agent for the settlement and payment of the cash settlement. Upon effectiveness of the transfer resolution, the details of the settlement and the payment will be disclosed in a separate public announcement published in the German federal gazette under [www.bundesanzeiger.de](http://www.bundesanzeiger.de) (so-called settlement announcement).

All shares of Linde AG are exclusively certified in a global certificate deposited with Clearstream Banking AG, Frankfurt am Main ("**Clearstream**"). The Minority Shareholders of Linde AG do not need to arrange anything to receive the cash settlement. The payment of the cash settlement to the shareholders of Linde AG shall take place without undue delay after the transfer resolution takes effect by means of a bank transfer to the account of the institute holding the respective securities account of the shareholders at Clearstream concurrently against booking out of their shares. By crediting the cash settlement owned in the respective case (including, if applicable, interest) to the account of the institute holding the securities account of the shareholders at Clearstream, Linde Intermediate fulfilled its obligation toward the respective shareholders of Linde AG. It is the responsibility of the respective custodian bank to credit the cash settlement owned in the respective case to the bank account of the respective Minority Shareholders of Linde AG. The shareholders of Linde AG will be informed separately by their custodian bank.

For the Minority Shareholders of Linde AG, the receipt of the cash compensation is free of commission and expenses.

### **7.4 Withdrawal of the Listing**

Upon effectiveness of the transfer resolution, all shares of the Minority Shareholders of Linde AG are transferred to Linde Intermediate by virtue of law. At the same time, Linde will cease to exist as an independent legal entity upon effectiveness of the merger and all membership rights associated with Linde AG's shares will cease to exist upon effectiveness of the merger. Presumably at the end of the day on which the transfer resolution and the

merger will become effective, the public listing of the shares of Linde AG on the regulated market segments of the Frankfurt Stock Exchange and the stock exchanges of Berlin, Dusseldorf, Hamburg, Munich, and Stuttgart, as well as on Tradegate Exchange and on the over-the-counter market of the Hannover Stock Exchange, are withdrawn.

## **7.5 Tax Consequences for the German Minority Shareholders of Linde AG**

Some of the significant tax consequences of the squeeze-out under merger law for the Minority Shareholders of Linde AG with unlimited tax liability in Germany are briefly described below. This section covers only some significant aspects of the treatment of profits and losses resulting from disposal for income, corporation (in each case including solidarity surcharge), trade, and withholding tax. This section does not cover special taxation rules that are applicable for credit institutions, financial services institutions, financial companies, as well as life insurance and health insurance companies, and pension funds. Neither does this section cover the consequences for Linde AG's shareholders with tax domicile abroad and, if applicable, with only limited tax liability in Germany regarding their income. They depend on special provisions of the German tax law, on the tax law of the state, in which the respective shareholder is domiciled, and, if applicable, on the provisions of an existing convention preventing double taxation.

The following section is not a comprehensive and exhaustive description of all tax aspects that might be relevant for the Minority Shareholders in connections with the squeeze-out under merger law. No warranty for the completeness and correctness of the description provided is assumed, nor replaces the following explanation as individual tax advice. Therefore, shareholders should contact their tax advisers regarding the individual tax effects of the squeeze-out. Only the tax advisor is in a position to properly consider the individual shareholder's special tax-related circumstances.

The following description is based on the applicable tax law as per the date of this Share Transfer Report and its interpretation by the courts and administrative instructions. Tax regulations may change potentially even retroactively at any time. It cannot be ruled out that the tax authorities or the courts may consider a tax judgment to be applicable different from that described in this section.

### **7.5.1 Treatment as Disposal of Shares**

The tax consequences of a squeeze-out under merger law (Sec. 62 para. 1 and 5 German Transformation Act) for the Minority Shareholders are not finally settled.

If a Minority Shareholder, in connection with a company takeover, is legally or economically forced to transfer its shares to the acquiring party, the transfer shall be treated, according to the view of the tax authorities and subject to Sec. 20 para. 4a German Income Tax Act, providing for a tax-neutral transfer under certain condition, as a disposal to the acquiring party. According to the view of the tax authorities, the same applies in case of a squeeze-out in the meaning of Sec. 327 *et seq.* German Stock Corporation Act. Upon effectiveness of the

merger, due to the squeeze-out under merger law, the Minority Shareholders are squeezed out of Linde AG against a cash settlement. Pursuant to the principles applying to shareholders that leave the company in connection with a merger against a cash settlement in the meaning of Sec. 29 German Transformation Act, the Minority Shareholders should be treated the same way as if they had traded their shares in Linde AG against the cash settlement. Thus, they should be subject to the general rules on the taxation of the disposal of shares.

The following statements are based on Linde Intermediate's assessment of the legal situation. The Minority Shareholders are advised to seek expert advice on the individual tax consequences of the transaction.

## 7.5.2 Determining the Capital Gains or Losses

Under taxation law, with regard to the Minority Shareholder; the transfer of the shares to Linde Intermediate against the acquisition of the entitlement to the cash settlement is considered to be a disposal of shares.

They generate a profit in case the cash settlement, minus possible costs of disposal connected thereto, exceeds the costs of acquisition or the book value of the shares under taxation law. In case the cash settlement, minus possible costs of disposal connected thereto, is below the costs of acquisition or the book value of the shares under taxation law, a loss is generated.

### (1) Taxation treatment of a capital gain or loss

The taxation treatment of a capital gain or loss depends on whether the shares, prior to their disposal, were attributed to the private or the business assets of the respective Minority Shareholder.

### (2) Shares as private assets

In case the Minority Shareholder is a natural person being resident in Germany, *i.e.*, domiciled or habitually resident in Germany, and the shares are attributed to its private assets, the taxation depends on whether the Minority Shareholder acquired the shares before January 1, 2009 or after December 31, 2008.

#### Shares acquired before January 1, 2009

With regard to shares acquired before January 1, 2009, the profit resulting from disposal is subject to income tax only if the Minority Shareholder, at any given point of time within the last five years prior to the disposal, held directly or indirectly at least 1% of the nominal capital of Linde AG ("**Significant Stake**"). If this requirement is not met by the Minority Shareholder in person, there will be nevertheless a taxation liability, in case the Minority Shareholder gratuitously acquired the shares within the last five years and its direct legal predecessor or, in case of several gratuitous transfers, one of its legal predecessor held a Significant Stake within the last five years. Only 60% of the capital gains from the disposal of a

Significant Stake is subject to taxation, the taxable 60% of the capital gains is subject to the progressive personal income tax rate of the respective Minority Shareholder (plus solidarity surcharge and church tax, if any). In turn, with regard to capital losses economically related to the cash settlement only 60% can be deducted generally for taxation purposes (so-called partial-income method).

If the Minority Shareholder or, in case of a gratuitous acquisition its predecessor(s), never directly or indirectly held a stake of at least 1% in the nominal capital of Linde AG, a capital gain or loss, if any, is nontaxable with regard to shares acquired prior to January 1, 2009.

#### Shares acquired after December 31, 2008

Capital gains arising from the disposal of shares acquired after December 31, 2008 are, in any case, subject to income tax. The capital gain will be taxed differently depending whether the stake of the Minority Shareholder is a Significant Stake or not. Whether a significant stake exists is determined on the basis of the aforementioned criteria.

With regard to Minority Shareholders, whose holdings are not a Significant Stake, the capital gains are subject to a uniform rate of taxation of 25% (plus solidarity surcharge and church tax, if any) (so-called withholding tax). The Minority Shareholder is granted a general lump-sum saving allowance for capital gains from the disposal of shares or other capital gains, if any, in the amount of EUR 801 (EUR 1,602 for married couples and registered partners assessed jointly, respectively); a deduction of any actual expenses is not possible.

The withholding tax on the capital gains will be withheld by the paying agent (domestic credit institute, domestic financial institute, domestic securities-trading firm or securities trading bank, including domestic branches of foreign institutes) who has custody of the shares or administers them or performs their disposal and pays or credits the capital gains (“**Domestic Paying Agent**”) by means of the capital withholding tax retention. If the shares have been kept in custody or under administration of the Domestic Paying Agent since their acquisition, the withholding tax is computed from the difference between the proceeds from the disposal, after the deduction of the expenses directly and materially related to the disposal, and the historical cost of the shares. In case the Domestic Paying Agent has changed since the acquisition of the shares, and no acquisition costs are proven, or the proof of such costs is not allowed, 30% of the capital gains of the disposal is subject to withholding tax. In addition, the Domestic Paying Agent must automatically withhold church tax, unless the Minority Shareholder requested in writing from the Federal Central Tax Office using the officially prescribed form that the automatic data recall of its religion shall be blocked (so-called blocking notice).

The tax withholding by the Domestic Paying Agent has a settling effect, *i.e.*, following this tax retention, the income tax liability of the Minority Shareholder is deemed to be settled with regard to the capital gains from the disposal; the Minority Shareholder is not obliged to declare the profit in his or her income tax declaration. However, if no tax retention takes place (for example, because of the lack of a Domestic Paying Agent), the Minority Shareholder must declare the profit in its income tax declaration. The establishment of a restriction notice, as described above, also obliges the church tax payer to submit a tax return for the purpose of assessing for church tax. The Minority Shareholder can request that its capital gains (including the capital gains from the disposal) are subject to the collective income tax, if this causes a lower tax burden (so-called most favorable tax treatment).

Losses from the disposal of shares may solely be offset against profits from the disposal of shares, but not against other income from capital assets, for example received dividends, and also not against income from other types of income (limitation of loss utilization). Losses from disposal, that were not offset, can only be carried forward to subsequent period of assessment, and not carried backwards. These amounts will be calculated separately.

The profit arising from a disposal of a Significant Stake is not subject to withholding tax. In this case, the aforementioned partial-income method applies. Only 60% of the profit is subject to income tax and subject to the progressive personal income tax rate of the respective Minority Shareholder (plus solidarity surcharge and church tax, if any). Losses and expenses directly and materially related to the disposal can be deducted in the amount of 60%. In case a Domestic Paying Agent withholds taxes with regard to the capital gains (withholding tax, plus solidarity surcharge, and church tax, if any), this has no settling effect. The shareholder must declare the profits in its income tax declaration. The tax withheld will be credited toward the tax liability of the Minority Shareholder in its tax assessment and in case of a surplus refunded, respectively. No general lump-sum saving allowance is granted.

(3) Shares as Business Assets

With regard to shares held as business assets, the tax treatment of capital gains or losses depends on whether the Minority Shareholder is a corporation, a sole proprietor, or a partnership engaged or deemed to be engaged in trade or business (commercial partnership). This distinction is also relevant for the question of whether the capital gain is subject to the withholding tax retention (see below).

*Minority Shareholder Is a Corporation*

Ultimately, 95% of the profit from the disposal of shares is not subject to corporate tax and solidarity surcharge as well as commercial tax. Of such capital gains, 5% is deemed to be nondeductible business expenses and are, thus, with regard to a non-tax-exempt corporation, subject to corporation tax with a tax rate of 15% plus 5.5%

solidarity surcharge (overall burden 15.825%) and, in case the shares are attributed to a permanent establishment of a trade or business in Germany, subject to trade tax. There is no need to observe a minimum threshold with regard to the holding or a minimum holding period. Losses on disposals and other profit reductions in connection with the shares sold may not be deducted as business expenses.

*Minority Shareholder Is a Natural Person (Sole Proprietor)*

If the shares form a part of the business assets of a natural person (sole proprietor), the capital gain is subject to income tax. The aforementioned partial-income method applies. Only 60% of the profit is subject to income tax and subject to the progressive personal income tax rate of the Minority Shareholder (plus solidarity surcharge and church tax, if any). Losses and expenses directly and materially related to the disposal can be deducted in the amount of 60%. If the shares are attributable to a permanent establishment of a trade or business of the Minority Shareholder in Germany, the capital gains are also subject to trade tax; however, only 60% of the profits are taxable. The trade tax is credited toward the income tax of the shareholder by means of a lump-sum method.

*Minority Shareholder Is a Partnership (Commercial Partnership)*

If the shareholder is a partnership engaged or deemed to be engaged in a trade or business (commercial partnership), income tax or corporate income tax, as the case may be, is assessed at the level of each partner rather than at the level of the partnership. The taxation of each partner depends on whether the partner is a natural person or a corporation. If the partner is a corporation, the profit is subject to taxation in accordance with the principles applying to corporations (see above). If the partner is a natural person, the principles applying to a natural person (sole proprietor) apply (see above).

The capital gain is furthermore subject to trade tax if it is generated in a domestic business of a partnership. If the partner of a partnership is a natural person, 60% of the capital gain, if the partner of a partnership is a corporation, commonly only 5% of the capital gain, is subject to trade tax. If natural persons are partners of the partnership, the trade tax due on the level of the partnership will generally be fully or partially credited as a lump-sum against the partners' individual income tax liability. Losses on disposals and other profit reductions in connection with the shares sold are not deductible for purposes of the trade tax, as far as they fall in the profit-share of a corporation, whereas they are deductible in the amount of 60% if they are allotted to the profit-share of a natural person.

*Withholding tax*

Capital gains from the disposal of shares held by corporations with unlimited tax liability are not subject to withholding tax. The same applies to natural persons or

partnerships if the capital gain represents operating income of a domestic business and the shareholder declared this to the Domestic Paying Agent using the official form, and if certain other requirements are fulfilled.

Otherwise, the Domestic Paying Agent has to withhold, with regard to shares acquired after December 31, 2008, the withholding tax amounting to 25% (plus solidarity surcharge and church tax, if any). The withholding tax withheld and the solidarity surcharge withheld do not have a settling effect with regard to shares as business assets. They generally will be credited toward the tax liability (including solidarity surcharge and church tax, if any) respectively refunded in case of a surplus.

## **8. Explanation and Justification of the Adequacy of the Cash Settlement**

### **8.1 Preface**

The shares of the Minority Shareholders will be transferred to the Majority Shareholder in return for an adequate cash settlement. The Majority Shareholder determines the amount of the cash settlement pursuant to Sec. 62 para. 5 sentence 8 German Transformation Act, Sec. 327b para. 1 German Stock Corporation Act. The cash settlement must take into account the state of affairs of the transferring stock company at the time of the resolution of the general meeting. The transfer of the shares of the Minority Shareholders of Linde AG to Linde Intermediate shall be resolved on in an Extraordinary General Meeting on December 12, 2018.

Linde Intermediate has instructed EY to conduct its valuation as a neutral expert in order to support it with the determination of the cash settlement that EY provided to their Valuation Opinion (attached as **Annex 6**) on October 25, 2018.

The major conclusions for the determination of the cash settlement are summarized in the following. We refer to the Valuation Opinion by EY for a detailed explanation and justification of the adequate cash settlement within the meaning of Sec. 327a para. 1 German Stock Corporation Act. Linde Intermediate fully appropriates the content of the Valuation Opinion relating to the valuation of Linde AG and the determination of an adequate cash settlement. The Valuation Opinion, which is attached to this Share Transfer Report as **Annex 6** as a whole, constitutes an integral part of this Share Transfer Report.

### **8.2 Calculation and Determination of the Cash Settlement Pursuant to Sec. 327b Para. 1 German Stock Corporation Act**

Linde Intermediate has determined

**EUR 188.24 per non-par value share of Linde AG**

as the adequate cash settlement pursuant to Sec. 327b para. 1 sentence 1 German Stock Corporation Act. Linde Intermediate considers the determined cash settlement to be adequate for the following reasons:

### 8.2.1 Capitalized Earnings Value of Linde AG

EY has calculated the objectified company value of Linde AG on the basis of the standard “Principles for conducting company valuations” (*Grundsätze zur Durchführung von Unternehmensbewertungen*) by the Institute of Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*) (IDW S 1 edition of 2008) using the capitalized earnings value method. The valuation was conducted for December 12, 2018 as the reporting date, the day of the Extraordinary General Meeting of Linde AG, in which the transfer of the shares of the Minority Shareholders to Linde Intermediate shall be resolved on. The underlying valuation was conducted by EY during the time period from May 25, 2018 until October 25, 2018.

The total value of Linde AG in the form of the objectified company value as of December 12, 2018 amounts to EUR 34.94 billion. With 185.6 million outstanding non-par value shares, this results in a value per share of Linde AG of EUR 188.24.

EY validated the company value of Linde AG by means of simplified procedures on the basis of multiples. The company value of Linde AG as determined on the basis of the capitalized earnings value method is within the spread of values resulting from the multiple-based valuation and is therefore supported by this consideration.

The objectified company value of Linde AG of EUR 188.24 per share as determined on the basis of the capitalized earnings value method is above the relevant average stock market price of EUR 172.79 per share of Linde AG (see hereafter “Stock Market Price and Reference Period”). Therefore, the stock market price may not be used for the determination of the cash settlement. As a result, in the Valuation Opinion, EY concludes that the adequate cash settlement within the meaning of Sec. 327b para. 1 German Stock Corporation Act amounts to 188.24 per share of Linde AG.

### 8.2.2 Stock Market Price and Reference Period

According to case law and literature, the stock market price of the shares may not be disregarded in the determination of the amount of the cash settlement pursuant to Sec. 327b para. 1 sentence 1 German Stock Corporation Act if it represents the fair market value of the shares (cf. Federal Constitutional Court of Germany (*BVerfG*), order (*Beschluss*) dated April 27, 1999, file no. 1 at the German Constitutional Court 1613/94).

#### (1) Average price

Linde Intermediate assumes in accordance with the case law of the Federal Supreme Court of Germany that the average stock market price during a period of three months, and not the stock market price of a fixed date, is significant (cf. Federal Supreme Court of Germany (*BGH*), order (*Beschluss*) dated March 12, 2001, file no. II civil court order 15/00 “DAT/Altana”; Federal Supreme Court of Germany (*BGH*), order (*Beschluss*) dated July 19, 2010, file no. II ZB 18/09 “*Stollwerck*”).



(2) Relevant reference period

The German Federal Supreme Court of Germany has ruled that the market value to be taken as a basis for an adequate settlement is generally to be determined based on the volume-weighted average price during a three-month reference period prior to the publication of the structural measure (cf. Federal Supreme Court of Germany (*BGH*), order (*Beschluss*) dated July 19, 2010, file no. II ZB 18/09 “*Stollwerck*”). Hence, the relevant reference period is the time from January 25, 2018 until, and including, April 24, 2018.

In an ad hoc release dated April 25, 2018, Linde AG announced that Linde plc, Linde AG and Praxair, Inc. have agreed to carry out a squeeze-out in the event of the successful completion of the Business Combination in order to simplify the Group structure. The German Federal Financial Supervisory Authority has informed Linde Intermediate on May 29, 2018 about the average stock market price per share for the three-month period from January 25, 2018 until, including, April 24, 2018 being EUR 172.79 as calculated pursuant to Sec. 5 para. 3 of the German Regulation on the Content of the Offer Document, the Consideration of Takeover Bids and Mandatory Offers and the Exemption From the Obligation to Publish and Make an Offer (“**WpÜG-AngebotsVO**”).

However, the Federal Supreme Court of Germany states in its *Stollwerck* decision that the Minority Shareholders must be protected against the stock market value determined at the time of announcement being fixed in favor of the respective majority shareholder, but that the announced measure will then not be implemented or only implemented with a delay. This could exclude the Minority Shareholders from a positive stock market price development. In order to prevent this, the market value is to be extrapolated in accordance with the general or industry-typical (further) development of the market price up to the annual general meeting, taking into account the price development since then, if a “longer period” elapses between the announcement of the structural measure and the date of the annual general meeting and the development of the market prices makes an adjustment appear necessary.

In the present case, the structural measures were announced on April 25, 2018. The general meeting is intended to be held on December 12, 2018. An exceptional case that could justify an extrapolation under certain circumstances does not apply in this particular case. In this respect, reference is made to the further explanations of the Valuation Opinion (attached as **Annex 6**), in particular pages 119 *et seq.*

Therefore, it was not required to carry out an extrapolation of the stock market price. Moreover, the capitalized earnings value of EUR 188.24 per share is approx. 9% above the relevant average stock market price of EUR 172.79 per share and it would require growth in the underlying market or industry (especially if the extrapolation factor is determined applying Linde AG’s beta factor being below 1.0) to arrive at a

higher value via extrapolation, which, however has not been observed in the market since April 25, 2018.

### **8.2.3 Summary**

We summarize the results of the Valuation Opinion on the determination of the capitalized earnings value of Linde AG as well as on the adequate cash settlement pursuant to Sec. 327b German Stock Corporation Act as follows:

- The objectified value of Linde AG as determined using the capitalized earnings value method on December 12, 2018 amounts to EUR 34.94 billion; the value per share amounts to EUR 188.24.
- During the three-month period prior to the announcement of the intention to squeeze out the minority shareholders, the volume-weighted average stock market price of Linde AG was EUR 172.79.
- As a result, the adequate cash settlement for the minority shareholders as part of the squeeze-out under merger law amounts to EUR 188.24 per non-par value share of Linde AG.

## **9. Review of the Adequacy of the Cash Settlement**

The adequacy of the cash settlement was reviewed and approved by the expert auditor Ebner Stolz chosen and appointed by the court according to Sec. 62 para. 5 sentence 8 German Transformation Act in conjunction with Sec. 327c para. 2 sentence 2 German Stock Corporation Act. Ebner Stolz will make a separate written report on the result of the review of the adequacy of the cash settlement according to Sec. 62 para. 5 sentence 8 German Transformation Act in conjunction with Sec. 327c para. 2 sentence 4 and in conjunction with Sec. 293e German Stock Corporation Act.

The squeezed-out shareholders may arrange for a reassessment of the adequacy of the cash settlement in a corporate appraisal proceeding in court according to Sec. 62 para. 5 sentence 8 German Transformation Act in conjunction with Sec. 327f para. 2 German Stock Corporation Act. The details of such appraisal proceedings are ruled by the German Appraisal Proceedings Act. The application for a court decision in an appraisal proceeding can be made only within three months after the day at which the registration of the transfer resolution with the commercial register is considered to be made public, according to Sec. 10 German Commercial Code. The application is to be substantiated by the applicant within the aforementioned period being founded with specific objections against the corporate value used to determine the cash settlement. The court decision in the appraisal proceeding takes effect in favor of and against all shareholders, who are squeezed out from Linde AG according to Sec. 327a *et seq.* German Stock Corporation Act. If the court decides to increase the cash settlement, all minority shareholders will profit from this increase, even if they did not apply for an appraisal proceeding.

Munich, November 1, 2018

Linde Intermediate Holding AG  
Executive Board

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Dr. Christian Bruch  
Member of the Executive Board

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Eduardo F. Menezes  
Member of the Executive Board

**Annex 1**  
to the Share Transfer Report

Deposit confirmation of UniCredit Bank AG dated October 31, 2018 concerning the number of shares in Linde AG held by Linde Intermediate Holding AG

(Annex in German only)

Linde Intermediate Holding AG  
Klosterhofstr. 1

80331 München

Olaf Schwerdt  
Corporate & Investment Banking  
UniCredit Bank AG  
Arabellastr. 14  
81925 Munich  
Germany  
Tel. +49 89 378-25249  
Fax +49 89 378-23558  
olaf.schwerdt@unicredit.de

München, 31/10/2018

**Depotbestätigung**  
**Linde Intermediate Holding AG**


Sehr geehrte Damen und Herren,

hiermit bestätigen wir folgenden Bestand auf dem Depot Nr. 20038637  
der Linde Intermediate Holding AG :

Verfügbarer Bestand

ST 170.874.958 LINDE AG INHABER-AKTIEN O.N. WKN DE000648300

Mit freundlichen Grüßen

  
**UniCredit Bank AG**  
Corporate & Investment Banking  
Multinational Clients  
Arabellastraße 14  
D-81925 Munich

Members of the Management Board:  
Dr. Michael Diederich (Spokesman),  
Sandra Betocchi Drwenski, Dr. Emanuele Buttà,  
Ljiljana Čortan, Jan Kupfer, Robert Schindler,  
Guglielmo Zadra

Chairman of the Supervisory Board:  
Gianni Franco Papa

**UniCredit Bank AG**

Legal Status: Aktiengesellschaft  
Registered Office: Munich  
Listed in the Court Register: Munich HR B 421 48  
Tax-Id.No.: 143/107/72500  
VAT Reg.No.: DE 129 273 380  
[www.cib.unicredit.eu](http://www.cib.unicredit.eu)

**Annex 2**  
to the Share Transfer Report

Deposit confirmation of Deutsche Bank Aktiengesellschaft dated October 31, 2018  
concerning the number of treasury shares held by Linde AG

(Annex in German only)



Linde Aktiengesellschaft  
Klosterhofstr. 1

80331 München

Deutsche Bank AG  
Corporate Banking Coverage

Irmi Reich

Mainzer Landstraße 11 - 17  
60329 Frankfurt am Main

Telefon +49 (69) 910-22584  
E-Mail: irmi.reich@db.com

31. Oktober 2018

**Depotbetätigung per 31.10.18 - Linde Aktiengesellschaft Depotnummer 111 0333005 00**

Sehr geehrte Damen und Herren,

wir bestätigen Ihnen hiermit, dass zum 31.10.18 im Depot der Linde Aktiengesellschaft, München, mit der Depotnummer 111 0333005 00

95.109 Stück Linde AG Inhaber Aktien, WKN 648300

verwahrt werden.

Mit freundlichen Grüßen

Deutsche Bank AG  
Filiale Deutschlandgeschäft

  
Dinko Mehmedagic

  
Irmi Reich

**Annex 3**  
to the Share Transfer Report

Ad hoc release by Linde AG dated April 25, 2018 concerning the intention of Linde plc, Linde AG and Praxair, Inc., to carry out a squeeze-out at Linde AG following the completion of the merger



## Ad hoc-announcement

Ad hoc-announcement pursuant to Article 17 of the Market Abuse Regulation

### **Linde AG: Linde plc, Linde and Praxair intend cash merger squeeze out for Linde AG after completion of business combination**

Munich, 25 April 2018 – Linde plc, Linde Aktiengesellschaft ("Linde") and Praxair, Inc. ("Praxair") have agreed today to implement, in the event of a successful completion of the business combination, for the purpose of simplifying the future group structure under the newly incorporated Linde plc, a merger of Linde AG (as transferring entity) into Linde Intermediate Holding AG (as surviving entity). In this context, a squeeze out of the remaining minority shareholders of Linde AG against adequate cash compensation pursuant to sections 62(1) and (5) of the German Transformation Act (Umwandlungsgesetz – UmwG) in conjunction with sections 327a et seqq. of the German Stock Corporation Act (Aktiengesetz – AktG) would be consummated. Linde Intermediate Holding AG is a wholly-owned indirect subsidiary of Linde plc. In the event of a successful completion of the business combination, Linde Intermediate Holding AG is expected to hold approximately 92 % of the shares in Linde AG.

To that end, Linde Intermediate Holding AG will enter into negotiations with Linde AG regarding a merger agreement. The merger agreement will contain a reference to the merger related squeeze out of the remaining minority shareholders of Linde AG against adequate cash compensation pursuant to sections 62(5) sent. 1 UmwG in conjunction with sections 327a et seqq. AktG. The merger agreement will be provided to the Linde AG Supervisory Board for approval; it would only become effective in the event of a successful completion of the business combination. An extraordinary shareholders' meeting which would resolve the transfer of the shares of the remaining shareholders of Linde AG to Linde Intermediate Holding AG against adequate cash compensation would take place following the completion of the business combination.

The completion of the business combination is still subject to the receipt of all required regulatory approvals in due time.



Person making the notification: Matthias Dachwald, External Communications

#### Forward-looking Statements

This communication includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on our beliefs and assumptions on the basis of factors currently known to us. These forward-looking statements are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, potential, forecast, and similar expressions. These forward-looking statements include, but are not limited to, statements regarding benefits of the proposed business combination, integration plans and expected synergies, and anticipated future growth, financial and operating performance and results. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted or expected. No assurance can be given that these forward-looking statements will prove accurate and correct, or that projected or anticipated future results will be achieved. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to: the expected timing and likelihood of the completion of the contemplated business combination, including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the contemplated business combination that could reduce anticipated benefits or cause the parties to abandon the transaction; the occurrence of any event, change or other circumstances that could give rise to the termination of the business combination agreement; the ability to successfully complete the proposed business combination and the exchange offer; regulatory or other limitations imposed as a result of the proposed business combination; the success of the business following the proposed business combination; the ability to successfully integrate the Praxair and Linde businesses; risks related to disruption of management time from ongoing business operations due to the proposed business combination; the risk that the announcement or consummation of the proposed business combination could have adverse effects on the market price of Linde’s or Praxair’s common stock or the ability of Linde and Praxair to retain customers, retain or hire key personnel, maintain relationships with their respective suppliers and customers, and on their operating results and businesses generally; the risk that Linde plc may be unable to achieve expected synergies or that it may take longer or be more costly than expected to achieve those



## THE LINDE GROUP

synergies; state, provincial, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an effect on rate structure, and affect the speed at and degree to which competition enters the industrial gas, engineering and healthcare industries; outcomes of litigation and regulatory investigations, proceedings or inquiries; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates; general economic conditions, including the risk of a prolonged economic slowdown or decline, or the risk of delay in a recovery, which can affect the long-term demand for industrial gas, engineering and healthcare and related services; potential effects arising from terrorist attacks and any consequential or other hostilities; changes in environmental, safety and other laws and regulations; the development of alternative energy resources; results and costs of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general market and economic conditions; increases in the cost of goods and services required to complete capital projects; the effects of accounting pronouncements issued periodically by accounting standard-setting bodies; conditions of the debt and capital markets; market acceptance of and continued demand for Linde's and Praxair's products and services; changes in tax laws, regulations or interpretations that could increase Praxair's, Linde's or Linde plc's consolidated tax liabilities; and such other factors as are set forth in Linde's annual and interim financial reports made publicly available and Praxair's and Linde plc's public filings made with the SEC from time to time, including but not limited to those described under the headings "Risk Factors" and "Forward-Looking Statements" in Praxair's Form 10-K for the fiscal year ended December 31, 2017, which are available via the SEC's Web site at [www.sec.gov](http://www.sec.gov). The foregoing list of risk factors is not exhaustive. These risks, as well as other risks associated with the contemplated business combination, are more fully discussed in the proxy statement/prospectus and the offering prospectus included in the Registration Statement on Form S-4 filed by Linde plc with the SEC and in the offering document and/or any prospectuses or supplements filed with BaFin in connection with the contemplated business combination. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than Linde, Praxair or Linde plc has described. All such factors are difficult to predict and beyond our control. All forward-looking statements included in this document are based upon information available to Linde, Praxair and Linde plc on the date hereof, and each of Linde, Praxair and Linde plc disclaims and does not undertake any obligation to update or revise any



**THE LINDE GROUP**

forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

**Annex 4**

to the Share Transfer Report

Letter of Linde Intermediate Holding AG to the executive board of Linde AG dated November 1, 2018 (transfer request of Linde Intermediate Holding AG according to Sec. 62 para. 5 German Transformation Act in conjunction with Sec. 327a para. 1 sentence 1 German Stock Corporation Act)

**LINDE INTERMEDIATE HOLDING AG**

Klosterhofstraße 1  
80331 München

**– Convenience Translation –**  
(Annexes in German only)

To  
Linde Aktiengesellschaft  
– Executive Board –  
Klosterhofstraße 1  
80331 Munich

Munich, November 1, 2018

**Request under Section 62 para. 1 and 5 of the German Transformation Act (*Umwandlungsgesetz*) in conjunction with Sections 327a et seq. of the German Stock Corporation Act (*Aktiengesetz*) for convocation of an extraordinary general meeting of Linde Aktiengesellschaft for the adoption of a resolution on the transfer of the shares of the minority shareholders of Linde Aktiengesellschaft to Linde Intermediate Holding AG in exchange for an appropriate cash compensation (“Transfer Request”)**

Dear Gentlemen,

Pursuant to the deposit confirmation dated October 31, 2018 of UniCredit Bank AG, as custodian, attached hereto as Annex 1, Linde Intermediate Holding AG directly holds 170,874,956 of a total of 185,733,180 no par value bearer shares of Linde Aktiengesellschaft (“**Linde AG**”). This corresponds to approximately 92 % of the nominal capital of Linde AG. Thus, the shareholding of Linde Intermediate Holding AG represents more than nine tenths of the nominal capital of Linde AG and Linde Intermediate Holding AG, as the acquiring company in connection with the merger, simultaneously is the “majority shareholder” of Linde AG, the transferring company within the meaning of Section 62 para. 5 sent. 1 of the German Transformation Act.

Linde Intermediate Holding AG intends to conclude a merger agreement with Linde AG, pursuant to which Linde AG transfers its entire assets, including all rights and obligations, to

Linde Intermediate Holding AG

Sitz: München  
Amtsgericht München, HRB 234880  
Steuer-Nr.:143/310/40194 (FA München)

Vorstand: Dr. Christian Bruch  
Eduardo F. Menezes  
Aufsichtsratsvorsitzender: unbesetzt

Deutsche Bank AG, München  
IBAN: DE83 7007 0010 0195 3181 00  
BIC: DEUTDEMXXX

Linde Intermediate Holding AG by dissolution without liquidation under Section 2 no. 1 and Sections 60 et seq. of the German Transformation Act (merger by acquisition). As required under Section 62 para. 5 sent. 2 German Transformation Act, the merger agreement is to include the provision that the minority shareholders of Linde AG shall be squeezed-out in connection with the merger.

Under Section 62 para. 5 sent. 1 German Transformation Act, the general meeting of Linde AG may within three months following the conclusion of the merger agreement between Linde Intermediate Holding AG and Linde AG resolve on the squeeze-out of the remaining shareholders of Linde AG (minority shareholders) in exchange for an appropriate cash compensation under Section 327a para. 1 German Stock Corporation Act. Pursuant to section 62 para. 5 sent. 7 German Transformation Act, the squeeze-out resolution only becomes effective once the merger itself becomes effective.

Under Section 327a of the German Stock Corporation Act, Linde Intermediate Holding AG hereby requests the executive board of Linde AG to convene an extraordinary general meeting for a date no later than three months after the conclusion of the merger agreement and to put the following agenda item on the general meeting's agenda:

*„Resolution on the transfer of the shares held by the minority shareholders of Linde Aktiengesellschaft to Linde Intermediate Holding AG, having its registered office in Munich, (majority shareholder) in exchange for payment of adequate cash compensation in accordance with section 62 para. 5 German Transformation Act (Umwandlungsgesetz) in conjunction with sections 327a et seqq. German Stock Corporation Act (Aktiengesetz) (Cash Merger Squeeze-out).”*

The executive board of Linde Intermediate Holding AG has determined – based on its business valuation of Linde AG – the cash compensation per no par value bearer share of Linde AG to be:

**EUR 188.24.**

The envisaged transfer resolution shall read as follows:

*„The no-par value bearer shares of the remaining shareholders of Linde Aktiengesellschaft (minority shareholders) are transferred, in accordance with section 62 para. 5 German Transformation Act in conjunction with sections 327a et seqq. German Stock Corporation Act, to Linde Intermediate Holding AG, with its registered office in Munich (majority shareholder) in exchange for an adequate cash compensation in the amount of EUR 188.24 for each no-par value bearer share of Linde Aktiengesellschaft to be paid by the majority shareholder.”*

A bank guarantee by UniCredit Bank AG is attached to this letter as Annex 2, in which UniCredit Bank AG guarantees, pursuant to Section 62 para. 5 sent. 8 German Transformation Act in conjunction with Section 327b para. 3 German Stock Corporation Act, the payment of the cash compensation by Linde Intermediate Holding AG to the minority

shareholders in the amount of EUR 188.24 for each share of Linde AG that is transferred to Linde Intermediate Holding AG. Payment will be made immediately after the transfer resolution has become effective under Section 62 para. 5 sent. 7 German Transformation Act in conjunction with Section 327e para. 3 sent. 1 German Stock Corporation Act, *i. e.*, once the transfer resolution is registered in the commercial register at the registered office of Linde AG and the merger is registered in the commercial register at the registered office of Linde Intermediate Holding AG.

A transfer report prepared by Linde Intermediate Holding AG addressed to the general meeting of Linde AG and explaining the requirements for the squeeze-out of the minority shareholders and the providing reasons for the adequacy of the cash compensation will be conveyed to you separately in due time prior to the general meeting.

A commercial register excerpt dated November 1, 2018 regarding Linde Intermediate Holding AG as proof of the representation authorization is attached to this letter as Annex 3.

Kind regards,

**Executive Board of Linde Intermediate Holding AG**

Dr Christian Bruch

Member of the Executive Board

Eduardo F. Menezes

Member of the Executive Board



We hereby confirm receipt of the Transfer Request of Linde Intermediate Holding AG on November 1, 2018

Prof Dr Aldo Belloni

Dr Sven Schneider

Member of the Executive Board of Linde  
Aktiengesellschaft and Chief Executive  
Officer

Member of the Executive Board of Linde  
Aktiengesellschaft

Linde Intermediate Holding AG  
Klosterhofstr. 1

80331 München

Olaf Schwerdt  
Corporate & Investment Banking  
UniCredit Bank AG  
Arabellastr. 14  
81925 Munich  
Germany  
Tel. +49 89 378-25249  
Fax +49 89 378-23558  
olaf.schwerdt@unicredit.de

München, 31/10/2018

**Depotbestätigung**  
**Linde Intermediate Holding AG**

Sehr geehrte Damen und Herren,

hiermit bestätigen wir folgenden Bestand auf dem Depot Nr. 20038637  
der Linde Intermediate Holding AG :

Verfügbarer Bestand  
ST 170.874.958 LINDE AG INHABER-AKTIEN O.N. WKN DE000648300

Mit freundlichen Grüßen

  
**UniCredit Bank AG**  
Corporate & Investment Banking  
Multinational Clients  
Arabellastraße 14  
D-81925 Munich

Members of the Management Board:  
Dr. Michael Diederich (Spokesman),  
Sandra Betocchi Drwenski, Dr. Emanuele Buttà,  
Ljiljana Čotan, Jan Kupfer, Robert Schindler,  
Guglielmo Zadra

Chairman of the Supervisory Board:  
Gianni Franco Papa

**UniCredit Bank AG**

Legal Status: Aktiengesellschaft  
Registered Office: Munich  
Listed in the Court Register: Munich HR B 421 48  
Tax-Id.No.: 143/107/72500  
VAT Reg.No.: DE 129 273 380  
www.cib.unicredit.eu

Linde Intermediate Holding AG  
Vorstand  
Klosterhofstr. 1  
80331 München

UniCredit Bank AG  
TF Service München Garantien  
Arabellastr. 14  
81925 München  
Telefon: +49 89/378-0  
Telefax: +49-89-3783325798  
SWIFT: HYVEDEMMXXX  
E-Mail: 00031134@unicredit.de

Ihr Gesprächspartner  
Anna Mitrovic

Telefon  
+49 89 378 41760

Datum  
31.10.2018

zur Übermittlung an den Vorstand der Linde Aktiengesellschaft, München

**Gewährleistungserklärung für die Barabfindungsverpflichtung der Hauptaktionärin  
gem. § 62 Abs. 5 S. 8 UmwG i.V.m. § 327b Abs. 3 AktG**

Die Linde Intermediate Holding AG mit Sitz in München und Geschäftsanschrift Klosterhofstr. 1, 80331 München, eingetragen im Handelsregister des Amtsgerichts München unter HRB 234880 (nachfolgend „Linde Holding“), hat uns davon unterrichtet, dass

(i) sie und die Linde Aktiengesellschaft mit Sitz in München und Geschäftsanschrift Klosterhofstr. 1, 80331 München, eingetragen im Handelsregister des Amtsgerichts München unter HRB 169850, (nachfolgend „Linde AG“) voraussichtlich am 1. November 2018 einen Verschmelzungsvertrag schließen werden, mit welchem die Linde AG als übertragende Gesellschaft ihr Vermögen als Ganzes mit allen Rechten und Pflichten unter Auflösung ohne Abwicklung nach §§ 2 Nr. 1, 60 ff. UmwG auf die Linde Holding als übernehmende Gesellschaft überträgt (Verschmelzung durch Aufnahme);

(ii) ihr per 31. Oktober 2018 unmittelbar 170.874.958 der insgesamt 185.733.180 auf den Inhaber lautenden Stückaktien der Linde AG (ISIN DE0006483001) gehören. Dies entspricht ca. 92 Prozent des Grundkapitals der Linde AG (unter Absetzung der Zahl der eigenen Aktien gem. § 62 Abs. 1 S. 2 UmwG). Da sich damit Aktien in Höhe von mehr als neun Zehntel des Grundkapitals der Linde AG unmittelbar in der Hand der Linde Holding befinden, ist die Linde Holding als übernehmende Gesellschaft im Rahmen dieser Verschmelzung zugleich Hauptaktionärin der Linde AG als übertragender Gesellschaft im Sinne von § 62 Abs. 5 S. 1 UmwG;

(iii) der Verschmelzungsvertrag gem. § 62 Abs. 5 S. 2 UmwG die Angabe enthält, dass im Zusammenhang mit der Verschmelzung ein Ausschluss der übrigen Aktionäre der Linde AG (nachfolgend „Minderheitsaktionäre“) als übertragender Gesellschaft erfolgen soll.

Auf Verlangen der Linde Holding soll in einer außerordentlichen Hauptversammlung der Linde AG, voraussichtlich am 12. Dezember 2018, gem. § 62 Abs. 5 UmwG i.V.m. § 327a Abs. 1 AktG über die Übertragung der Aktien der Minderheitsaktionäre auf die Linde Holding gegen Gewährung einer von der

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Vorstandsmitglieder:  
Dr. Michael Diederich (Sprecher des Vorstands),  
Sandra Belocchi Drwenski, Dr. Emanuele Buttà,  
Ljiljana Cortan, Jan Kupler, Robert Schindler,  
Guglielmo Zedra

Vorsitzender des Aufsichtsrats:  
Gianni Franco Papa

UniCredit Bank AG

Rechtsform: Aktiengesellschaft  
Sitz: München  
Registerrichter: München HR B -42148  
Steuer-Nr.: 143/107/72500  
USt-IdNr.: DE 129 273 380

www.hypovereinsbank.de



Linde Holding zu zahlenden angemessenen Barabfindung in Höhe von EUR 188,24 (in Worten: Euro einhundertachtundachtzig 24/100) je auf den Inhaber lautende Stückaktie der Linde AG beschlossen werden.

Mit dem Wirksamwerden des Übertragungsbeschlusses gehen kraft Gesetzes alle auf den Inhaber lautenden Stückaktien der Minderheitsaktionäre der Linde AG auf die Linde Holding als Hauptaktionärin über und die Minderheitsaktionäre erhalten im Gegenzug den Anspruch gegen die Linde Holding auf unverzügliche Zahlung der festgelegten Barabfindung.

Gem. § 62 Abs. 5 S. 8 UmwG i.V.m. § 327b Abs. 3 AktG hat die Linde Holding als Hauptaktionärin dem Vorstand der übertragenden Gesellschaft vor Einberufung der Hauptversammlung, die über die Übertragung der Aktien der Minderheitsaktionäre auf die Hauptaktionärin beschließt, die Erklärung eines im Geltungsbereich des Aktiengesetzes zum Geschäftsbetrieb befugten Kreditinstituts zu übermitteln, durch die das Kreditinstitut die Gewährleistung für die Erfüllung der Verpflichtung der Hauptaktionärin übernimmt, den Minderheitsaktionären unverzüglich die festgelegte Barabfindung für die übergegangenen Stückaktien zu zahlen, nachdem sowohl (i) der Übertragungsbeschluss im Handelsregister der Linde AG als auch (ii) die Verschmelzung im Handelsregister der Linde Holding eingetragen sind und damit der Übertragungsbeschluss wirksam geworden ist (§ 62 Abs. 5 S. 7 und S. 8 UmwG i.V.m. § 327e Abs. 3 S. 1 AktG).

Dies vorausgeschickt übernehmen wir, die UniCredit Bank AG mit Sitz in München, eingetragen im Handelsregister des Amtsgerichts München unter HRB 42148, als im Geltungsbereich des Aktiengesetzes zum Geschäftsbetrieb befugtes Kreditinstitut hiermit nach § 62 Abs. 5 S. 8 UmwG i.V.m. § 327b Abs. 3 AktG gegenüber jedem Minderheitsaktionär der Linde AG unbeding und unwiderruflich die Gewährleistung für die Erfüllung der Verpflichtung der Linde Holding als Hauptaktionärin der Linde AG, den Minderheitsaktionären der Linde AG unverzüglich die festgelegte Barabfindung in Höhe von EUR 188,24 (in Worten: Euro einhundertachtundachtzig 24/100) je auf die Linde Holding übergegangener auf den Inhaber lautender Stückaktie der Linde AG zu zahlen, nachdem sowohl (i) der Übertragungsbeschluss der Hauptversammlung der Linde AG gem. § 327a Abs. 1 AktG im Handelsregister der Linde AG als auch (ii) die vorstehend beschriebene Verschmelzung der Linde AG auf die Linde Holding im Handelsregister der Linde Holding eingetragen sind und damit der Übertragungsbeschluss wirksam geworden ist (§ 62 Abs. 5 S. 7 und 8 UmwG i.V.m. § 327e Abs. 3 S. 1 AktG). Wir übernehmen darüber hinaus die Gewährleistung für die Verpflichtung der Linde Holding, den Minderheitsaktionären Zinsen gem. § 62 Abs. 5 S. 8 UmwG i.V.m. § 327b Abs. 2 AktG auf die festgelegte Barabfindung i.H.v. 5 Prozentpunkten über dem jeweiligen Basiszinssatz gem. § 247 BGB p.a. zu zahlen.

Diese Gewährleistungserklärung wird als selbständiges Garantieverprechen abgegeben und stellt einen echten Vertrag zugunsten Dritter gem. § 328 Abs. 1 BGB dar, aus dem jedem Minderheitsaktionär der Linde AG ein unmittelbarer und unauflösbarer Zahlungsanspruch uns gegenüber zusteht. Der Anspruch eines Minderheitsaktionärs uns gegenüber aus dieser Gewährleistungserklärung wird mit dem Abfindungsanspruch fällig und erlischt, wenn sein Anspruch auf die Barabfindung wegfällt. Im Verhältnis zu jedem Minderheitsaktionär sind Einwendungen und Einreden aus unserem Verhältnis zur Linde Holding ausgeschlossen.

Die Erklärung unterliegt ausschließlich dem Recht der Bundesrepublik Deutschland.

UniCredit Bank AG

ppa.   
Dr. Peter Stoffer

Bis zu einem Gegenwert von EUR 500.000,00 genügt die Unterschrift eines Zeichnungsberechtigten.

ppa.   
JAN HESSLER

Handelsregister B des Amtsgerichts München	Abteilung B Wiedergabe des aktuellen Registerinhalts Abruf vom 01.11.2018 12:11	Nummer der Firma: <b>HRB 234880</b>
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**1. Anzahl der bisherigen Eintragungen:**

6

**2. a) Firma:**

Linde Intermediate Holding AG

**b) Sitz, Niederlassung, inländische Geschäftsanschrift, empfangsberechtigte Person, Zweigniederlassungen:**

München

Geschäftsanschrift: Klosterhofstraße 1, 80331 München

**c) Gegenstand des Unternehmens:**

Erwerb, Halten, Veräußerung und Verwaltung von Schuldtiteln und direkten oder indirekten Beteiligungen an anderen Gesellschaften oder Unternehmen und entgeltliche oder unentgeltliche Erbringung von administrativen, finanziellen, kaufmännischen und technischen Dienstleistungen an verbundene Unternehmen; Halten und Verwalten eigenen Vermögens, sowie alle damit in Zusammenhang stehenden Angelegenheiten. Ausgeschlossen sind Geschäfte, die einer Erlaubnis nach dem Gesetz über das Kreditwesen (KWG) oder dem Kapitalanlagegesetzbuch (KAGB) bedürfen.

**3. Grund- oder Stammkapital:**

50.000,00 EUR

**4. a) Allgemeine Vertretungsregelung:**

Ist nur ein Vorstandsmitglied bestellt, so vertritt es die Gesellschaft allein. Sind mehrere Vorstandsmitglieder bestellt, so wird die Gesellschaft durch zwei Vorstandsmitglieder oder durch ein Vorstandsmitglied gemeinsam mit einem Prokuristen vertreten.

**b) Vorstand, Leitungsorgan, geschäftsführende Direktoren, persönlich haftende Gesellschafter, Geschäftsführer, Vertretungsberechtigte und besondere Vertretungsbefugnis:**

Einzelvertretungsberechtigt; mit der Befugnis, im Namen der Gesellschaft mit sich als Vertreter eines Dritten Rechtsgeschäfte abzuschließen:

Vorstand: Dr. Bruch, Christian, Wolfratshausen, \*07.04.1970

Vorstand: Menezes, Eduardo F., Ridgefield, Connecticut / Vereinigte Staaten, \*08.04.1963

**5. Prokura:**

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**6. a) Rechtsform, Beginn, Satzung oder Gesellschaftsvertrag:**

Aktiengesellschaft

Satzung vom 12.7.2017

Zuletzt geändert durch Beschluss vom 21.09.2018

Handelsregister B des Amtsgerichts München	Abteilung B Wiedergabe des aktuellen Registerinhalts Abruf vom 01.11.2018 12:11	Nummer der Firma: <b>HRB 234880</b>
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**b) Sonstige Rechtsverhältnisse:**

Die Gesellschaft hat am 08.06.2018 mit der Linde Holding GmbH mit dem Sitz in München (Amtsgericht München HRB 234787) als herrschender Gesellschaft einen Beherrschungsvertrag geschlossen. Die Hauptversammlung hat mit Beschluss vom 08.06.2018 zugestimmt.

**7. a) Tag der letzten Eintragung:**

26.10.2018

**Annex 5**  
to the Share Transfer Report

Notarized merger agreement between Linde Intermediate Holding AG and Linde Aktiengesellschaft dated November 1, 2018

Notarial deed by Notary Dr. Tilman Götte,  
Munich, as of November 1, 2018  
- UR 2924 G/2018

Convenience Translation

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# MERGER AGREEMENT

BETWEEN

LINDE INTERMEDIATE HOLDING AG

AND

LINDE AKTIENGESELLSCHAFT

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# Merger Agreement

between

**Linde Intermediate Holding AG,**

Klosterhofstraße 1, 80331 Munich,

– hereinafter also referred to as “**Linde Intermediate**” or

the “**Acquiring Company**” –

and

**Linde Aktiengesellschaft,**

Klosterhofstraße 1, 80331 Munich,

- hereinafter also referred to as “**Linde AG**” or

the “**Transferring Company**”

– Acquiring Company and Transferring Company also referred to as “**Parties**”

or individually referred to as a “**Party**” –

## Preliminary Remarks

- I.** Linde Intermediate is a stock corporation, incorporated under the laws of Germany and registered with the commercial register of the local court of Munich under HRB 234880, having its registered office in Munich, whose shares are neither admitted to trading on the regulated market segments of a stock exchange nor traded on an over-the-counter market of a stock exchange. The nominal capital of Linde Intermediate registered with the commercial register amounts to €50,000. It is divided into 50,000 registered shares with no par value each having a notional value of €1.00. The fiscal year of Linde Intermediate is the calendar year. The sole shareholder of Linde Intermediate is Linde Holding GmbH, registered with the commercial register of the local court of Munich under HRB 234787, having its registered office in Munich (“**Linde Holding GmbH**”). The nominal capital of Linde Holding GmbH is, in turn, fully held by Linde plc, a public limited company incorporated under the laws of Ireland, having its registered office in Dublin, Ireland, and its principal executive offices in Surrey, United Kingdom (“**Linde plc**”).
- II.** Linde Aktiengesellschaft is a listed stock corporation incorporated under the laws of Germany and registered with the commercial register of the local court of Munich under HRB 169850, having its registered office in Munich, whose shares are admitted to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (*Prime Standard*), where they are traded in the electronic trading system XETRA (“**Linde AG**” and, together with its subsidiaries and affiliated companies, the “**Linde AG Group**”). Further, Linde AG shares are listed on the regulated market segments (*regulierter Markt*) of the stock exchanges in Berlin, Dusseldorf, Hamburg, Munich, and Stuttgart as well as on the Tradegate Exchange and they are also traded on the over-the-counter market of the Hanover Stock Exchange. The nominal capital of Linde AG registered with the commercial register amounts to €475,476,940.80 and is divided into 185,733,180 bearer shares with no par value each representing a proportionate interest in the nominal capital of €2.56 (“**Linde Shares**”). As of this date, Linde AG holds 95,109 treasury shares. The fiscal year of Linde AG is the calendar year.

- III.** Currently, Linde Intermediate directly holds 170,874,958 of the total of 185,733,180 Linde Shares. Taking into account the deduction of 95,109 treasury shares of Linde AG pursuant to Sec. 62 para. 1 sent. 2 of the German Transformation Act (*Umwandlungsgesetz*), this corresponds to approximately 92% of the nominal capital of Linde AG. Thus, Linde Intermediate is the majority shareholder of Linde AG within the meaning of Sec. 62 para. 5 sent. 1 of the German Transformation Act. Linde Intermediate and Linde AG intend to transfer the entire assets of Linde AG through a merger by way of absorption to Linde Intermediate. In connection with the merger, there shall be a squeeze-out with regard to the remaining shareholders of Linde AG besides Linde Intermediate (“**Minority Shareholders**”). For this purpose, the general meeting of Linde AG shall resolve on the transfer of the shares of the Minority Shareholders to Linde Intermediate against adequate cash compensation within three months of the execution of this merger agreement.
- IV.** The merger shall only take effect if the squeeze-out of the Minority Shareholders of Linde AG and thus the transfer of all shares of the Minority Shareholders of Linde AG to Linde Intermediate as the majority shareholder comes into effect, which is ensured by a condition precedent with respect to the effectiveness of this agreement. In turn, the squeeze-out of Minority Shareholders and thus the transfer of the shares of the Minority Shareholders of Linde AG to Linde Intermediate as the majority shareholder pursuant to Sec. 62 para. 5 sent. 7 of the German Transformation Act shall only take effect simultaneously with the registration of the merger with the commercial register at the registered office of Linde Intermediate. Since Linde Intermediate will consequently be the sole shareholder of Linde AG when the merger becomes effective, no shares in Linde Intermediate will be granted to the shareholders of the Transferring Company. No capital increase of Linde Intermediate will be effected to implement the merger.

Now, therefore, Linde Intermediate and Linde AG agree as follows:

## § 1

### **Transfer of Assets, Closing Balance**

1. Linde AG transfers all of its assets, including all rights and obligations, by way of dissolution without liquidation pursuant to Sec. 2 no. 1, 60 *et seq.* of the German Transformation Act and in accordance with the provisions of this agreement (merger by absorption). Upon the entry of the merger with the commercial register at the registered office of the Transferring Company, all obligations of Linde AG are transferred to Linde Intermediate (Sec. 20 para. 1 no. 1 of the German Transformation Act).
2. The merger will be based on – subject to the provisions of § 7 of this agreement – the balance sheet of Linde AG as transferring company as of December 31, 2018 (“**Closing Balance**”) (also the tax transfer date), audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin (Munich branch).

## § 2

### **Squeeze-out of Transferring Company’s Minority Shareholders**

1. A squeeze-out of Minority Shareholders of Linde AG pursuant to Sec. 62 para. 5 of the German Transformation Act in conjunction with Sec. 327a to 327f of the German Stock Corporation Act (*Aktiengesetz*) shall take place in connection with the merger of Linde AG into Linde Intermediate. As stated in the deposit confirmation issued by UniCredit Bank AG attached hereto as **Annex 1**, as of this date, Linde Intermediate directly holds 170,874,958 of a total of 185,733,180 Linde Shares. This corresponds – deducting 95,109 Linde Shares directly held by Linde AG (see the deposit confirmation issued by Deutsche Bank Aktiengesellschaft, Frankfurt attached hereto as **Annex 2**) pursuant to Sec. 62 para. 5 of the German Transformation Act – to approximately 92% of Linde AG’s nominal capital.
2. It is intended that Linde AG’s general meeting adopts a resolution within three months following the execution of this merger agreement pursuant to Sec. 62 para. 5 sent. 1 of the German Transformation Act in conjunction with Sec. 327a para. 1 sent. 1 of the German Stock Corporation Act (“**Transfer Resolution**“) with respect to the transfer of

Linde Shares of Linde AG's Minority Shareholders onto Linde Intermediate as majority shareholder against an adequate cash compensation by Linde Intermediate in the amount stated in the Transfer Resolution. The entry of the Transfer Resolution in the commercial register at the Transferring Company's registered office must contain that such resolution only becomes effective simultaneously with the entry of the merger in the commercial register at the Acquiring Company's registered office (Sec. 62 para. 5 sent. 7 of the German Transformation Act).

### **§ 3**

#### **No Consideration**

1. Linde Intermediate as the Acquiring Company will hold all shares in Linde AG upon the merger coming into effect. This is ensured by the condition precedent set out in Sec. 8.1 of this agreement and the statutory provisions pursuant to Sec. 62 para. 5 sent. 7 of the German Transformation Act.
2. Therefore, pursuant to Sec. 20 para. 1 no. 3 sent. 1 half-sent. 2 of the German Transformation Act, no shares in Linde Intermediate will be offered in return to the shareholders of Linde AG in the course of the merger. Linde Intermediate as Acquiring Company pursuant to Sec. 68 para. 1 sent. 1 no. 1 of the German Transformation Act may not increase its nominal capital for the execution of the merger.
3. Furthermore, pursuant to Sec. 5 para. 2 of the German Transformation Act, all information generally required under Sec. 5 para. 1 no. 2 to 5 of the German Transformation Act is not required. The Acquiring Company, as sole shareholder of the Transferring Company after the merger becomes effective, declares, as a precaution, a waiver regarding a cash compensation in the merger agreement (Sec. 29 of the German Transformation Act).

### **§ 4**

#### **Merger Effective Date**

The transfer of Linde AG's assets as Transferring Company to Linde Intermediate as Acquiring Company will occur as between the Parties – subject to the condition precedent of § 7 of this

agreement – upon the expiry of December 31, 2018. Starting January 1, 2019 (“**Merger Effective Date**“), all operations and transactions involving the Transferring Company will be conducted for the account of the Acquiring Company.

## § 5

### **Special Rights and Advantages**

1. Subject to the facts and circumstances set forth in Sec. 2 of this agreement, no rights within the meaning of Sec. 5 para. 1 no. 7 of the German Transformation Act shall be granted to individual shareholders or to holders of certain rights. No other measures within the meaning of the above-mentioned provisions are intended.
2. Subject to the facts and circumstances set forth in Sec. 5.3 to Sec. 5.5 of this agreement, no special advantages within the meaning of Sec. 5 para. 1 no. 8 of the German Transformation Act shall be granted to a member of the executive board or supervisory board of a company involved in the merger or to an auditor or to any other person mentioned in that provision.
3. Upon effectiveness of the merger, the executive board members (the “**Executive Board Members**”) will cease to be corporate bodies and executive board members of Linde AG. The employment agreements and pension agreements of the Executive Board Members, their individual agreements regarding option rights and matching shares rights based on the long-term incentive plan of Linde AG (“**LTIP**”), as well as any other contracts between the Executive Board Members and Linde AG will be transferred by way of universal succession to Linde Intermediate. Notwithstanding the foregoing, Prof. Dr. Aldo Belloni will cease to be a member of the executive board of Linde AG by the end of December 31, 2018 or at such point in time when the obligations of Linde AG under the “Order to Hold Separate and Maintain Assets” of the U.S. antitrust authority (Federal Trade Commission) terminate if such point in time is after December 31, 2018. The Parties currently expect that Prof. Dr. Aldo Belloni will cease to be a member of the Linde AG executive board prior to the effectiveness of the merger. The employment agreement of Prof. Dr. Aldo Belloni will terminate at the same time as he ceases to be a member of the executive board. Further, under the condition that a new employment

agreement is concluded with another entity of the Linde plc group, the employment agreements of Bernd Eulitz and Sanjiv Lamba which are still existing at that time will cease upon effectiveness of the merger and will not be transferred by way of universal succession to Linde Intermediate. Linde Intermediate as universal successor of Linde AG will, however, terminate the LTIP and all outstanding option rights and matching share rights regarding the Executive Board Member immediately following the effectiveness of the merger if the merger has been effected within 18 months following the completion of the exchange offer, i.e. the latest on April 30, 2020. Upon termination, the Executive Board Members will receive, in respect of their unexercised option rights and their unvested matching share rights, on the basis of the provisions of the LTIP, including under consideration of the individually expired holding period of such rights until the time of completion of the exchange offer (adjusted to full months), a cash compensation. Furthermore, the Executive Board Members will receive stock options and so-called restricted share units in Linde plc under the LTIP 2018 of Linde plc, respectively, which will be subject to service-based (but not performance-based) vesting conditions. The number of options rights and unvested matching share rights granted to the Executive Board Members by Linde plc will be determined, in each case, based on the exchange ratio, the valuation applied by Linde Intermediate to calculate the cash compensation and further applying thereto a fraction which is equal to 1 minus a fraction the numerator of which is the number of days elapsed during the applicable waiting period prior to and including the completion of the exchange offer and the denominator of which is 1,461. Both with regard to the termination and cash compensation by Linde Intermediate, as well as with regard to the grant of rights by Linde plc under the LTIP 2018, the Executive Board Members will be treated equal to all other executives and employees participating in the LTIP at the completion of the exchange offer, except that the termination, the compensation payment and the grant of the new rights are postponed until after effectiveness of the merger. Option rights held by Executive Board Members that become exercisable and are exercised following the completion of the exchange offer and prior to the effectiveness of the merger, and matching share rights held by Executive Board Members that become due following the completion of the exchange offer and prior to the effectiveness of the merger, will be compensated for on the basis of the provisions of

the LTIP by cash compensation; the previously described provisions regarding termination and the grant of rights by Linde plc are not applicable in such case. If the merger is not effected within 18 months following the completion of the exchange offer, i.e. the latest on April 30, 2020, the LTIP and the outstanding option rights and unvested matching share rights to which the Executive Board Members are entitled will not be terminated; outstanding option rights and unvested matching share rights will be compensated for on the basis of the provisions of the LTIP by cash compensation when they are exercised or fall due. Neither the squeeze-out of the Minority Shareholders nor the merger according to this agreement trigger the payment of a bonus for executive board members of Linde AG. In the event that Eduardo F. Menezes is appointed as a member of the executive board of Linde AG prior to the effectiveness of the merger, any employment and compensation agreements concluded between Eduardo F. Menezes and Linde AG would also be transferred to Linde Intermediate upon the effectiveness of the merger. As Eduardo F. Menezes has not yet participated in the LTIP, the aforementioned explanations with regard to the treatment of rights do not apply to him. However, no agreements or commitments have yet been concluded between him and Linde AG.

4. Without prejudice to the competence of the supervisory board of Linde Intermediate under stock corporation law, the Parties have the intention that the current members of the executive board of Linde Intermediate, Dr. Christian Bruch, who currently also serves as a member of the executive board of Linde AG, and Eduardo F. Menezes will continue to serve as members of the executive board of Linde Intermediate following the effectiveness of the merger. The previous employment agreement of Dr. Christian Bruch which is concluded with Linde AG will initially transfer to Linde Intermediate and is expected to be continued on similar terms by Linde Intermediate. The same would apply for Eduardo F. Menezes in the event that he is appointed as a member of the executive board of Linde AG prior to the effectiveness of the merger and has concluded an employment agreement with Linde AG. The employment agreement with Dr. Sven Schneider will be transferred by way of universal succession to Linde Intermediate, however, will be terminated upon expiry of the period set forth in Section 622 of the German Civil Code (*Bürgerliches Gesetzbuch*) without the requirement for termination by Linde Intermediate. Dr. Sven Schneider will then be entitled to a settlement payment



in accordance with the provisions of the employment agreement. The current Executive Board Member, Bernd Eulitz, is expected to assume responsibility for the gases business of Linde plc in the Americas and the current Executive Board Member, Sanjiv Lamba, is expected to assume responsibility for the gases business of Linde plc in Asia. It is currently intended that Bernd Eulitz and Sanjiv Lamba will not serve as executive members of Linde Intermediate. It has, however, not yet been determined with which group company of the Linde plc group Bernd Eulitz and Sanjiv Lamba will be entering into their respective employment agreement. It can, however, be expected that in each case that their future employment agreement will be based on terms and provisions that are economically largely equivalent to those of their current employment agreement with Linde AG.

5. Following the effectiveness of the merger, the composition of the supervisory board of Linde Intermediate will be governed by Sec. 7 para. 1 sentence 1 no. 1 German Codetermination Act, as Linde Intermediate as the legal successor of Linde AG itself will directly employ more than 2,000 but no more than 10,000 employees (also refer to Sec. 6.14 of this agreement). The exact composition of the supervisory board of Linde Intermediate following the effectiveness of the merger is not yet determined. However, it is intended to have the employee representatives Mr. Gernot Hahl, Ms. Anke Couturier, Dr. Hans-Peter Kaballo, Dr. Martin Kimmich, Ms. Andrea Ries and Mr. Xaver Schmidt, subject to their approval, in accordance with Sec. 104 German Stock Corporation Act appointed by court order as members of the supervisory board for the period until employee representative elections are held. An agreement on the remuneration of such position does currently not exist.
6. Without prejudice to the competence of the supervisory board of Linde Holding GmbH under company law, the Parties intend for the current managing directors of Linde Holding GmbH, Dr. Christian Bruch, who currently also serves as a member of the executive board of Linde AG, and Eduardo F. Menezes to continue to serve in their capacity as managing directors of Linde Holding GmbH following the effectiveness of the merger. An agreement on the remuneration of such position does currently not exist.

7. Because Linde Holding GmbH, since it has been the German parent company of the Linde AG Group, is subject to the provisions of the German Codetermination Act according to Sec. 1 para. 1, Sec. 5 para. 3 German Codetermination Act (*Mitbestimmungsgesetz*), so-called “status proceedings” according to Sec. 97 *et seq.* of the German Stock Corporation Act are to be carried out to establish a codetermined supervisory board at the level of Linde Holding GmbH. Linde AG Group does usually not employ more than 10,000 employees in Germany so that pursuant to Sec. 7 para. 1 sent. 1 no. 1 of the German Codetermination Act, the supervisory board of Linde Holding GmbH will be composed of twelve members, *i.e.*, six representatives of the shareholders and six employee representatives. Without prejudice to the statutory competence of the general meeting of Linde Holding GmbH, the Parties intend to appoint the representatives of the shareholders as members of the supervisory board of Linde Holding GmbH by means of a shareholders’ resolution in due time prior to the conclusion of the status proceedings. It is also intended to have the employee representatives Mr. Gernot Hahl, Ms. Anke Couturier, Dr. Hans-Peter Kaballo, Dr. Martin Kimmich, Ms. Andrea Ries and Mr. Xaver Schmidt, subject to their approval, in accordance with Sec. 104 German Stock Corporation Act appointed by court order as members of the supervisory board of Linde Holding GmbH for the period until employee representative elections are held. The exact composition of the supervisory board of Linde Holding GmbH upon effectiveness of the merger is not yet determined. It can be expected that the employee representatives who are members of the supervisory board prior to the effectiveness of the merger will also serve as members of the supervisory board following the effectiveness of the merger. An agreement on the remuneration of such position does currently not exist.

## § 6

### **Consequences of the Merger for Employees and Their Representative Bodies**

1. The merger has no consequences for the employees of Linde Intermediate and their representatives because Linde Intermediate does not employ any employees at the Merger Effective Date and accordingly, no employee representation bodies exist.

2. At the Merger Effective Date, Linde AG has employees. The merger and related transfer of management power over the businesses of Linde AG constitute a transfer of business, with the result that all employment relationships existing at that time with Linde AG are transferred to Linde Intermediate pursuant to Sec. 324 of the German Transformation Act in connection with Sec. 613a of the German Civil Code (*Bürgerliches Gesetzbuch*). Upon effectiveness of the merger, Linde Intermediate, as new employer, enters into all rights and obligations arising from employment relationships of Linde AG, recognizing the period of the employment with Linde AG and continuing the employment relationship. The legal status at the time of the effectiveness of the merger is relevant with respect to the content of the transferred employment relationships. The termination of employment relationships which are transferred at the time of the effectiveness of the merger due to the transfer of business is not permissible pursuant to Sec. 324 of the German Transformation Act in connection with Sec. 613a para. 4 sent. 1 of the German Civil Code. The right to terminate the employment relationship for other reasons remains unaffected pursuant to Sec. 324 of the German Transformations Act in connection with Sec. 613a para. 4 sent. 2 of the German Civil Code.
3. The contractually agreed working conditions of the transferred employees remain unaffected, including any company practices (*betriebliche Übungen*) and commitments (*Gesamtzusagen und Einheitsregelungen*). This also applies to the place of work and any direction rights of the employer. All rights and obligations arising out of the length of service continue at Linde Intermediate. This applies, in particular, to the calculation of the notice period for terminations and the entitlement for anniversary payments of the transferred employees.
4. Upon effectiveness of the merger, all rights and obligations arising from pension commitments (including ongoing commitments towards pensioners and vested pension entitlements of former employees of Linde AG) transfer to Linde Intermediate. Insofar as the duration of employment is relevant for the right to receive, and the amount of, any commitments, the employment periods reached at or recognized by Linde AG are also taken into account. In the future, adjustments to current benefits due to pension commitments pursuant to Sec. 16 para. 1 of the German Occupational Retirement

Pensions Improvement Act (*Betriebsrentengesetz*) shall take into account the economic situation of Linde Intermediate.

5. As Linde AG ceases to exist upon effectiveness of the merger according to Sec. 20 para. 1 no. 2 of the German Transformation Act, pursuant to Sec. 613a para. 3 of the German Civil Code an additional joint and several liability of Linde AG within the meaning of Sec. 613a para. 2 of the German Civil Code lapses.
6. The employees affected by the transfer shall be notified in accordance with Sec. 613a para. 5 of the German Civil Code prior to effectiveness of the transfer. Pursuant to the case law of the Federal Labor Court (*Bundesarbeitsgericht*), the employees have no right to object to the transfer in accordance with Sec. 613a of the German Civil Code (*Bürgerliches Gesetzbuch*) because Linde AG, as their previous employer, ceases to exist and accordingly, employment relationships with Linde AG cannot be continued. However, pursuant to the case law of the Federal Labor Court, employees may have an extraordinary termination right due to the merger.
7. The merger as such does not lead to any change to the current operational structure (*betriebliche Struktur*) of Linde AG, which will persist with Linde Intermediate following the effectiveness of the merger. No change of the business within the meaning of Sec. 111 of the German Works Constitution Act (*Betriebsverfassungsgesetz*) is effected by the merger and the transfer of business connected thereto. The head office with regard to the previous activities of Linde AG will continue to be located in Munich. The plans and agreements regarding the implementation of the group-wide restructuring plan of the Linde AG Group, LIFT, are not affected by the merger. The same applies regarding the commitments made by Linde AG to employee representatives in the “Key Issue Paper on Employment Protection for Linde Germany” and the “Letter of Intent on Employment Protection for Linde Germany”, each dated December 6, 2016, and the collective agreements implementing them. Upon effectiveness of the merger, the aforementioned commitments continue to be in effect at Linde Intermediate, instead of at Linde AG and their subsidiaries.

8. Linde Intermediate has neither a works council nor a spokesperson committee (*Sprecherausschuss*). With respect to Linde AG, works councils exist for (i) the Linde Head Office located in Munich, (ii) the division Linde Gas Deutschland at the operations located in Bad Driburg-Herste, Berlin, Bitterfeld, Bielefeld, Bochum, Bremen, Burghausen, Duisburg, Dusseldorf, Dormagen, Eisenhüttenstadt, Gablingen, Göllheim, Hamburg, Hamburg-Finkenwerder, Hamburg-Müggenburg, Hanover, Herne, Cologne-Worringen, Leuna, Marl, Meitingen-Herbertshofen, Neuwied, Niefern, Nuremberg, Oberhaching, Oberschleißheim, Pullach, Salzgitter, Stolberg, Stuttgart, Unterschleißheim, Wiesbaden, Worms, and (iii) the division Linde Engineering at the operations located in Dresden, Schalchen and Pullach. In addition, Linde AG Group has a European works council, a group works council, three representative bodies for executive employees (at the Head Office in Munich, Linde Engineering in Pullach and Linde Gas in Pullach), a committee for the severely handicapped for the sites of Linde Engineering in Pullach and Linde Gas in Pullach, as well as a company committee for the severely handicapped, a group committee for youth and training, and several division committees, as well as an economic committee. Upon effectiveness of the merger, these employee representative bodies will continue to exist.
9. No works agreements (*Betriebsvereinbarungen*) currently exist at Linde Intermediate. Upon effectiveness of the merger, under collective bargaining law, the existing works agreements and the agreements with the representative body for executive employees of Linde AG, which were concluded between Linde AG and the employee representatives bodies, will continue at Linde Intermediate, because the merger does not change the identity of the business operations.
10. Linde AG is a member of the employers' association (*Arbeitgeberverband*) of *Bayerische Metall- und Elektro-Industrie e.V.* and *Verein der Bayerischen Chemischen Industrie e.V.* Accordingly, Linde AG is bound by the collective bargaining agreements concluded by this employers' association.
11. Currently, Linde Intermediate is not a member of any employers' association and not bound to any collective bargaining agreement. Prior to the effectiveness of the merger,

Linde Intermediate will file for an application for membership in the employers' association *Bayerische Metall- und Elektro-Industrie e.V.*, as well as *Verein der Bayerischen Chemischen Industrie e.V.* with effect from the date of effectiveness of the merger at the latest. Following its accession to the employers' association *Bayerische Metall- und Elektro-Industrie e.V.* and *Verein der Bayerischen Chemischen Industrie e.V.*, Linde Intermediate will be bound under collective bargaining law by the same collective bargaining agreements which Linde AG is bound to because of its membership in the employers' association *Bayerische Metall- und Elektro-Industrie e.V.* and *Verein der Bayerischen Chemischen Industrie e.V.* Accordingly, the collective bargaining agreements in place at the time of effectiveness of the merger continue to apply on the basis as they existed at the relevant time. Under collective bargaining law, the respective collective bargaining agreements persist for employees who are bound by collective bargaining agreements and are within the scope of the collective bargaining agreements concluded with the employers' association *Bayerische Metall- und Elektro-Industrie e.V.* or *Verein der Bayerischen Chemischen Industrie e.V.*

12. The merger does not affect the application of collective bargaining agreements declared to be universally applicable; if and to the extent such collective bargaining agreements are applicable to Linde AG, they shall persist under collective bargaining law.
13. Linde AG currently has a supervisory board composed in accordance with the provisions of the German Codetermination Act, consisting of twelve members, six of whom are representatives of the shareholders and six of whom are representatives of the employees. Upon the effectiveness of the merger, the supervisory board members will cease to be corporate bodies and supervisory board members of Linde AG.
14. Linde Intermediate currently has a supervisory board consisting of six members, all elected by its sole shareholder. Since Linde Intermediate does not employ any employees and no employees are attributed to Linde Intermediate, its supervisory board is not subject to the German Codetermination Act. Upon effectiveness of the merger, Linde Intermediate will form a supervisory board subject to parity codetermination in accordance with the German Codetermination Act because Linde Intermediate, as

successor of Linde AG, will directly employ more than 2,000 employees in Germany. At the latest, immediately following the effectiveness of the merger, the members of the executive board of Linde Intermediate will carry out so-called “status proceedings” pursuant to Sec. 97 *et seq.* of the German Stock Corporation Act. The Parties assume that Linde Intermediate will usually not employ more than 10,000 employees in Germany; thus, pursuant to Sec. 7 para. 1 sent. 1 no. 1 of the German Codetermination Act, the supervisory board will consist of twelve members, six of whom are representatives of the shareholders and six of whom are representatives of the employees. Prior to the effectiveness of the merger, the supervisory board representatives of the shareholders will be elected by the general meeting of Linde Intermediate, thus by Linde Holding GmbH. The election of these members is subject to the condition precedent of the completion of the status proceedings. The supervisory board representatives of the employees will initially be appointed by court for the period after the completion of the status proceedings. With respect to the proposed composition of the supervisory board of Linde Intermediate following the effectiveness of the merger, reference is made to Sec. 5.5 of this agreement. With respect to the proposed composition of the supervisory board of Linde Holding GmbH following the effectiveness of the merger, reference is made to Sec. 5.7 of this agreement. The employees of Linde AG and of any subsidiary of Linde AG who, up until now, have had active and passive voting rights, will have active and passive voting rights for the election of the employees’ representatives in the supervisory board of Linde Holding GmbH upon effectiveness of the merger. The employees of Linde AG who are employed in Germany, will have active and passive voting rights for the election of the employees’ representatives in the supervisory board of Linde Intermediate upon effectiveness of the merger.

15. The merger does not directly affect the subsidiaries and affiliated companies of Linde AG. The service agreements of the employees of the subsidiaries and affiliated companies are not affected by the merger. The merger neither leads to changes with regard to the employees’ representative bodies nor with regard to works agreements or with regard to agreements with the representative body for executive employees, which were concluded with each existing employees’ representative body of the subsidiaries or

affiliated companies of Linde AG. In addition, the merger does not affect the application of collective bargaining agreements on subsidiaries or affiliated companies.

## § 7

### **Change in the Merger Effective Date**

If the merger does not become effective by the end of January 31, 2020 by way of registration with the commercial register at the registered office of Linde Intermediate as Acquiring Company, the merger, notwithstanding Sec. 1.2 of this agreement, will be based on the balance sheet of Linde AG dated December 31, 2019 as closing balance sheet and the merger effective date will be changed, notwithstanding Sec. 4 of this agreement, to January 1, 2020. If the effectiveness of the merger is delayed beyond January 31, 2021, the effective date shall be delayed by one year respectively in line with the provisions detailed above.

## § 8

### **Condition Precedent, Effectiveness, Reservation of Right of Withdrawal**

1. The effectiveness of this agreement is subject to the condition precedent that the resolution of the general meeting of Linde AG pursuant to Sec. 62 para. 5 sent. 1 of the German Transformation Act in connection with Sec. 327a para. 1 sent. 1 of the German Stock Corporation Act with respect to the transfer of the shares of the Minority Shareholders to Linde Intermediate as the majority shareholder is registered with the commercial register at the registered office of Linde AG with the note pursuant to Sec. 62 para. 5 sent. 7 of the German Transformation Act, according to which the transfer resolution becomes effective at the same time as the merger is registered with the commercial register at the registered office of Linde Intermediate.
2. The merger will become effective upon its registration with the commercial register at the registered office of Linde Intermediate. Pursuant to Sec. 62 para. 4 sent. 1 and 2 of the German Transformation Act, an approval of the general meeting of Linde AG to this agreement is not required for the effectiveness of this agreement because, pursuant to Sec. 8.1 of this agreement, the effectiveness of this agreement is subject to the condition precedent that the general meeting of Linde AG as the transferring company resolves



upon a resolution pursuant to Sec. 62 para. 5 sent. 1 of the German Transformation Act in connection with Sec. 327a para. 1 sent. 1 of the German Stock Corporation Act and such resolution is registered with the commercial register at the registered office of Linde AG with a note pursuant to Sec. 62 para. 5 sent. 7 of the German Transformation Act. Pursuant to Sec. 62 para. 1 in connection with para. 2 sent. 1 of the German Transformation Act, an approval by the general meeting of Linde Intermediate to this agreement is only required if the shareholders of Linde Intermediate whose holdings in aggregate equal or exceed 5% of the nominal capital of Linde Intermediate request the convocation of a general meeting resolving on the approval of the merger. The sole shareholder of Linde Intermediate, Linde Holding GmbH, has declared to Linde Intermediate that it will not exercise such right.

3. Each Party may withdraw from this agreement if the merger does not come into effect by the end of December 31, 2021 and if the merger does not come into effect prior to the exercise of the right of withdrawal by its registration with the commercial register at the registered office of Linde Intermediate and the fulfillment of the condition precedents set forth in Sec. 8.1 of this agreement. The withdrawal shall be declared via registered mail. Each Party may waive its right of withdrawal by expressly declaring its waiver in writing.

## **§ 9**

### **Final Provisions**

1. Without prejudice to the competence under stock corporation law of the general meeting of Linde Intermediate, it is intended that the company name of Linde Intermediate will be changed to “Linde Aktiengesellschaft”/“Linde AG” at the latest without undue delay following the effectiveness of the merger. It is furthermore intended that Linde Intermediate will change its business purpose to one that is similar to the business purpose set forth in Section 2 of the articles of association of Linde AG.
2. Linde Holding GmbH as the sole shareholder of Linde Intermediate has declared to Linde Intermediate that it shares the views of the Parties expressed in Sec. 5.3, Sec. 5.4, Sec. 5.5, Sec. 5.6, Sec. 5.7, Sec. 6.14, and Sec. 9.1 of this agreement.

3. The assets of Linde AG include the properties listed in **Annex 3**. The Parties are aware that this property will be transferred from Linde AG to Linde Intermediate upon effectiveness of the merger, so that an update of the land register (*Grundbuch*) is required. Hereby, the necessary update following the effectiveness of the merger is applied for. The certifying notary shall be commissioned and authorized to arrange the land register update.
4. The Parties will make all declarations, issue all documents and perform all other actions that may be required or appropriate in connection with the transfer of assets of Linde AG at the time the merger onto Linde Intermediate comes into effect or in connection with the correction of public registers or other directories. Linde AG grants Linde Intermediate power of attorney to the fullest extent legally permissible to make any declarations that are necessary or helpful for fulfilling the obligations under this Sec. 9.4. This power of attorney will stay valid beyond the effectiveness of the merger.
5. The costs and taxes related to the notarization of this agreement will be incurred by Linde Intermediate. The same shall apply to the costs and taxes incurred in connection with the execution of this agreement. Apart from that, each Party will bear its own costs, subject to other agreements. This shall also apply in case the merger is voided due to a withdrawal by one Party or otherwise.
6. This agreement shall remain in force even in the case one or more provisions of this agreement are or become void or unenforceable. The Parties undertake to replace an invalid or unenforceable provision with a provision that is valid, practicable and in the legally permissible manner closest to what the Parties have intended with the void or unenforceable provision or would have intended if they had been aware of the invalidity or unenforceability of the provision. The same applies in the event the agreement is incomplete.

\* \* \*

**Annex 1** to the notarial deed by Notary Dr. Tilman Götte,  
Munich, as of November 1, 2018  
- UR 2924 G/2018.

**Deposit Confirmation issued by UniCredit Bank AG regarding the shares of Linde AG  
held by Linde Intermediate**

(Annex in German only)

Linde Intermediate Holding AG  
Klosterhofstr. 1

80331 München

Olaf Schwerdt  
Corporate & Investment Banking  
UniCredit Bank AG  
Arabellastr. 14  
81925 Munich  
Germany  
Tel. +49 89 378-25249  
Fax +49 89 378-23558  
olaf.schwerdt@unicredit.de

München, 31/10/2018

**Depotbestätigung**  
**Linde Intermediate Holding AG**


Sehr geehrte Damen und Herren,

hiermit bestätigen wir folgenden Bestand auf dem Depot Nr. 20038637  
der Linde Intermediate Holding AG :

Verfügbarer Bestand

ST 170.874.958 LINDE AG INHABER-AKTIEN O.N. WKN DE000648300

Mit freundlichen Grüßen

  
**UniCredit Bank AG**  
Corporate & Investment Banking  
Multinational Clients  
Arabellastraße 14  
D-81925 Munich

Members of the Management Board:  
Dr. Michael Diederich (Spokesman),  
Sandra Betocchi Drwenski, Dr. Emanuele Buttà,  
Ljiljana Čortan, Jan Kupfer, Robert Schindler,  
Guglielmo Zadra

Chairman of the Supervisory Board:  
Gianni Franco Papa

**UniCredit Bank AG**

Legal Status: Aktiengesellschaft  
Registered Office: Munich  
Listed in the Court Register: Munich HR B 421 48  
Tax-Id.No.: 143/107/72500  
VAT Reg.No.: DE 129 273 380  
[www.cib.unicredit.eu](http://www.cib.unicredit.eu)

**Annex 2** to the notarial deed by Notary Dr. Tilman Götte,

Munich, as of November 1, 2018

- UR 2924 G/2018.

**Deposit Confirmation issued by Deutsche Bank Aktiengesellschaft, Frankfurt, regarding  
the treasury shares of Linde AG**

(Annex in German only)



Linde Aktiengesellschaft  
Klosterhofstr. 1

80331 München

Deutsche Bank AG  
Corporate Banking Coverage

Irmi Reich

Mainzer Landstraße 11 - 17  
60329 Frankfurt am Main

Telefon +49 (69) 910-22584  
E-Mail: irmi.reich@db.com

31. Oktober 2018

**Depotbetätigung per 31.10.18 - Linde Aktiengesellschaft Depotnummer 111 0333005 00**

Sehr geehrte Damen und Herren,

wir bestätigen Ihnen hiermit, dass zum 31.10.18 im Depot der Linde Aktiengesellschaft, München, mit der Depotnummer 111 0333005 00

95.109 Stück Linde AG Inhaber Aktien, WKN 648300

verwahrt werden.

Mit freundlichen Grüßen

Deutsche Bank AG  
Filiale Deutschlandgeschäft

  
Dinko Mehmedagic

  
Irmi Reich

**Annex 3** to the notarial deed by Notary Dr. Tilman Götte,

Munich, as of November 1, 2018

- UR 2924 G/2018.

**Real Estate / Leaseholds of Linde Aktiengesellschaft**

No.	Local Court District	Land Registry	Issue / Volume	Page	Register Sequence No.	Parcel	Plot	Commercial Type / Location
1	Aachen	Laurensberg	N/A	10247	1	4	1479	Building- and open space, Krefelder Straße 223
2	Aachen	Laurensberg	N/A	10247	2	4	1481	Building- and open space, Krefelder Straße 224
3	Altötting	Raitenhaslach	N/A	1507	2	N/A	1287/9	Building- and open space, Business Park "Lindach D21"
4	Altötting, Zweigstelle Burghausen	Burghausen	144	5680	1	N/A	2463/10	Haiminger Str. 10, office building, business premises, industrial site, parking lot, compound
5	Altötting, Zweigstelle Burghausen	Burghausen	144	5680	2	N/A	2463/11	Mixed forest, "Hirschlecke" (historic stone cross)
6	Amtsgericht Gießen	Gießen	N/A	29370	1	13	166/28	Building- and open space, Bänningerstraße 14
7	Aschaffenburg	Aschaffenburg	N/A	23321	4	N/A	3820/4	Building- and open space, Auhofstraße 4
8	Auerbach	Reichenbach	N/A	1765	3	N/A	1743/3	Building- and open space
9	Augsburg	Oberhausen	N/A	14797	1	N/A	395/4	Building- and open space, Hirblinger Straße 79c
10	Augsburg	Gablingen	58	2015	3	N/A	558	Building- and open space, Industriestraße 7, Am Foret 4
11	Augsburg	Gablingen	65	2241	1	N/A	552/4	Agricultural land, Foretsfeld
12	Augsburg	Gablingen	67	2308	3	N/A	559/1	Operating area, near Industriestraße
13	Augsburg	Gablingen	67	2308	4	N/A	559/2	Operating area, near Industriestraße
14	Bielefeld	Bielefeld	N/A	8616	3	75	449	Building- and open space, Am Stadtholz 43
15	Bielefeld	Bielefeld	N/A	17062	4	75	450	Building- and open space, Am Stadtholz 43
16	Bielefeld	Bielefeld	N/A	17062	5	75	480	Building- and open space, Am Stadtholz 43

No.	Local Court District	Land Registry	Issue / Volume	Page	Register Sequence No.	Parcel	Plot	Commercial Type / Location
17	Bitterfeld-Wolfen	Glebitzsch	N/A	337	1	1	71/30	Building- and open space, Hinterm Dorfe
18	Bitterfeld-Wolfen	Greppin	N/A	1118	4	14	122	Building- and open space, Elektrolysestraße
19	Bitterfeld-Wolfen	Greppin	N/A	1203	1	14	107	Building- and open space, Elektrolysestraße (Greppin) Areal C
20	Bitterfeld-Wolfen	Greppin	N/A	1258	8	14	1140	Industrial- and commercial space, Heraeusstraße, Elektrolysestraße (Bitterfeld)
21	Bitterfeld-Wolfen	Greppin	N/A	1289	2	14	138	Industrial- and commercial space, Parsevalstr. (Bitterfeld)
22	Bitterfeld-Wolfen	Greppin	N/A	1289	3	14	29/22	Industrial- and commercial space, Parsevalstr. (Greppin)
23	Bitterfeld-Wolfen	Sandersdorf	N/A	893	1	2	2/22	Building- and open space, An der B 184
24	Borna	Methewitz	N/A	190	1	N/A	110/5	Building- and open space
25	Borna	Markranstädt	N/A	5226	1	N/A	693/40	Building- and open space, Siemensstraße 9
26	Brakel	Herste	N/A	1	3	4	285	Agricultural land, Auf dem Stellbrink
27	Brakel	Herste	N/A	1	4	1	167	Agricultural land, Herster Wiesen
28	Brakel	Herste	N/A	1	5	1	168	Agricultural land, Herster Wiesen
29	Brakel	Herste	N/A	1	15	2	145	Forest area, sparse trees
30	Brakel	Herste	N/A	1	16	2	147	Traffic area, sparse trees
31	Brakel	Herste	N/A	1	17	2	150	Agricultural land, forest area, sparse trees
32	Brakel	Herste	N/A	212A	2	2	74	Agricultural land, Hegge
33	Brakel	Herste	N/A	212A	3	2	75	Building- and open space, agricultural land, Hegge
34	Brakel	Herste	N/A	212A	4	3	16	Traffic area, Hegge
35	Brakel	Herste	N/A	212A	5	3	17	Building- and open space, agricultural land, Hegge
36	Brakel	Herste	N/A	212A	8	4	99	Traffic area, Rommenhöller Straße
37	Brakel	Herste	N/A	212A	9	4	281	Traffic area, Rommenhöller Straße
38	Brakel	Herste	N/A	212A	10	4	594	Industrial space, Ortbergstraße
39	Brakel	Herste	N/A	212A	12	1	85	Mönchenbusch
40	Brakel	Herste	N/A	212A	13	1	84	Industrial space, Im Sieke
41	Brakel	Herste	N/A	212A	14	1	87	Cropland, Mönchenbusch



No.	Local Court District	Land Registry	Issue / Volume	Page	Register Sequence No.	Parcel	Plot	Commercial Type / Location
42	Brakel	Herste	N/A	212A	15	1	40	Agricultural land, Vor der Helle
43	Brakel	Herste	N/A	212A	16	4	97	Building- and open space, Rommenhöller Straße 30
44	Brakel	Herste	N/A	212A	17	1	88	Building- and open space, Satzer Mühle
45	Brakel	Herste	N/A	212A	18	1	25	Agricultural land, forest area, Mönchenbusch
46	Brakel	Herste	N/A	359	1	001	33	Traffic area, Himmlischer Kamp
47	Brakel	Herste	N/A	359	2	005	121	Building- and open space, agricultural land, Mähborn
48	Brakel	Herste	N/A	359	3	005	136	Agricultural land, Mähborn
49	Brakel	Herste	N/A	359	4	004	284	Building- and open space, Rommenhöllerstraße 40
50	Brakel	Herste	N/A	359	5	001	163	Agricultural land, forest area, Himmlischer Kamp
51	Brakel	Herste	N/A	359	7	004	100	Agricultural land, Auf dem Stellbrink
52	Brakel	Herste	N/A	359	8	005	410	Agricultural land, Mähborn
53	Brakel	Herste	N/A	359	9	005	490	Agricultural land, Mähborn
54	Brakel	Herste	N/A	359	10	004	759	Recreational area, Auf dem Stellbrink
55	Brakel	Herste	N/A	359	11	005	528	Agricultural land, Mähborn
56	Brakel	Herste	N/A	359	12	005	694	Agricultural land, Mähborn
57	Brakel	Herste	N/A	359	13	005	693	Agricultural land, Mähborn
58	Brakel	Herste	N/A	359	15	1	211	Agricultural land, forest area, Mathholz
59	Brakel	Herste	N/A	120	28	1	3	Agricultural land, waters, Herster
60	Brakel	Herste	N/A	120	29	1	1	Agricultural land, Herster Wiesen
61	Brakel	Herste	N/A	120	30	1	2	Agricultural land, Herster Wiesen
62	Brakel	Herste	N/A	120	31	1	10	Agricultural land, Herster Wiesen
63	Brakel	Herste	N/A	120	35	8	42	Water area, Brede
64	Brakel	Herste	N/A	120	39	4	128	Building- and open space, agricultural land, Rommenhöllerstr. 34
65	Brakel	Herste	N/A	120	40	4	129	Agricultural land, Auf dem Stellbrink
66	Brakel	Herste	N/A	120	45	5	1	Agricultural land, Löwenberg

No.	Local Court District	Land Registry	Issue / Volume	Page	Register Sequence No.	Parcel	Plot	Commercial Type / Location
67	Brakel	Herste	N/A	120	46	5	2	Agricultural land, Löwenberg
68	Brakel	Herste	N/A	120	90	6	30	Building- and open space, Zum Großen Wasser
69	Brakel	Herste	N/A	120	94	4	125	Recreational area, traffic area, Auf dem Stellbrink, Rommenhöller Straße
70	Brakel	Herste	N/A	120	95	4	723	Building- and open space, recreational area, traffic area, Auf dem Stellbrink, Rommenhöller Str. 30, 32, 38, 40
71	Brakel	Herste	N/A	120	102	006	495	Agricultural land, Großewasser
72	Brakel	Herste	N/A	120	103	006	496	Agricultural land, Großewasser
73	Brakel	Herste	N/A	120	104	1	216	Agricultural land, Mathholz
74	Brakel	Herste	N/A	120	105	1	217	Agricultural land, Mathholz
75	Brakel	Herste	N/A	120	106	1	222	Agricultural land, Himmlischer Kamp, Herster Wiesen
76	Brakel	Herste	N/A	120	107	1	223	Agricultural land, Himmlischer Kamp, Herster Wiesen
77	Brakel	Schmechten	N/A	13	2	1	164	Agricultural land, traffic area, Himmlischer Kamp
78	Brandenburg	Brandenburg	N/A	13414	17	97	135	Building- and open space, Friedrich-Engels-Str.
79	Brandenburg	Brandenburg	N/A	13414	19	97	137	Building- and open space, Friedrich-Engels-Str.
80	Brandenburg an der Havel	Brandenburg	N/A	9310	1	142	23/24	Building- and open space, Am Südtor
81	Brandenburg an der Havel	Brandenburg	N/A	9345	1	142	23/41	Building- and open space, Am Südtor
82	Braunschweig	Braunschweig-B	N/A	9385	13	5	94/13	Yard- and building space, Ludwigstr. 12
83	Braunschweig	Braunschweig-B	N/A	9385	13	5	94/14	Yard- and building space, Ludwigstr. 12
84	Braunschweig	Braunschweig-B	N/A	9385	13	5	98/1	Yard- and building space, Ludwigstr. 12
85	Braunschweig	Braunschweig-B	N/A	9385	14	5	100	Building- and open space, Ludwigstr. 12, Mittelweg 18A
86	Braunschweig	Braunschweig-B	N/A	9385	15	5	144/99	Building- and open space, Ludwigstr. 12, Mittelweg 18A
87	Braunschweig	Braunschweig-B	N/A	9385	16	5	14/93	Building- and open space, Ludwigstr. 12
88	Braunschweig	Braunschweig-B	N/A	9385	17	5	1/94	Building- and open space, Ludwigstr. 12

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89	Braunschweig	Braunschweig-B	N/A	9385	18	5	85/93	Building- and open space, Ludwigstr. 12
90	Braunschweig	Braunschweig-B	N/A	9385	19	5	171/98	Building- and open space, Ludwigstr. 12
91	Braunschweig	Braunschweig-B	N/A	9385	20	5	12/94	Building- and open space, Ludwigstr. 12
92	Bremen	Vorstadt R 113	N/A	33	1	113	17/15	Building- and open space, commercial- and industrial area, Sauerstoffstraße
93	Bremen	Vorstadt R 113	N/A	33	1	113	17/141	Building- and open space, commercial- and industrial area, Sauerstoffstraße
94	Bremen	Vorstadt R 113	N/A	19	9	113	46/1	Building- and open space, commercial- and industrial area, Sauerstoffstraße
95	Bremen	Vorstadt R 113	N/A	19	9	113	45	Building- and open space, Werderland, Sauerstoffstraße
96	Darmstadt	Darmstadt Bezirk 6	N/A	13364	1	34	364/17	Building- and open space, Gräfenhäuser Straße 75B
97	Daun	Neunkirchen (Eifel)	N/A	1306	1	11	18	Agricultural land, in der Daunersteeg
98	Daun	Neunkirchen (Eifel)	N/A	1306	2	11	32	Agricultural land, in der Daunersteeg
99	Dessau-Roßlau	Dessau	N/A	15010	1	9	11924	Wood, Zunftstraße 10A
100	Dieburg	Babenhhausen	N/A	6273	1	12	275	Building- and open space, Im Riemen 12
101	Dortmund	Dortmund (Wambel)	N/A	17168	3	1	836	Building- and open space, Gewerbe, Juchostr. 95, 93
102	Dresden	Dresden-Altstadt II	N/A	1160	4	N/A	189/6	Building- and open space, Schumannstr. 21
103	Dresden	Seidnitz	N/A	1386	3	N/A	147/37	Building- and open space, Bodenbacher Straße 70, 80
104	Dresden	Trachau	N/A	1002	1	N/A	732/9	Building- and open space, traffic area, forest area, Meißner Straße (Trachau) 48
105	Duisburg-Ruhrort	Meiderich	N/A	809A	1	2	600	Building- and open space, commercial- and industrial area, Stahlstraße
106	Duisburg-Ruhrort	Meiderich	N/A	1469A	25	2	606	Building- and open space, Stahlstr. 40
107	Duisburg-Ruhrort	Beeck	N/A	3415	1	22	39	Building- and open space, Stahlstr. 40
108	Duisburg-Ruhrort	Beeck	N/A	4026	1	22	42	Building- and open space, Helmholtzstraße Stahlstr. 40
109	Dusseldorf	Oberbilk	N/A	5989	32	14	200	Building- and open space, Ronsdorfer Straße 129

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110	Dusseldorf	Benrath	N/A	3765	31	4	18	Building- and open space, Reisholzer Bahnstraße
111	Dusseldorf	Benrath	N/A	3765	33	4	20	Building- and open space, Reisholzer Bahnstraße
112	Dusseldorf	Benrath	N/A	3765	39	4	155	Yard- and building space, Henkelstraße 299, 301 Reisholzer Bahnstraße 4
113	Dusseldorf	Benrath	N/A	3765	42	4	188	Building- and open space, Industrie Reisholzer Bahnstraße 12, 14
114	Dusseldorf	Benrath	N/A	10265	4	4	189	Railway premises, Reisholzer Bahnstraße
115	Eilenburg	Kölsa	N/A	95	1	2	59/13	N/A
116	Eilenburg	Wiedemar	N/A	212	1	3	27/2	Building- and open space
117	Eilenburg	Zschernitz	N/A	188	1	2	76/28	N/A
118	Eisenach	Hötzelsroda	N/A	913	1	6	2/116	Building- and open space, Dürrenhöfer Allee 7
119	Eisenach	Sondra	N/A	30	1	2	137/1	Agricultural land, forest area, water area, wasteland, In der Aue
120	Eisenach	Sondra	N/A	30	2	2	143/1	Agricultural land, In der Aue
121	Emden	Larrelt	26	572	5	12	2/19	Building- and open space, Unland, Holstenstraße 5
122	Erfurt	Kerspleben	N/A	1210	1	4	1363	Building- and open space, Kerspleben, Erlgrund 10
123	Eschweiler	Eschweiler	N/A	1176	4	56	7/2	Forest area, Hover Mühlenfeld
124	Eschweiler	Eschweiler	N/A	1176	8	56	19/1	Park area, parking lot, Hovermühlenfeld
125	Eschweiler	Eschweiler	N/A	1176	9	56	18/1	Building- and open space, traffic area, Dürener Straße
126	Essen-Borbeck	Dellwig	N/A	318	23	22	125	Yard- and building space, Klaumerbruch
127	Essen-Borbeck	Dellwig	N/A	318	24	24	156	Yard- and building space, Klaumerbruch 95
128	Essen-Borbeck	Dellwig	N/A	318	25	24	106	Yard- and building space, Klaumerbruch 95
129	Essen-Borbeck	Dellwig	N/A	318	26	22	144	Farmland, garden, Vondernstraße
130	Essen-Borbeck	Vogelheim	N/A	2256	1	34	572	Traffic area, Krablerstr.
131	Frankfurt a. M.	Fechenheim	N/A	3667	10	1	10/2	Building- and open space, Dieselstr. 30-40
132	Frankfurt a. M.	Fechenheim	N/A	3667	19	1	10/5	Building- and open space, Carl-Benz-Str. 2
133	Frankfurt a. M.	Fechenheim	N/A	3667	20	1	10/6	Building- and open space, Carl-Benz-Str. 2
134	Frankfurt a. M.	Fechenheim	N/A	4105	1	1	11/1	Building- and open space, Carl-Benz-Str. 2

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135	Frankfurt a. M.	Fechenheim	N/A	4105	2	1	11/2	Building- and open space, Carl-Benz-Str. 2
136	Frankfurt a. M.	Fechenheim	N/A	4105	3	1	11/3	Building- and open space, Carl-Benz-Str. 2
137	Geilenkirchen	Übach-Palenberg	N/A	9463	1	3	817	Building- and open space, David-Hansemann-Straße 26
138	Groß-Gerau	Ginsheim	N/A	7642	1	7	423	Building- and open space, Adam-Opel-Str.
139	Güstrow	Bützow	N/A	6503	1	15	16/7	Building- and open space, Tarnower Chaussee 7
140	Halle (Saale)	Landsberg	N/A	1793	3	11	9/4	N/A
141	Halle (Saale)	Landsberg	N/A	1793	3	11	9/5	N/A
142	Halle (Saale)	Landsberg	N/A	1793	4	11	7/68	N/A
143	Halle (Saale)	Landsberg	N/A	1793	4	11	7/72	N/A
144	Halle (Saale)	Landsberg	N/A	1793	6	11	7/58	N/A
145	Halle (Saale)	Landsberg	N/A	1793	6	11	7/59	N/A
146	Halle (Saale)	Landsberg	N/A	1793	7	11	15/16	Farmland
147	Halle (Saale)	Landsberg	N/A	1793	8	11	7/214	Farmland
148	Halle (Saale)	Landsberg	N/A	1793	9	11	10/27	N/A
149	Halle (Saale)	Landsberg	N/A	1793	9	11	10/48	Farmland
150	Hamburg	Steilshoop	28	819	1	N/A	1434	Open space, Hermann-Buck-Weg
151	Hamburg-Harburg	Wilhelmsburg	189	6085	1	N/A	5595	Yard- and building space, Stenzelring 7
152	Hamburg-Harburg	Veddel	12	485	2	N/A	572	Building- and open space, Müggenburger Str. Peutestraße, östlich Müggenburger Straße 25
153	Hanover	Vinnhorst	N/A	3157	3	7	1/87	Building- and open space, Industrieweg 30
154	Hanover	Vinnhorst	N/A	3157	3	7	1/88	Building- and open space, Industrieweg 30
155	Hanover	Herrenhausen	N/A	4936	7	1	171/16	Building- and open space, Entenfangweg 6
156	Hanover	Herrenhausen	N/A	4936	7	1	171/19	Building- and open space, Entenfangweg 6
157	Hanover	Herrenhausen	N/A	1414	1	1	2055/170	Yard- and building space, Entenfangweg Nr. 26
158	Hanover	Herrenhausen	N/A	1414	1	1	2059/170	Yard- and building space, Entenfangweg Nr. 26 und 25
159	Hanover	Herrenhausen	N/A	1414	1	1	2056/171	Building- and open space, Entenfangweg 8
160	Hanover	Herrenhausen	N/A	1414	1	1	2058/171	Yard- and building space, Entenfangweg 26

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161	Hanover	Herrenhausen	N/A	1414	1	1	2054/169	Yard- and building space, Entenfangweg 25
162	Hanover	Herrenhausen	N/A	1414	1	1	755/169	Yard- and building space, Entenfangweg 26
163	Herne	Herne	N/A	14718	1	1	46	Building- and open space, Friedrich der Große
164	Herne	Herne	N/A	14718	2	1	48	Building- and open space, Friedrich der Große
165	Herne	Herne	N/A	14718	3	1	43	Building- and open space, traffic area, Friedrich der Große 6
166	Hersbruck	Röthenbach a.d. Peg.	80	3026	1	N/A	447/7	Building- and open space, Röthenbachtal 2
167	Hersbruck	Röthenbach a.d. Peg.	80	3026	2	N/A	447/8	Building- and open space, traffic area, near Röthenbachtal
168	Hof	Hofeck	23	818	3	N/A	90/6	Operations building, courtyard, Leopoldstr. 58
169	Höxter	Bruchhausen	N/A	86	1	5	138/47	Grassland, Der Anger
170	Höxter	Bruchhausen	N/A	86	2	5	139/47	Grassland, Der Anger
171	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	292	1	2	74/2	Building- and open space
172	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	292	1	2	74/3	Building- and open space
173	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	292	1	2	74/5	Building- and open space
174	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	292	1	2	74/7	Building- and open space
175	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	292	1	2	74/8	Building- and open space
176	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	292	1	2	74/10	Building- and open space
177	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	292	1	2	74/12	Building- and open space
178	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	657	26	2	76/3	Building- and open space
179	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	784	12	2	73/13	Building- and open space
180	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	784	12	2	73/14	Building- and open space
181	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	784	12	2	73/6	Building- and open space
182	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	784	13	2	75/2	Building- and open space
183	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	784	14	2	76/2	Building- and open space
184	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	784	14	2	76/4	Building- and open space
185	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	784	15	2	85/2	Building- and open space
186	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	820	10	2	62/4	Building- and open space

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187	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	820	11	2	73/4	Building- and open space
188	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	820	11	2	73/8	Building- and open space
189	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	820	13	1	45/10	Building- and open space
190	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	820	16	2	39/16	Building- and open space
191	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	820	16	2	39/18	Building- and open space
192	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	820	22	2	75/6	Building- and open space
193	Hoyerswerda	Spreewitz	N/A	849	1	1	41/10	Building- and open space
194	Hoyerswerda	Spreewitz	N/A	849	2	1	42/9	Building- and open space, Südstraße
195	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	885	1	2	74/6	Traffic area
196	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	885	1	2	74/9	Traffic area
197	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	885	1	2	74/11	Traffic area
198	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	885	2	2	62/2	Traffic area
199	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	885	2	2	62/5	Traffic area
200	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	885	2	2	62/6	Traffic area
201	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	885	2	2	62/8	Traffic area
202	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	885	7	2	73/5	Traffic area
203	Hoyerswerda <sup>1)</sup>	Spreewitz	N/A	885	7	2	73/7	Traffic area
204	Ingolstadt	Mailing	N/A	4572	1	N/A	374/59	Building- and open space, Lise-Meitner-Straße 17
205	Jena	Burgau	N/A	669	1	5	70/8	Building- and open space, Keßlerstraße 25
206	Jena	Burgau	N/A	669	2	5	66/4	Building- and open space, Keßlerstraße 25
207	Jena	Burgau	N/A	669	3	5	71/2	Building- and open space, Keßlerstraße 25
208	Kassel	Bettenhausen	N/A	2668	10	8	98/20	Building- and open space, Leipziger Straße 204
209	Kerpen	Frechen	N/A	15375	1	24	3252	Building- and open space, Dr.-Gottfried-Cremer-Allee 23
210	Kleve	Schneppenbaum	N/A	2250	4	22	516	Building- and open space, Bedburger Weide
211	Cologne	Rondorf-Land	N/A	25386	1	81	275	Traffic area, Sürther Hauptstraße
212	Cologne	Rondorf-Land	N/A	25386	2	81	277	Traffic area, Sürther Hauptstraße
213	Cologne	Rondorf-Land	N/A	23701	1	81	190	Building- and open space, Grüner Weg

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214	Cologne	Rondorf-Land	N/A	23701	2	81	191	Operating area, Grüner Weg
215	Cologne	Rondorf-Land	N/A	23701	3	81	193	Operating area, Grüner Weg
216	Cologne	Rondorf-Land	N/A	23701	4	81	287	Building- and open space, Grüner Weg
217	Cologne	Rondorf-Land	N/A	23701	5	81	288	Building- and open space, Grüner Weg
218	Cologne	Rondorf-Land	N/A	23701	6	81	272	Operating area, Grüner Weg
219	Cologne	Rondorf-Land	N/A	1174	56	81	177	Operating area, Sürther Hauptstraße
220	Cologne	Rondorf-Land	N/A	1174	57	81	178	Building- and open space, Sürther Hauptstraße
221	Cologne	Rondorf-Land	N/A	1174	58	81	179	Building- and open space, Sürther Hauptstraße
222	Cologne	Rondorf-Land	N/A	1174	59	81	180	Building- and open space, Sürther Hauptstraße
223	Cologne	Rondorf-Land	N/A	1174	60	81	181	Agricultural land, Sürther Hauptstraße
224	Cologne	Rondorf-Land	N/A	1174	76	81	271	Operating area, Grüner Weg
225	Cologne	Rondorf-Land	N/A	1174	81	81	233	Building- and open space, Grüner Weg 2/4
226	Cologne	Rondorf-Land	N/A	1174	82	81	231	Building- and open space, Sürth, Kölnstr. 22
227	Cologne	Rondorf-Land	N/A	17472	1	81	230	Traffic area, Sürth, Kölnstraße
228	Cologne	Rondorf-Land	N/A	17472	1	81	232	Building- and open space, Kölnstraße 20
229	Magdeburg	Magdeburg	N/A	22657	1	433	5/61	Building- and open space, Carnotstr.
230	Magdeburg	Magdeburg	N/A	22657	1	433	5/62	Building- and open space, Carnotstr.
231	Marl	Marl	N/A	32420	1	7	61	Building- and open space, water area, Werrastraße
232	Maulbronn	Karlsruhe	N/A	19904	1	88.62	6437	Building- and open space, Koellestraße 31a
233	Maulbronn	Pforzheim	N/A	20570	1	10187	15170/6	Building- and open space, Stuttgarter Straße
234	Maulbronn	Pforzheim	N/A	29098	1	10187	15170/5	Building- and open space, Stuttgarter Straße
235	Meldorf	Brunsbüttel	N/A	5921	1	108	139	Building- and open space, Bayerwerk
236	Meppen	Emslage	N/A	3534	4	258	62/5	Building- and open space, Warschauer Straße 3
237	Merseburg	Kötschlitz	N/A	1980	1	3	51/1	Commercial space, Kötschlitzer Allee, Am Höllenweg
238	Merseburg	Leuna	N/A	241	1	1	1152/135	Sattlerstraße 28
239	Merseburg	Leuna	N/A	1151	2	20	34/21	Building- and open space to supply facilities, Am Krähenberg



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240	Merseburg	Leuna	N/A	1151	3	1	126/13	Commerical- and industrial area, building- and open space, residential area, Leuna-Werk
241	Merseburg	Leuna	N/A	1151	4	1	126/14	Building- and open space, Leuna-Werk, Spergauer Straße
242	Merseburg	Leuna	N/A	1151	5	5	9/9	Commerical- and industrial area, building- and open space, residential area, Leuna-Werk
243	Merseburg	Leuna	N/A	1151	6	5	9/10	Commerical- and industrial area, building- and open space, residential area, Leuna-Werk
244	Merseburg	Leuna	N/A	1151	8	7	13/0	Traffic area Spergauer Straße
245	Merseburg	Leuna	N/A	1151	8	7	14/0	Commercial- and industrial space, Leuna-Werke
246	Merseburg	Leuna	N/A	1151	9	1	1322/0	Commercial- and industrial space, LEUNAWERK Straße C4
247	Merseburg	Leuna	N/A	2466	1	1	944/135	Building- and open space, Sattlerstraße 8
248	Merseburg	Leuna	N/A	2654	1	1	1367/0	Residential building space, LEUNAWERK, STRASSE 1A
249	Merseburg	Leuna	N/A	2654	2	1	1369/0	Residential building space, LEUNAWERK, STRASSE C
250	Merseburg	Leuna	N/A	2654	3	5	299/0	Building- and open space, LEUNAWERK
251	Merseburg	Leuna	N/A	2654	4	1	1417/0	Traffic area, LEUNAWERKE, STRASSE 4
252	Merseburg	Spergau	N/A	977	1	5	7/11	Building- and open space, Maienweg 1
253	Merseburg	Spergau	N/A	977	1	5	7/13	Building- and open space, on the road to Spergau
254	Merseburg	Spergau	N/A	977	1	5	7/16	Building- and open space
255	Merseburg	Spergau	N/A	977	1	5	32/10	Building- and open space
256	Merseburg	Ermlitz	N/A	403	1	2	99/4	N/A
257	Mitte	Wittenau	N/A	9990	1	3	677	Building- and open space, Holzhauser Straße 112
258	Mitte	Wittenau	N/A	10211	3	3	706	Building- and open space, Miraustr. 13
259	Mönchengladbach	Neuwerk	N/A	10318	1	56	377	Building- and open space, Dohrweg 38
260	Munich	Brunnthal	N/A	2647	1	N/A	1038/13	Building- and open space, near Eugen-Sänger-Ring
261	Munich	Brunnthal	N/A	2647	1	N/A	1038/17	Building- and open space, near Eugen-Sänger-Ring 9
262	Munich	Heimstetten	32	1220	4	2	171/10	Building site, Klausner Feld

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263	Munich	Thalkirchen	101	3424	1	N/A	377/20	Office building with residential apartments, adjacent buildings and courtyard, Schertlinstr. 10
264	Munich	Pullach	103	3431	7	N/A	569/10	Residential building, garden, yard- and building space, Flurstraße 10-12
265	Munich	Pullach	103	3431	7	N/A	569/18	Street, Flurstraße
266	Munich	Pullach	129	4339	1	N/A	368/16	Building- and open space, Römerstraße 19
267	Munich	Pullach i. Isartal	N/A	5561	3	16	573	Building- and open space, Seitnerstr. 70
268	Munich	Pullach i. Isartal	N/A	5561	4	N/A	573/2	Traffic area, Franz-Höllriegel-Straße
269	Munich	Pullach	113	3775	14	N/A	412/4	Building- and open space, Dr.-Carl-von-Linde-Str. 12 und 14
270	Munich	Pullach i. Isartal	113	3775	15	N/A	412/59	Building- and open space, Lindestraße
271	Munich	Pullach i. Isartal	113	3775	16	N/A	414/3	Building- and open space, Dr.-Carl-von-Linde-Str. 9
272	Munich	Pullach i. Isartal	113	3775	17	N/A	570	Building- and open space, Seitnerstr. 57
273	Munich	Pullach i. Isartal	113	3775	19	N/A	379	Industrial area, building- and open space, Höllriegelskreuth, Dr.-Carl-von-Linde-Straße 11
274	Munich	Pullach i. Isartal	113	3777	11	N/A	376/1	Industrial area, building- and open space, Wolfratshauer Straße 138, 140, 146
275	Munich	Unterschleißheim	89	2998	1	N/A	106	Building- and open space, Carl-von-Linde-Str. 27
276	Munich	Unterschleißheim	89	2998	2	N/A	103/1	Traffic area, near Carl-von-Linde-Straße
277	Munich	Unterschleißheim	89	2998	3	N/A	101/3	Operating area, near Carl-von-Linde-Straße
278	Munich	Unterschleißheim	61	2085	3	N/A	107/1	Building- and open space, Lohhof, Carl-von-Linde-Straße 29
279	Munich	Unterschleißheim	61	2085	4	N/A	107/4	Building- and open space, Lohhof, Carl-von-Linde-Straße 27a
280	Munich	Unterschleißheim	56	1940	4	N/A	994/12	Building- and open space, Carl-von-Linde-Str. 23
281	Munich	Unterschleißheim	40	1458	19	N/A	102/1	Building- and open space, Carl-von-Linde-Str. 23a, 25
282	Munich	Unterschleißheim	40	1458	20	N/A	102	Building- and open space, Carl-von-Linde-Str. 25
283	Munich	Unterschleißheim	79	2672	9	N/A	977/27	Building- and open space, Lohhof, Wiesenweg 11

No.	Local Court District	Land Registry	Issue / Volume	Page	Register Sequence No.	Parcel	Plot	Commercial Type / Location
284	Munich	Unterschleißheim	79	2672	13	N/A	977/28	Building- and open space, near Wiesenweg
285	Munich	Unterschleißheim	255	8446	1	N/A	101/5	Storage site, near Carl-von-Linde-Straße, Lagerplatz
286	Munich	Unterschleißheim	369	12468	1	N/A	105/3	Building- and open space, near Carl-von-Linde-Straße
287	Munich	Unterschleißheim	400	13554	1	N/A	101	Storage site, near Carl-von-Linde-Straße, Lagerplatz
288	Munich	Unterschleißheim	N/A	14081	1	N/A	994/3	Traffic area, Lohhof Bahnlinie Munich-Regensburg
289	Neukölln	Britz	N/A	1379	1	209	21	Building- and open space, Gradestraße 107
290	Neukölln	Britz	N/A	1380	1	209	22	Building- and open space, Gradestraße 97
291	Neu-Ulm	Thalfingen	49	1937	2	N/A	1223/33	Operating area, near Fährweg
292	Neu-Ulm	Thalfingen	49	1937	4	N/A	1223/30	Office and residential area, industrial building, courtyard, Thalfingen, Burlafinger Straße 1
293	Neu-Ulm	Thalfingen	49	1937	6	N/A	1235	Agricultural area, Dornholz
294	Neu-Ulm	Thalfingen	49	1937	7	N/A	1242	Wasteland, Dornholz
295	Nuremburg	Gibitzenhof	398	10926	1	N/A	478/2	Building- and open space, courtyard, Vogelweiherstraße 73
296	Nuremburg	Gibitzenhof	398	10926	2	N/A	437/7	Storage site (partially on plot 478/2), courtyard, gatehouse near Vogelweiherstraße
297	Nuremburg	Gibitzenhof	617	18592	1	N/A	478/8	Street, near Nimrodstraße
298	Oberhausen	Oberhausen-Borbeck	N/A	215	6	10	135	Building- and open space, Quellstraße
299	Oberhausen	Oberhausen-Borbeck	N/A	215	8	10	410	Building- and open space, agricultural land, Quellstraße 5
300	Oberhausen	Oberhausen-Borbeck	N/A	216	2	10	134	Building- and open space, Quellstraße
301	Oberhausen	Oberhausen-Borbeck	N/A	216	4	10	128	Building- and open space, Quellstraße
302	Oschersleben	Osterweddingen	N/A	1690	1	1	188	Agriculture, Appendorfer Weg
303	Osnabrück	Osnabrück	N/A	43777	1	136	92	Building- and open space, Pferdestraße 47
304	Osnabrück	Osnabrück	N/A	43777	3	136	88/6	Building- and open space, Pferdestraße

No.	Local Court District	Land Registry	Issue / Volume	Page	Register Sequence No.	Parcel	Plot	Commercial Type / Location
305	Osnabrück	Osnabrück	N/A	43777	4	136	90/13	Building- and open space, Pferdestraße
306	Passau	Heining	N/A	7827	2	N/A	328/14	Building- and open space, forest area, Medienstraße 10
307	Potsdam	Babelsberg	N/A	1789	19	9	5/4	Building- and open space, Orenstein & Koppel Straße 19
308	Potsdam	Babelsberg	N/A	1789	20	9	1/10	Building- and open space (unused), commercial area in the park
309	Regensburg	Regensburg	243	7441	5	N/A	1980/61	Industrial building, near Siemensstraße;
310	Regensburg	Regensburg	522	17139	4	N/A	1980/36	Building- and open space, Siemensstraße 13
311	Remscheid	Remscheid	N/A	23275	1	123	67	Building- and open space, Neuenkamper Str. 46
312	Remscheid	Remscheid	N/A	23275	2	124	270	Building- and open space, Neuenkamper Str. 46
313	Rockenhausen	Göllheim	N/A	2457	1	N/A	2003/8	Building- and open space, to the right of the Niederbusch
314	Rosenheim	Pang	N/A	4027	1	N/A	2542	Building- and open space, Mitterhart, Fraunhoferstraße 7
315	Rostock	Rostock	N/A	51627	1	1	437/235	Building- and open space, Am Kayenmühlengraben
316	Rostock	Rostock	N/A	51627	1	1	437/359	Building- and open space, Am Kayenmühlengraben
317	Rostock	Rostock	N/A	51627	1	1	437/357	Building- and open space, Am Kayenmühlengraben
318	Saarbrücken	Sulzbach	N/A	10861	1	12	41/170	Building- and open space, Friedrichsthaler Straße
319	Spandau	Staaken	N/A	8022	4	1	1101	Building- and open space, Am Alten Gaswerk
320	Spandau	Staaken	N/A	8022	4	1	1102	Building- and open space, Am Alten Gaswerk
321	Spandau	Staaken	N/A	8023	4	1	1103	Traffic area, Am Alten Gaswerk
322	Spandau	Staaken	N/A	8023	4	1	1137	Building- and open space, Am Alten Gaswerk
323	Spandau	Staaken	N/A	8024	4	1	1138	Traffic area, Am Alten Gaswerk
324	Spandau	Staaken	N/A	8024	4	1	1134	Water area, Brunsbütteler Damm
325	Stade	Stade	N/A	19531	1	42	273/13	Building- and open space, Rudolf-Diesel-Straße 2
326	Stade	Stade	N/A	19531	2	42	273/14	Building- and open space, Rudolf-Diesel-Straße
327	Stade	Stade	N/A	19531	3	42	273/32	Building- and open space, Heidbecker Damm

No.	Local Court District	Land Registry	Issue / Volume	Page	Register Sequence No.	Parcel	Plot	Commercial Type / Location
328	Syke	Brinkum	N/A	7135	1	11	12/51	Building- and open space, Rudolf-Diesel-Straße 7
329	Traunstein	Tacherting	35	1122	49	44	1817/3	Building- and open space, In Degernfeld
330	Traunstein	Tacherting	35	1122	60	N/A	1859/2	Building- and open space, near Carl-von-Linde-Straße
331	Traunstein	Tacherting	35	1122	61	N/A	1849	Building- and open space, Carl-von-Linde-Str. 15
332	Traunstein	Tacherting	35	1122	63	N/A	1833	Building- and open space, near Carl-von-Linde-Straße
333	Traunstein	Tacherting	35	1122	64	N/A	1844/5	Traffic area, near Carl-von-Linde-Straße
334	Traunstein	Tacherting	35	1122	66	N/A	1793/2	Traffic area, near Carl-von-Linde-Straße
335	Traunstein	Tacherting	35	1122	67	N/A	1849/1	Building- and open space, Carl-von-Linde-Str. 15
336	Traunstein	Tacherting	35	1122	69	N/A	1844/13	Traffic area, near Fiedlerstraße
337	Traunstein	Tacherting	35	1122	70	N/A	1844/44	Building- and open space, Fiedlerstraße 3
338	Traunstein	Tacherting	35	1122	71	N/A	1844/7	Building- and open space, Fiedlerstraße 2
339	Traunstein	Tacherting	35	1122	71	N/A	1844/45	Traffic area, near Fiedlerstraße
340	Traunstein	Tacherting	56	2186	1	N/A	1793/21	Traffic area, near Carl-von-Linde-Straße
341	Wilhelmshaven	Wilhelmshaven	N/A	43247	1	27	126/11	Building- and open space, Flutstraße
342	Wilhelmshaven	Wilhelmshaven	N/A	43247	1	27	133/14	Building- and open space, Flutstraße
343	Wolfhagen	Oberelsungen	N/A	1485	1	6	8/2	Yard- and building space, Das Knappbruch
344	Wolfhagen	Oberelsungen	N/A	1485	4	11	34/1	Yard- and building space, Das Kaderholz
345	Wolfhagen	Oberelsungen	N/A	1485	5	11	36/3	Yard- and building space, Das Kaderholz
346	Wolftratshausen <sup>1</sup>	Gelting	N/A	3814	18	N/A	877/52	Building- and open space, Gelting, Waldkraiburger Straße 2
347	Worms	Rheindürkheim	N/A	1430	1	11	43/2	Building- and open space, Mittelrheinstraße 15
348	Worms	Rheindürkheim	N/A	1430	2	11	43/4	Open space, Mittelrheinstraße 15
349	Worms	Rheindürkheim	N/A	1430	3	11	49/8	Open space, Mittelrheinstraße 15

<sup>1</sup> For this plot, Linde AG only holds a priority notice to the transfer of the leasehold as per the land registry and/or a notice of conveyance in favor of Linde AG is entered in the land registry.

No.	Local Court District	Land Registry	Issue / Volume	Page	Register Sequence No.	Parcel	Plot	Commercial Type / Location
350	Worms	Rheindürkheim	N/A	1430	4	11	49/7	Open space, Mittelrheinstraße 15
351	Worms	Rheindürkheim	N/A	1430	5	11	48/26	Open space, Mittelrheinstraße
352	Zeitz	Tröglitz	N/A	1746	2	2	117	Industrial- and commercial space, near Dr.-Engler-Str.
353	Zeitz	Tröglitz	N/A	1746	3	2	119	Industrial- and commercial space, Dr.-Engler-Str. 14
354	Zeitz	Tröglitz	N/A	1746	4	2	82	Industrial- and commercial space, Dr.-Engler-Str. 14

**Annex 6**

to the Share Transfer Report

Expert opinion of Ernst & Young GmbH on the company value of Linde Aktiengesellschaft and on the determination of an adequate cash settlement according to Sec. 327b para. 1 German Stock Corporation Act on the valuation date December 12, 2018 as of October 25, 2018



# Linde AG, Munich

## CONVENIENCE TRANSLATION

German report remains the sole authoritative version

**Expert opinion on the equity value  
of Linde AG, Munich, and on the fair  
cash compensation pursuant to Sec. 62 (1) and (5) UmwG  
in conjunction with Sec. 327a et seq. AktG as of 12 December 2018**

25 October 2018





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# 1

## Engagement and performance of the engagement

Engagement and performance of the engagement

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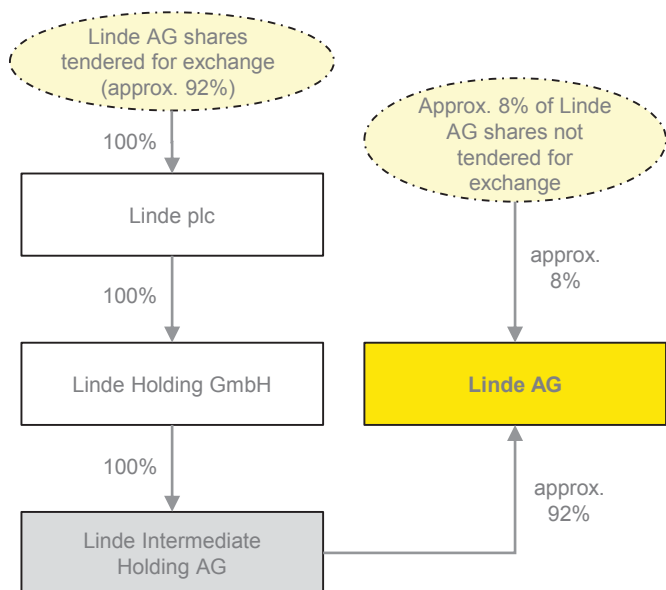


# 1 Engagement and performance of the engagement

## 1 Engagement

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### Target legal structure (post-merger)



Source: Management information

### Subject of the engagement

After fulfilment of all conditions of an exchange offer published on 15 August 2017, Linde Public Limited Company, having its registered office in Dublin, Ireland (also referred to as “Linde plc”), indirectly holds approximately 92% of the shares in Linde Aktiengesellschaft, Munich, Germany (also referred to as “Linde,” “Linde AG” or the “Company”). It is also the indirect sole shareholder of Linde Intermediate Holding AG, Munich (“Linde Intermediate”), which was established on 28 July 2017. After the closing of the planned merger of the corporate groups of Linde and Praxair, Inc., Danbury, USA (“Praxair”), Linde plc will indirectly transfer the Linde shares to Linde Intermediate.

In order to streamline the future group structure, Linde AG (transferor entity) is to be merged with Linde Intermediate Holding AG (acquiring entity). To this end, the remaining minority shareholders of Linde AG will be bought out (“squeezed out”) in return for fair cash compensation pursuant to Sec. 62 (1) and (5) UmwG [“Umwandlungsgesetz”: German Transformation Act] in conjunction with Sec. 327a et seq. AktG [“Aktiengesetz”: German Stock Corporation Act]. The minority shareholders hold approximately 8% of the shares in Linde AG.

For this reason, Linde Intermediate and Linde plc engaged us to determine the equity value of Linde AG in order to determine the fair cash compensation to which the minority shareholders are entitled.

Our engagement is therefore to prepare an expert opinion on the equity value of Linde AG and to determine the amount of fair cash compensation pursuant to Sec. 62 (5) Sentence 1 UmwG in conjunction with Sec. 327a et seq. AktG. We would like to point out that the determination of the cash compensation pursuant to Sec. 327b (1) AktG is the responsibility of the majority shareholder Linde Intermediate.

The valuation date is the date of Linde AG’s extraordinary shareholders’ meeting which decides on the exclusion of the remaining minority shareholders of Linde AG in return for fair cash compensation. The extraordinary shareholders’ meeting of Linde AG is scheduled for 12 December 2018.

We performed our work in compliance with IDW Standard 1 “Principles for the Performance of Business Valuations” issued by the IDW [“Institut der Wirtschaftsprüfer in Deutschland e.V.”: Institute of Public Auditors in Germany] (IDW S 1) in the version dated 2 April 2008 in performing the engagement. In accordance with these principles, we issue this expert opinion as an independent appraiser. The equity value determined by us is an objectified value.



## 1 Engagement and performance of the engagement

### 1 Engagement

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The General Terms and Conditions of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft dated September 2017, which are attached to this expert opinion as appendix D, are applicable to this engagement and also govern our responsibility and liability to third parties in the context of this engagement. In derogation of the maximum liability amount as stipulated in section 16 and according to section 17 of the General Terms and Conditions, maximum liability is limited to EURm 10.

Our report and all other statements are issued solely for information purposes and serve as a basis for decisions by our client regarding the determination of fair cash compensation; they may not be used for any other purposes.

We are permitted to pass on this report to third parties in certain cases at our client's request, provided we enter into a separate agreement in this regard with the relevant third party. It is solely the readers' responsibility to decide whether and in what form they consider the information in this report to be useful and relevant for their purposes and whether or not to supplement, verify or update this information in due course through their own review processes.

This restriction on use does not apply to publications and measures required in connection with the preparation and holding of the extraordinary shareholders' meeting of Linde AG on 12 December 2018 or in connection with legal proceedings that could be instituted in relation to that shareholders' meeting and in connection with the determination of fair cash compensation in accordance with Sec. 62 (5) Sentence 1 UmwG in conjunction with Sec. 327a et seq. AktG.

In particular, we agree to the report being attached as an appendix to the report issued by Linde Intermediate Holding AG as principal shareholder pursuant to Sec. 327c (2) AktG and to the publication of this report.



## 1 Engagement and performance of the engagement

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### Performance of the engagement

We conducted our work during the period from 25 May 2018 to 25 October 2018 on the premises of Linde AG and in our offices in Munich and Eschborn/Frankfurt am Main.

The scope of our procedures and work does not comply with the generally accepted principles for the audit of financial statements in accordance with Sec. 316 et seq. HGB [“Handelsgesetzbuch”: German Commercial Code]. We will not therefore render an auditor’s report on the financial and other data contained in our expert opinion. Our responsibility is thus restricted to the application of due professional care.

The following documents in particular were made available to us for the purposes of our work:

- ▶ Consolidated financial statements of Linde AG in accordance with IFRS for the fiscal years ended 31 December 2015, 2016 and 2017, upon which unqualified auditor’s reports were rendered;
- ▶ Long-form audit reports by the group auditor of Linde AG for the fiscal years ended 31 December 2015, 2016 and 2017;
- ▶ Consolidated budget and forecasts of Linde AG including a projected income statement, a projected statement of financial position and a projected cash flow statement for fiscal years 2018 to 2022 prepared in accordance with IFRS as last updated on 4 September 2018 (approved by Executive Board in the meeting on 5 September 2018) and 8 October 2018 (approved by Executive Board in the meeting on 9 October 2018);
- ▶ Half-year financial report as of 30 June 2018 with auditor’s note on the review of interim financial information;
- ▶ Documents describing the reasons for expected synergies and quantified planned figures from the perspective of Linde AG arising as a result of the business combination, together with the Executive Board’s resolution to approve them as of 5 September 2018;
- ▶ Information on anticipated antitrust disposals in the context of the budget and forecasts, last updated on 8 October 2018 and documents regarding the carve-out financials for fiscal years 2016 and 2017, together with the long-form audit report dated June 2018;
- ▶ Budget/actual comparisons for fiscal years 2015, 2016 and 2017;
- ▶ Analyst reports on Linde AG from January 2017 to September 2018;
- ▶ Information about market environment, market forecasts, major competitors and business model;



## 1 Engagement and performance of the engagement

### 2 Performance of the engagement

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- ▶ Business combination agreement between Linde AG, Praxair Inc., Zamalight plc (renamed Linde plc), Zamalight Holdco LLC and Zamalight Subco Inc. dated 1 June 2017;
- ▶ Overview of tax losses carried forward as of December 2017, copy of the report on the most recent tax audit for 2012 to 2014, tax assessment notice for 2016, tax return for 2017 and overview of tax group for income tax purposes in 2017;
- ▶ Internal reports from management financials and accounting data as well as budget review presentations of Linde AG;
- ▶ Presentation to the Executive Board and minutes of the meeting of the Executive Board providing its approval of the budget and forecast as per 5 September 2018 and the approval of the updated budget and forecasts as per 9 October 2018;
- ▶ Draft as per 23 October 2018 of the share transfer report of Linde Intermediate Holding as majority shareholder of Linde AG on the requirements to transfer the Minority Shareholders' shares and the adequacy of the cash settlement;
- ▶ Management assessment of the average expected net working capital;
- ▶ Articles of incorporation and bylaws of Linde AG as amended on 7 August 2018;
- ▶ Excerpt from the commercial register of Linde AG dated 24 October 2018;
- ▶ Supplementary documents on specific technical aspects of valuation.

Further information was provided to us by Linde AG's Executive Board and other persons named by that board. All information and documents required by us for the valuation were readily provided. No particular difficulties arose during the valuation process. The Executive Board of Linde AG provided us with a management representation letter confirming that all information they deem to be necessary to prepare this expert opinion was provided to us fully and correctly.

The following determination of the equity value and the fair cash compensation is presented in rounded figures. As the calculations use exact, unrounded figures, adding or subtracting the values presented may lead to rounding differences.

Unless otherwise stated, all financial data are presented in accordance with IFRS.

# 2

## Description of the subject company

### Description of the subject company

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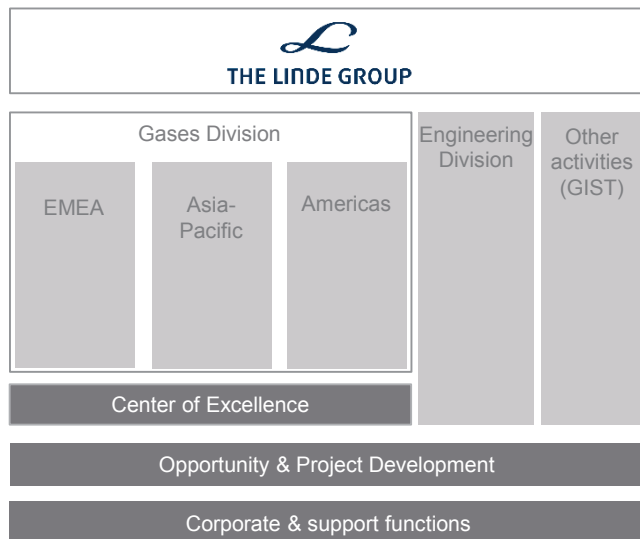


## 2 Description of the subject company

### 1 Legal and tax background

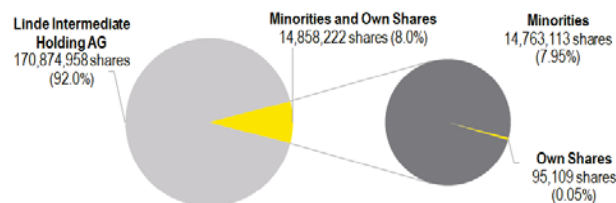
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### Organizational structure of Linde AG



Source: Management information

### Current shareholder structure of Linde AG (as of 21 October 2018)



Source: [http://www.equitystory.com/download/Companies/Linde/factsheet\\_148\\_german.pdf](http://www.equitystory.com/download/Companies/Linde/factsheet_148_german.pdf)  
 Note: percentage figures rounded

### Legal and tax background

Linde AG is a listed stock corporation incorporated under German law, having its registered office in Munich and entered in the commercial register of Munich Local Court under HRB no. 169850. Linde was founded by articles of incorporation and bylaws dated 21 June 1879, which were last amended by resolution adopted on 3 May 2018. An excerpt from the commercial register with the last entry dated 24 October 2018 was made available to us.

The fiscal year is the calendar year. The Company currently has more than 600 group entities in over 100 countries around the world with more than 62,000 employees. The Linde Group also includes 35 associates or joint ventures over which Linde AG exercises significant influence or which it controls jointly with other parties.

Its capital stock amounts to EUR 475,476,940.80, divided into 185,733,180 no-par value shares. Linde Intermediate Holding AG holds 170,874,958 shares (around 92%) and minority interests hold 14,763,113 shares (around 8%), while Linde AG holds 95,109 of its own shares. The shares of Linde AG (not tendered for exchange: ISIN DE0006483001; tendered for exchange: ISIN DE000A2E4L75), until completion of the exchange offer, are still listed in the Prime Standard on the Frankfurt Stock Exchange, the regulated markets of the Berlin, Düsseldorf, Hamburg, Munich and Stuttgart stock exchanges and the Tradegate Exchange and are also traded over the counter at the Hanover Stock Exchange. After completion of the exchange offer, the shares of Linde AG will be listed exclusively under ISIN DE0006483001 with the new ticker symbol LNA.

The Company's purpose is the production and distribution of technical and other industrial gases and related products, and the construction, sale and operation of facilities in which technical and other gases are produced or used. It is also engaged in the manufacture and distribution of engineering, medical technology, pharmaceutical and other healthcare products and the design, construction, acquisition, sale and operation of process engineering and other industrial facilities, facilities for the healthcare sector, as well as research facilities.



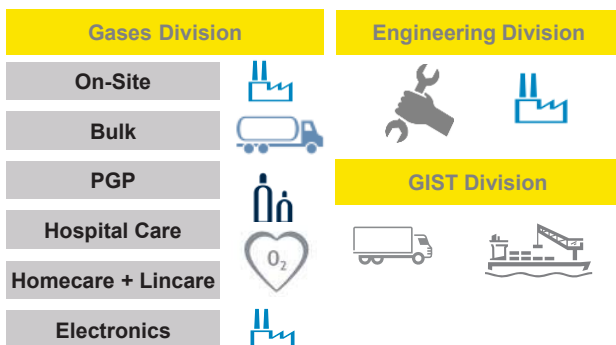
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## Operational structure of Linde AG

### Divisions and product areas



Source: Management information

## Introduction to the business model of Linde AG

Linde AG, with its more than 600 group companies worldwide (the “Linde Group”) operates in three divisions: Gases, Engineering and GIST (a logistics service provider).

The strategy of the Linde Group is geared towards long-term profitable growth and focuses on the expansion of its international business with forward-looking products and services.

As a technology leader, the Linde Group is successful throughout the world in plant engineering, where it can rely on its own patents and technologies. The Linde Group focuses on particularly promising market segments. The Linde Group produces, operates and delivers industrial plants for producing hydrogen, carbon monoxide, synthesis gas, ammoniac and methanol which use both fossil and renewable feedstock.

Backed by a dense production, sales and distribution infrastructure, Linde ensures that customers of all sizes are always served with the gas products they need – on time and in the right quantities and purities.

In future, the regional responsibility within the Group will be strengthened further in order to speed up any necessary reorganizations and improve efficiency. This will be aided by investments in the digitalization of distribution channels and automation of filling plants. Furthermore, in response to global climate change and the trend towards alternative fuels, innovative products and solutions will be developed to open up new markets.

### Gases Division

The Gases Division comprises three segments: EMEA, Asia-Pacific and the Americas. Due to the local nature of the business in terms of gas production and distribution, the Linde Group has local leadership structures in place. Within the three segments, Regional Business Units (RBU) are therefore responsible for the operating business.

The various national companies are organized in the RBU. The national companies primarily produce and distribute atmospheric gases such as oxygen, nitrogen and argon, which are manufactured in the Group’s own air separation plants. The product portfolio also includes other gases such as hydrogen, acetylene, carbon monoxide and carbon dioxide, shielding gases for welding applications, noble gases (krypton, neon, xenon, helium) and high-purity specialty gases and medical gases.

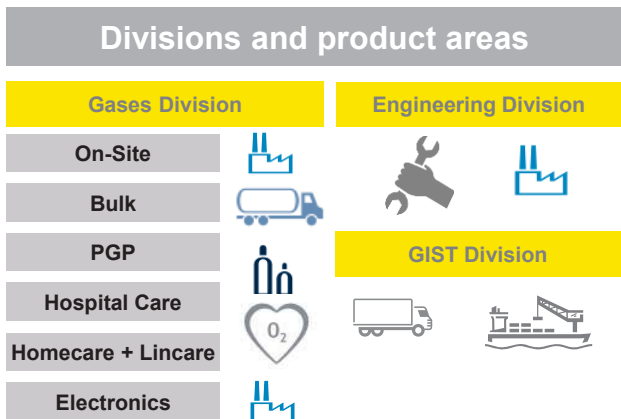


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### Operational structure of Linde AG



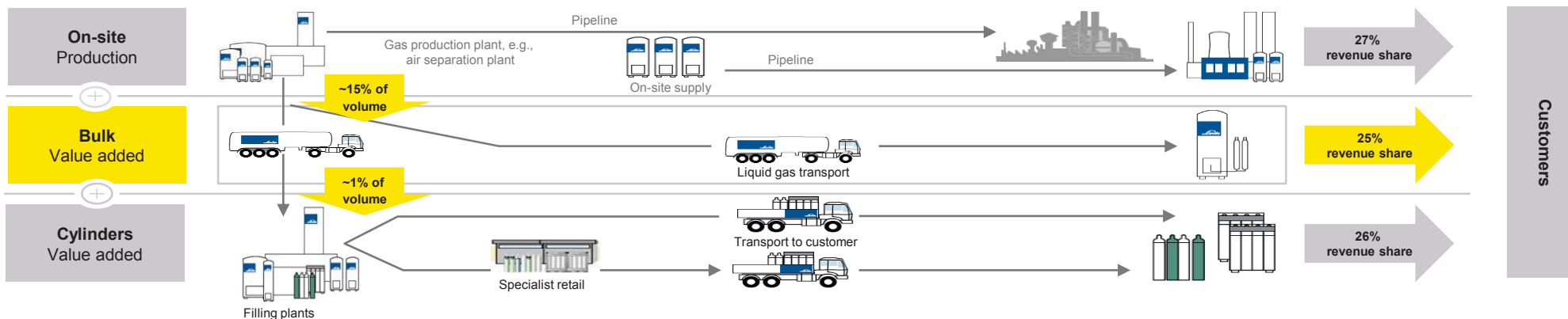
Source: Management information

Linde is a partner for gas supply to customers of all sizes in a range of industries such as metallurgy and glass, chemicals and energy, electronics, research and medicine, food and beverages and serving the retail trade and other areas of the processing sector. A Center of Excellence, managed centrally and operating group-wide, ensures that the defined process standards are implemented and continuously enhanced throughout the Group. A group-wide Opportunity & Project Development function works on the development of new projects.

Gases are supplied to customers in various forms, depending on the type of gas and the quantity required. Gases can be supplied on-site (tonnage) for direct local use or delivery in the immediate vicinity via pipelines, for example in industrial parks. Gases which have been liquefied at low temperatures can be delivered either in small cryogenic cylinders or in large tanks holding several tens of thousands of liters of liquid gas (in the Bulk segment; similar also in Hospital Care). In the Packaged Gas Products (PGP)/Cylinder (Packaged Gas Products) segment, gas is usually delivered compressed in cylinders at high pressure.

In the On-Site segment, customers are usually supplied by a gas production plant located directly on site. Contracts are usually long term (around 15 years) on a pass-through basis, i.e., feedstock costs (such as energy, water etc.) are charged directly and as a take-or-pay arrangement. Deliveries in other product areas are usually made in gas cylinders or by tanker truck.

### Value chain



Source: The Linde Group Company presentation, July 2018, p.26, based on FY2017 revenues, excluding Healthcare (22%)



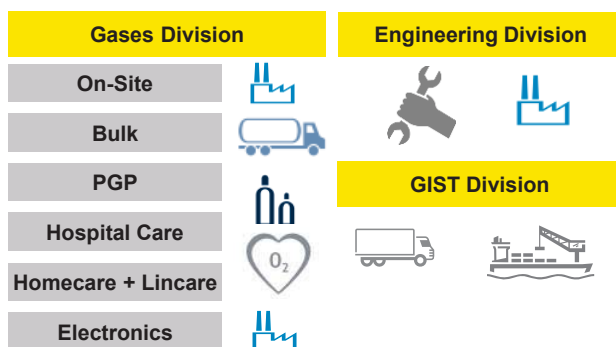
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## Operational structure of Linde AG

### Divisions and product areas



Source: Management information

The Homecare and Lincare product areas supply medical gases for home therapy. Lincare was acquired in a takeover in 2012 and is the biggest provider of oxygen and other respiratory therapy services for home care in the US market. As a result of the acquisition, Linde doubled the revenue in the Gases Division in North America, thereby strengthening the market position.

In its Electronics product area, the Linde Group supplies liquid and specialty gases, gas systems and on-site services to the electronics industry. Technologies and solutions are geared to the specific challenges relating to the production of semiconductors, photovoltaics, electronic screens and LEDs, wafers and polysilicon.

### Engineering Division

The Engineering Division is the second largest division in the Linde Group. In contrast to the Gases Division, Engineering is not divided into RBU; it coordinates and manages its projects worldwide from the headquarters in Munich.

The Engineering Division is positioned as a technology leader in international plant engineering, including air separation facilities and olefin plants. Unlike almost all of its competitors, it can rely on its own extensive process engineering expertise in planning, designing and constructing turnkey industrial plants.

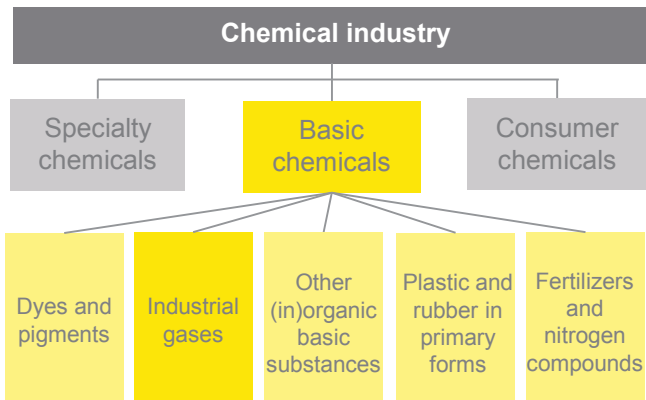
### GIST Division

The GIST Division offers end-to-end supply chain solutions. It is, however, not part of the Linde Group's core business. GIST primarily operates in the UK and Ireland and focuses on logistics for refrigerated foodstuffs. Its services encompass transport, freight handling and warehousing. GIST's customers are large international corporations such as Marks & Spencer or Starbucks and smaller local firms such as EAT. GIST currently has more than 5,000 employees in Europe.



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Source: The Business Research Company, Industrial Gas Global Market Report, 2017

**Scoping of the relevant markets and introduction to market structures**

The Linde Group’s industrial gas-producing activities belong to the **chemical industry**. The chemical industry is one of the biggest processing industries in the world. Feedstocks such as air, water, natural gas, oil, metals and minerals are converted into a range of chemical products. While many of these products, such as laundry detergent, soap and perfume, are sold directly to end consumers, around 70% of the chemical output goes to other industries and sectors for further processing or use.

The products of the chemical industry can be divided roughly into three categories, as shown on the left: **basic chemicals, specialty chemicals and consumer chemicals**.

Basic chemicals primarily include petrochemicals, polymers and basic inorganic compounds, including dyes, plastics, fertilizers and industrial gases. These chemicals are usually produced in large quantities and sold on to the chemical industry or other industrial sectors as feedstocks. Industrial gases are converted from air, natural gas and mineral oil using various processes such as natural gas processing, air separation, steam methane reforming, gasification and electrolysis. The Linde Group mainly operates in the field of industrial gases.

The produced gases are delivered to customers requiring constant and large volumes either on-site or by pipeline (at Linde in its On-Site business with locally installed gas production or air separation plants or distribution networks in large industrial parks) or using specialist means of transport (tanker trucks, trains or ships) which supply on-site storage tanks (at Linde in its Bulk business). When smaller volumes are required, gases are sold in suitable cylinders as gases or liquids (at Linde in its “PGP business”).

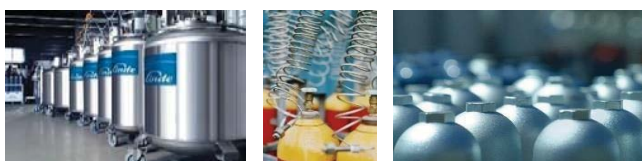
**On-Site**



**Bulk**



**PGP/Cylinder**



Source: Management information



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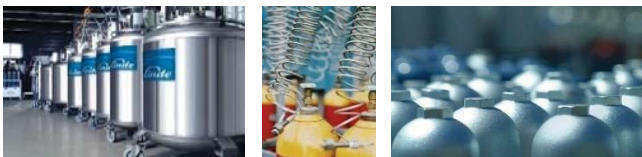
#### On-Site



#### Bulk



#### PGP/Cylinder



Source: Management information

In spite of relatively high barriers to entry, the industrial gases market is shaped by significant competition for market share. The relatively high barriers to market entry derive from the capital-intensive techniques used to produce industrial gases and the elaborate transport and storage logistics needed due to the volatile nature of the product and exacting regulatory requirements relating to safety technology. The production of high-quality gases requires sophisticated industrial facilities and properly trained specialist staff. The industrial gases business also demands well developed distribution structures and active cultivation of customer relationships, especially in the on-site business where long-term contracts with customers are common.

Most of the products of the market players are readily interchangeable. Due to the low level of product differentiation, production efficiency and prices play an important role in competition. By contrast, the competitive pressure from other markets is fairly low, as industrial gases can hardly be substituted by alternative products due to their special nature.

Overall, the market for industrial gases is highly consolidated, with the five biggest players Air Liquide, Linde, Praxair, Air Products and Taiyo Nippon Sanso capturing c. 74% of market share in 2017. They are well diversified both geographically and throughout the industry.





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### Description of the relevant sales and procurement markets

While the supply side is highly concentrated, there is a large number of heterogeneous customers which generate additional competition in the market. Customers come from a wide range of sectors, the main ones being the chemical and energy (oil, refinery, gas), processing, construction, mining, glass, steel production, electronics, food and beverages, healthcare and pharmaceutical sectors. The power of buyers to dictate prices depends mainly on the volume of gas purchased and its share of the overall cost structure.

Demand for industrial gases is therefore determined by the cycles in the end consumer markets, but the risk of a shrinking market is mitigated by the broad range of applications of products and the heterogeneity of the industries served. The ongoing processes of globalization and industrialization have an appreciable effect on market growth (cf. Industry Analytics Research Consulting, Industrial Gases Market, 2017). The share of the industrial gases market in global GDP in recent years remained stable at around 0.1% and is expected to stay at this level in the future (cf. The Business Research Company, Industrial Gas Global Market Report, 2017).

On the procurement side, the production of industrial gases requires air as its primary input (for oxygen, nitrogen and argon production) and energy, the latter usually being the largest cost factor in the production and distribution of industrial gases. Most of the energy requirements are covered by electricity, natural gas and diesel. Energy supply in the geographically different sales markets for industrial gases is not a major issue, but energy prices can be difficult to estimate.

Carbon dioxide, helium and specialty gases are mostly purchased from third parties and subsequently purified. Where possible, precursors are purchased as chemical or industrial byproducts. However, their long-term availability and prices are tied to the general market conditions. Linde endeavors to minimize fluctuations in costs by arranging pass-through clauses in contracts with customers and by improving the efficiency of its production processes.

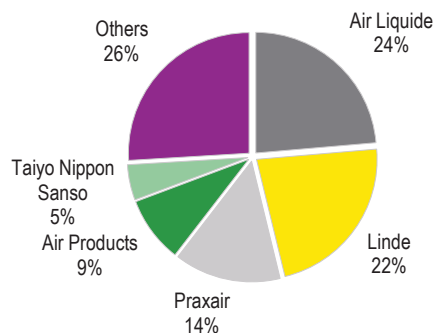
The Engineering Division is primarily dependent on steel prices and suppliers' prices in the metalworking and mechanical engineering sectors and on cyclically induced fluctuations in global demand.



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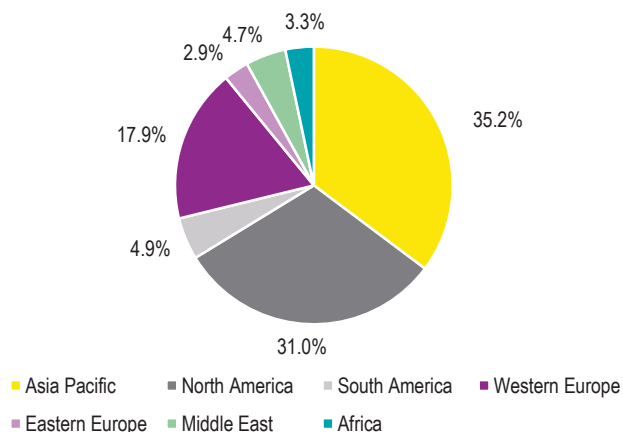
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**Key competitors in the global industrial gases market in 2017 (revenue shares)**



Source: The Business Research Company, Industrial Gas Global Market Report, 2018

**Regional split of the industrial gases market in 2017**



Source: The Business Research Company, Industrial Gas Global Market Report, 2018

**Competitive environment and market shares**

According to a study by The Business Research Company (hereinafter “TBRC”), market concentration has increased further in recent years due to M&A activities by various companies. The biggest market players operate worldwide with a low level of differentiation, while competition mainly takes place locally as most products are rarely shipped further than 200km. As a result, the infrastructure of existing competitors, long-term contracts with customers and local presence raise relatively high barriers to market entry. Below, the market situation is described without exploring the situation after the business combination between Linde and Praxair.

**Selected competitors on the global industrial gases market by market or revenue share:**

**Air Liquide** is the world’s largest industrial gas company with a market share of c. 24% in 2017. It entrenched its market position further in 2016 with the acquisition of the US company Airgas. The French company offers industrial and specialty gases and related technologies and services. It also designs and builds industrial gas production plants and provides services for the oil and gas sector. In fiscal year 2017, it earned some 40% of its revenue in the US, 33% in Europe and around 20% in the Asia-Pacific region.

The second largest producer of industrial gases, the **Linde Group**, with a market share of 22% in 2017, also has proprietary expertise in the planning, design and construction of turnkey industrial facilities for third-party customers and its own on-site customers in addition to the production and distribution of gases. Its regional focus is on Europe, where it generated some 38% of revenue in fiscal year 2017.

**Praxair** is the third largest market participant by market share (14% in 2017). The group produces and distributes atmospheric, process and specialty gases. Praxair also often plans, designs and constructs the required facilities (for its own on-site customers). In addition, Praxair provides surface technology services. It generated 66% of its revenue in North and South America in 2017.

**Air Products** had a market share of 9% in 2017. The company produces atmospheric and specialty gases as well as performance materials and equipment. Air Products has its focus on the US market (revenue share of 35%). Around 30% of revenue is earned in Europe and the Middle East.

**Taiyo Nippon Sanso** is a Japanese company operating in the Asia-Pacific region (74% of total revenue in 2017) and the US (26% of total revenue in 2017) and is the fifth largest market participant. In addition to its gas production and engineering business, Taiyo Nippon Sanso supplies a large number of customers, including electronics manufacturers and hospitals. It also plans and builds large gas plants and sells liquid gas and components for heat pumps and air-conditioning systems.



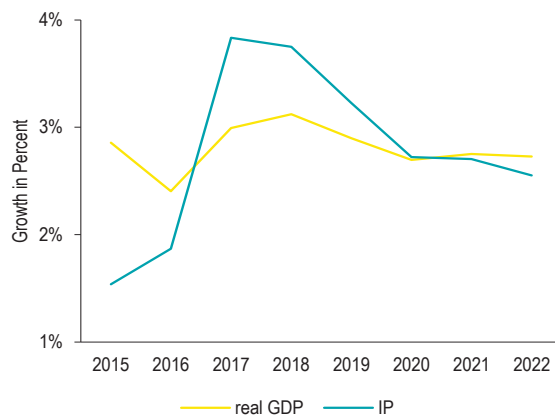


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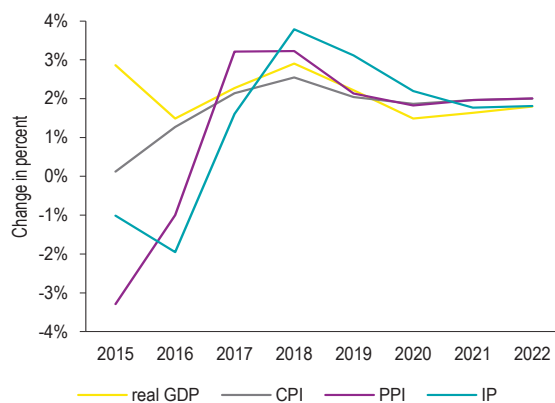
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### Development of the global economy



Source: Oxford Economics

### Economic development – US



Source: Oxford Economics

### Macroeconomic development

The industrial gases and other products and services provided by the Linde Group are used in many different industries and other economic sectors. Industrial gases are frequently essential factors of production, for instance for the manufacture of metals, glass or chemicals. As a result, the demand for industrial gases is shaped by the economic performance of the customer industries and ultimately therefore by overall economic development. Macroeconomic indicators such as industrial production (IP), gross domestic product (GDP), the Consumer Price Index (CPI) or the Producer Price Index (PPI) are used when forecasting growth in order to ensure that the interrelationships existing to a certain extent between the business of the Linde Group and overall economic development are appropriately considered in the planning process. While there is a certain positive correlation, the extent of such correlation is significantly dependent on the product groups, regions and underlying volume and price effects under consideration.

### Medium-term development of the global economy and selected countries

According to the forecasts of leading economic research institutes, the positive global economic growth of around 3% (real GDP) recorded in calendar year 2017 will continue in 2018. For the years thereafter (2019 to 2022), slightly lower but still stable positive annual growth of global gross domestic product is expected. Apart from cyclical factors, this trend is partly shaped by the structural deceleration of growth in China. By contrast, no major geopolitical or international economic policy risks have materialized to date. Nevertheless, issues such as Brexit or US trade policy are prompting uncertainty and have a dampening effect. Industrial production, which tends to be far more volatile than the macroeconomic trend, is extremely dynamic worldwide at present.

The Company's main sales markets in fiscal year 2017 were in the US, Germany, China, Australia and the UK. The following summary provides an overview of the expectations for economic development in these markets (cf. in particular Oxford Economics).

#### United States of America (US)

- ▶ The **US** is currently experiencing an economic boom with high capacity utilization and low unemployment. This positive economic trend was bolstered by the tax reform which took effect at the beginning of 2018 and eased the burden on companies in particular.
- ▶ Inflation measured by reference to the Consumer and Producer Price Indices has recently risen sharply, coming from a very low level in 2015. Stable growth of around 2% p.a. for the coming years is expected based on the forecasts for gross domestic product and industrial production.

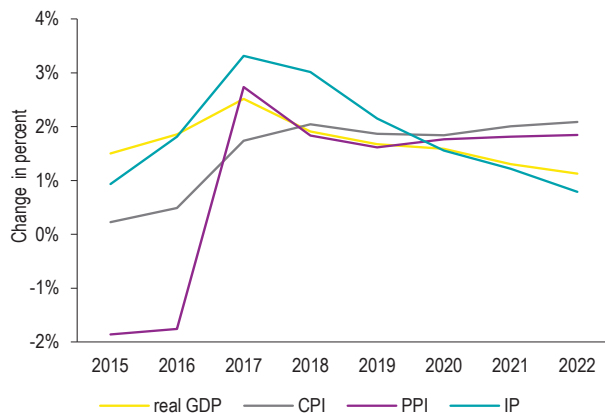


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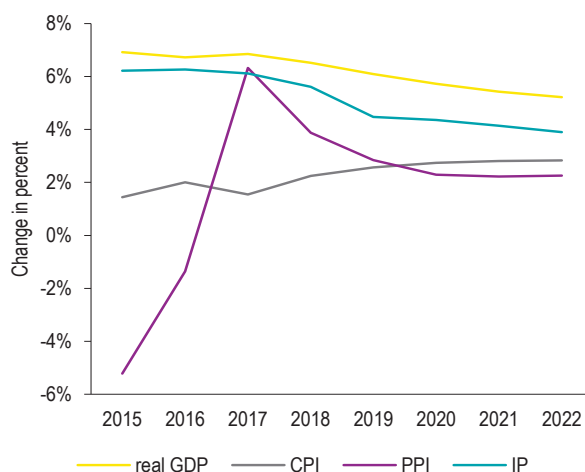
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### Economic development – Germany



Source: Oxford Economics

### Economic development – China



Source: Oxford Economics

#### Germany

- ▶ The positive economic growth recorded in recent years is continuing in Germany, sustaining an exceedingly long economic boom phase. Besides stable exports, domestic demand has also underpinned this trend for some time already. According to forecasts, a slight slowdown in economic growth is initially expected for calendar year 2019, before the cycle gradually comes to an end in the medium term, with the potential for the growth rate to fall to around 1% p.a. in calendar year 2022.
- ▶ Industrial production should remain slightly more volatile, but will manage to keep pace with the development of the economy as a whole on average. With industrial added value contributing around 24% to total added value, Germany has by far the highest percentage of all large industrial nations and looks set to retain this level in the medium term according to forecasts.
- ▶ After several years of minimal inflation, prices have picked up noticeably in recent months in line with rising capacity utilization. Currently, and in the entire observation period, annual growth in both the Consumer and the Producer Price Indices of around 2% is expected.

#### China

- ▶ China's economy remains in a growth phase. Research institutes expect 6% to 7% growth in economic output for calendar year 2018. A slight slowdown in this trend for the following years and around 5% growth in real gross domestic product for calendar year 2022 are forecast. This trend reflects the long-term catch-up process of the Chinese economy whose growth is gradually flattening out.
- ▶ At the same time, China's transformation to a service economy is continuing. Annual growth in industrial production is therefore expected to be slightly lower than overall economic growth (real GDP). Growing domestic demand, also for services, is forecasted for China in the long term, which could provide complementary support for growth which has mainly been driven by exports (of goods) to date.
- ▶ The Producer and Consumer Price Indices point to somewhat more stable inflation rates of around 2% p.a. in the medium term.

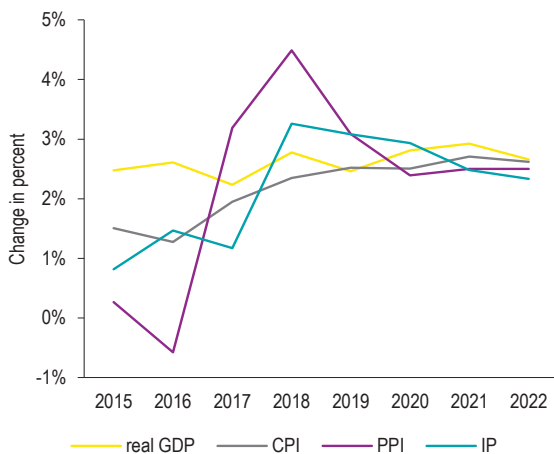


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### Economic development – Australia

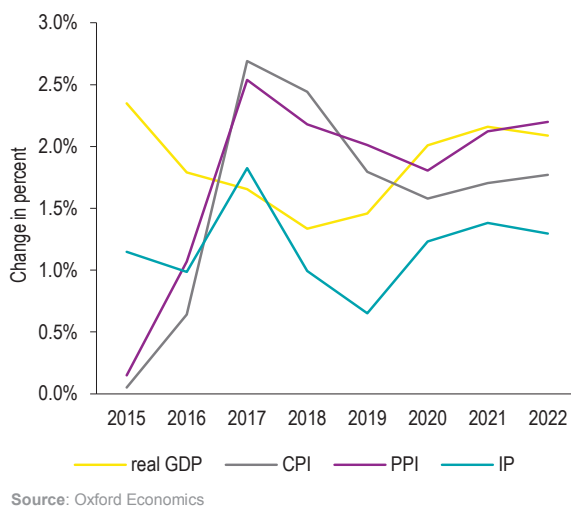


#### Australia

- ▶ Annual growth of Australia's gross domestic product was between 2% and 3% in recent calendar years. Stable growth within this range is expected for the upcoming years.
- ▶ Industrial production developed weakly in the past years 2015 to 2017 compared with overall economic growth (GDP), but a significant increase in annual growth rates appears likely for the years until 2022. This means that industry will not lose further ground within the structure of the Australian economy.
- ▶ A slight but steady increase in the Consumer Price Index is expected in the years to come. The Producer Price Index saw a considerable increase recently, but somewhat more stable growth ranging between 2% and 3% (calendar year 2022) is forecast for the years ahead.

#### United Kingdom (UK)

### Economic development – UK



- ▶ The outlook for the economy in the UK is riddled with uncertainty at present. At the time of writing this report, it is unclear what impact the forthcoming exit of the UK from the European Union will have on economic relations between the two regions. For this reason, the present report assumes, for lack of better knowledge, that economic ties between both regions will remain strong in the long term and that the economic effects of the exit will thus be limited.
- ▶ Under this assumption, the current comparatively low economic growth (real GDP) can be seen as a temporary consequence of the current uncertainty. Accordingly, the economic research institute *Oxford Economics* expects a steady economic recovery for calendar year 2019 as well as growth in gross domestic product of around 2% p.a. in the following years.
- ▶ However, as so often in the past, industrial production will lag behind the development of the economy as a whole.
- ▶ Market observers regard the sharp rise in the price indices since 2017 as a direct consequence of the devaluation of the GBP in connection with the UK's exit from the European Union. In the medium term, inflation of between 1.5% and 2.9% by reference to the Consumer Price Index is expected.



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#### Economic analysis of potential trade war between the US and China

On 23 August 2018, the US and China levied an additional 25% duty on bilateral imports worth USDbn 16 – the second step of the announced duties on imports worth USDbn 50. These new tariffs are a sign that tensions between the two major economic powers are still running high in spite of fresh talks. Unswerving beliefs and non-negotiable strategic ambitions are the key factors that could escalate trade tensions.

If the US were to levy a 10% duty rate on an additional USDbn 400 worth of imports from China on top of the 25% on USDbn 50 worth of imports, and China were to follow suit with a 25% tariff on all US imports (including most services), *Oxford Economics* predicts in a scenario analysis that US GDP growth could shrink by 0.7 percentage points in 2019, and global growth could decline by 0.5 percentage points. Given the dependence of the industrial gases industry on other industries such as the steel industry as described above, this can be expected to have consequences for the growth of the industrial gases market as well.

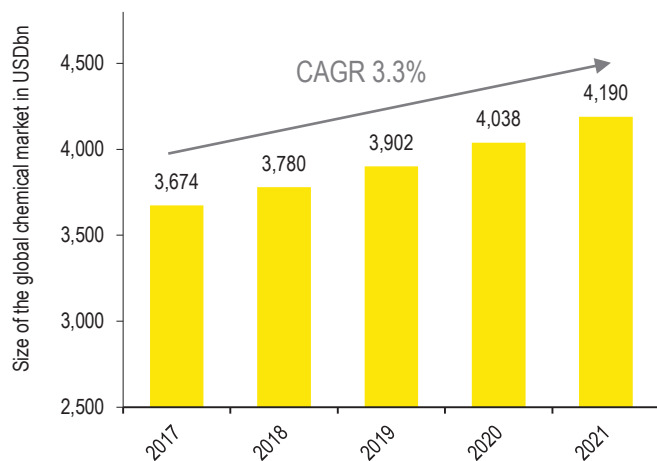


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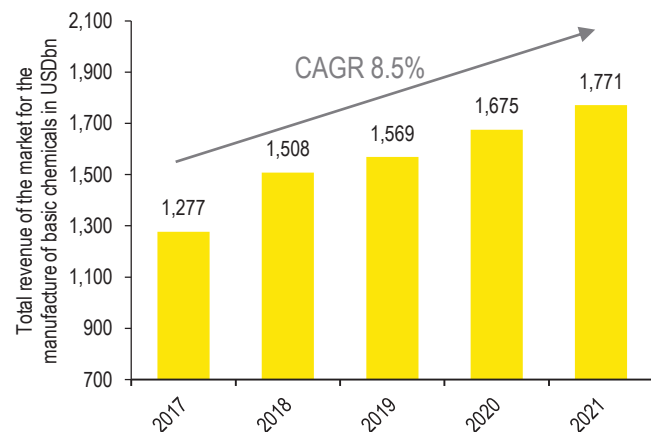
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#### Development of the global chemicals market



Source: The Business Research Company, Industrial Gas Global Market Report, 2018

#### Development of the global market for basic chemicals



Source: IHS MarkIT, Manufacturing of Basic Chemicals, 2018

#### Industry-specific market development

The market for industrial gases constitutes a sub-segment of the much larger chemicals market. The production, sale and use of industrial gases differ, in some cases substantially, from those of other products included in the chemicals market. Moreover, the Linde Group is also engaged in the engineering business, which is an integral part of the Group but is hardly comparable to the industrial gases business. The forecasts of market studies describing the market for chemicals or the pure industrial gases market (not including the engineering business) therefore cannot be applied to any great degree to the business development of the Linde Group due to different market definitions, product diversity, unique regional aspects and different perspectives within the value chain. As a result, forecasts by market studies are not afforded any significant weight in the context of the Linde Group's planning process. However, for the purposes of general considerations relating to plausibility testing, the content and forecasts of such studies are presented in order to highlight trends in related markets.

##### *Global chemicals market*

According to a study by TBRC, the global chemicals market is forecasted to expand at a compound annual growth rate (CAGR) of 3.3% p.a. from USDbn 3,674 in 2017 to USDbn 4,190 in 2021. The key driver of growth in the chemical industry is considered to be the increased demand due to continued strong growth of the global economy and rising M&A activity in the market. The ongoing growth trend in the US forms a positive basis for growth in the chemical industry, as does the expected positive economic development in the European and Asian markets. This is also illustrated by a look at the individual sub-segments.

##### *Global market for basic chemicals*

Besides industrial gases, the market for basic chemicals comprises inorganic acids, alkalis, lyes and other inorganic bases, as well as synthetic aromas, distilled water, alcohols and esters, roasted pyrite and other organic compounds. A compound average annual nominal growth rate (CAGR) of around 8.5% is forecasted for the market for basic chemicals, which is a slightly smaller sub-segment of the global chemicals market, for the coming years (2018 to 2021). The annual growth rates forecast for the market for basic chemicals are thus significantly above the macroeconomic parameters (GDP, IP, etc.) discussed in the above section which serve as guidance for the revenue development of the Linde Group in the context of the planning process.

In view of the diversity of products in this market segment as described above, it is not possible to draw any reliable conclusions for the business activities of the Linde Group. The following section therefore presents the specific growth expectations for the industrial gases market.

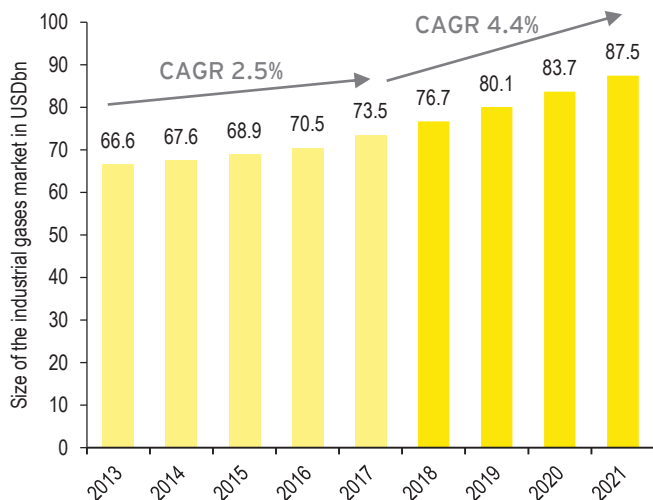


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### Development of the global market for industrial gases



Source: The Business Research Company, Industrial Gas Global Market Report, 2018

#### Market for industrial gases

According to a study by TBRC, the global industrial gases market grew at a compound annual growth rate (CAGR) of approximately 2.5% from USDbn 66.6 in 2013 to USDbn 73.5 in 2017. Excess capacity led to price pressure in the markets in the past which, in spite of the strong potential for growth, is likely to continue in some segments, such as hydrogen, in the forecast period. The global industrial gases market is expected to grow at a compound annual growth rate (CAGR) of around 4.4% p.a., with the market volume rising from USDbn 73.5 in 2017 to USDbn 87.5 in 2021.

Aside from the similar conditions with the regionally diverging, however overall steady growth phase as in the chemical industry, new developments in the pharmaceutical and health sectors (medicinal gases, for instance, benefit from population growth, a growing middle class with purchasing power for relevant treatment methods and an aging population) are also major market drivers harboring great potential for growth but also accompanied by further price pressure due to an increased number of competitive tenders.

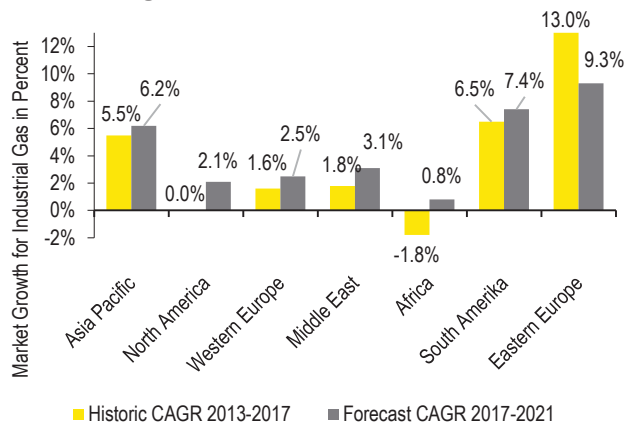
Besides oxygen, nitrous oxide and nitric oxide, other industrial gases such as hydrogen, helium and xenon are produced for clinical use in pharmaceutical products.



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**Regional development of the market for industrial gases**



Source: The Business Research Company, Industrial Gas Global Market Report, 2018

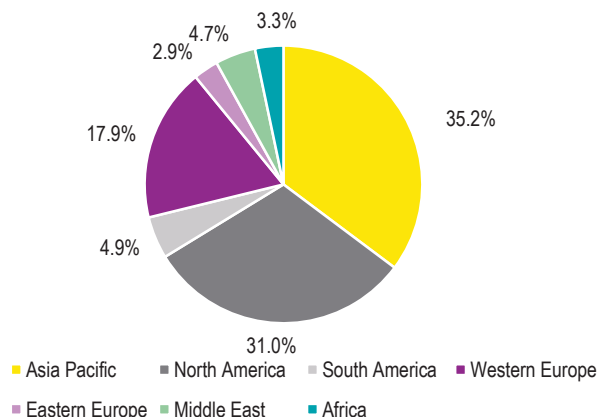
**Analysis of regional markets**

A regional analysis of the industrial gases sector reveals differences in market growth forecasts.

For example, two of the three biggest regional markets, North America and Western Europe, are at the bottom end of the expected market development scale, set to grow by 2.1% p.a. and 2.5% p.a., respectively. The US market accounts for the lion’s share of North America, the largest regional sales market for industrial gases which had a 31.0% share of the world market in 2017. The US makes up a 27.6% share of the global market and grew in the historical period at a CAGR of 0.8%. It is expected to grow at a CAGR of 2.1% in the forecast period (until 2021). This is primarily due to the presence of many automotive, food and beverages, and oil and gas companies who are driving demand for industrial gases.

Demand for industrial gases in Asia also had a huge effect on the world market. This was fueled by rising domestic consumption of steel and iron in the emerging markets of India and China. China has a global share of c. 18.5%, making it the second largest sales market. Technical gases are used to improve the efficiency of production and processing in special furnaces. Sales to manufacturers of electronics, primarily in China, Taiwan and the US, are also growing.

**Regional split of the industrial gases market in 2017**



Source: The Business Research Company, Industrial Gas Global Market Report, 2018

Regardless of the foregoing,

it is true to say that emerging countries, aside from a tendency to report higher overall economic growth resulting from baseline and catch-up effects, among others, usually also exhibit higher growth potential from a rising industrial gas intensity in value added. Their relative market growth therefore often outperforms the growth of more mature markets (such as Western Europe and North America).

The investment appetite of major international customers in the large-scale plant engineering and construction sector, especially from key oil-producing countries and regions such as Russia, the Middle East and the US, could increase as gas and oil prices trend upward and energy requirements rise. However, there are in particular risks that this trend might not be sustainable because of short-term market reactions and high competitive and pricing pressure in this market segment.





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## Overview of the Linde Group's risk and opportunity profile

### Opportunities

- ▶ Linde is characterized by global presence, diversified product portfolio (production, delivery forms, applications, services) and a broad range of customers from numerous industrial sectors.
- ▶ The brand portfolio of the Linde Group maintains an excellent reputation and is associated with quality and reliability.
- ▶ The Linde Group's Healthcare business makes it one of the leading companies in the segment with significant market shares in Europe and the US. This segment is also less cyclical.
- ▶ In its Engineering Division, the Linde Group has extensive expertise in the development and construction of state-of-the-art facilities for the production of industrial gases. This sets the Linde Group apart as a technology leader from many of its competitors, with cost-efficient facilities strengthening its competitive position in the on-site business.

### Risks

#### *Internal risks*

- ▶ Besides the cyclical nature of the engineering business there is an immanent risk of failing to adjust fast enough to changed requirements and cost pressure in growth markets.
- ▶ It may not be possible to maintain the competitiveness of the facilities (e.g., air separators).
- ▶ With regards to the Homecare business, there is a risk that the continuous adjustment of the business model and the cost structure to reflect changes in regulations, new technologies and digitalization may fall short of expectations.
- ▶ Limited ability to pass on or recoup volatile costs for feedstocks, energy and materials.

#### *External risks*

- ▶ Risks from economic downturns and disadvantageous currency fluctuations exist.
- ▶ Macroeconomic risks include in particular a possible destabilization of the European Union, a sudden cooling of the Chinese economy (hard landing) and a potential trade war between the US and China.
- ▶ Overcapacities in some industrial gases segments might negatively impact Linde.
- ▶ Risks from price decreases driven by regulation of the healthcare system in the US and more stringent environmental laws in China are existent.



# 3

## Valuation principles and methods

### Valuation principles and methods

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## 3 Valuation principles and methods

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#### Methodological considerations on the capitalized earnings method

The valuation principles and methods described in this report are generally accepted in the current theory and practice of business valuation. They are reflected in IDW Standard S 1 “Principles for the Performance of Business Valuations” (IDW S 1, 2008 version) issued by the IDW which sets forth the professional standards according to which auditors value companies. These applied principles and methods are also generally recognized by the German courts.

#### Valuation purpose and perspective

In accordance with IDW S 1, the role of the public auditor and the reason for the valuation will determine how the business valuation is performed (cf. IDW S 1, section 8 et seq., section 12). A fundamental distinction must be made between the determination of an objectified equity value which is independent of the personal value expectations of the parties involved and a subjective equity value.

In the case at hand, the valuation is being performed to meet the requirements of corporate law.

In accordance with our engagement, an objectified equity value was determined. We have prepared our expert opinion in the role of an independent appraiser.

#### Cut-off date principle

Equity values are determined by reference to a cut-off date. The cut-off date for the valuation determines which net earnings are not taken into account because they have already been received by the existing owners of the entity, and from when the expected net earnings or net earnings already realized should be allocated to the future owners.

In addition, the valuation date takes into account the status of the information used in the valuation, in particular for the forecast of future net cash flows, the alternative investment reflected in the discount rate or the applicable tax laws.

In the case at hand, the equity value of Linde AG was determined as of 12 December 2018 in accordance with Sec. 62 (1) and (5) UmwG in conjunction with Sec. 327b (1) AktG.

We completed our work on 25 October 2018, i.e., before the valuation date. The valuation as of that date is based on the current budget and forecasts and takes into account all relevant circumstances until completion of the valuation work. The value thus determined would have to be revised if the valuation bases were to change prior to 12 December 2018.



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1 January 2018 was chosen as the technical valuation date. The equity value determined as of this valuation date was compounded to the valuation date.

Under Sec. 62 (1) and (5) UmwG in conjunction with Sec. 327b (1) AktG, the circumstances of the Company at the time of adopting the resolution at the shareholders' meeting must be taken into account when determining the cash compensation for the squeeze-out of the minority shareholders. The fair cash compensation payable has to be determined such that shareholders can withdraw from the Company without suffering financial prejudice. Consequently, the Company has to be valued on the basis of the assets existing as of the valuation date. In order to meet this requirement, we will verify on the valuation date whether any matters having a bearing on the valuation have occurred between the date of our report and the date of the shareholders' meeting.

#### Capitalized earnings method and discounted cash flow method

IDW S 1, section 7 allows the equity value to be determined using either the capitalized earnings method or a discounted cash flow (DCF) method. Both valuation methods are essentially equivalent and, if the same assumptions are used, especially in terms of distribution, refinancing and reinvestment, they produce identical outcomes. Both methods are based on the same underlying investment theory (income approach) and calculate forecast net earnings/cash flows which are discounted to the valuation date. As requested, the capitalized earnings method will be used to calculate the future earnings value of the Company for the purposes of this report.

Under the capitalized earnings method, the equity value is determined directly by discounting the expected net cash flows between the subject company and the owners in the form of distributions and capital contributions using a risk-adjusted cost of equity rate.

#### Historical, present and prospective business analysis

The expectations of future net cash flows are estimated based on the circumstances on the valuation date. The uncertainty surrounding future expectations is the critical factor in any business valuation. Information must be obtained as a basis for analysis of the business in the past, present and future.

The starting point for the forecast and plausibility test of future net earnings is an analysis of the historical performance of the subject company. The earnings actually generated in the past and the assets and liabilities of the subject company must be analyzed in light of historical market developments. These figures are adjusted for one-time and extraordinary, i.e., non-recurring, events.



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Future net cash flows are forecast based on an analysis of historical performance and expected market developments. The anticipated development of future net earnings can be forecast more reliably and assessed more plausibly for a limited period in the near future than for later periods. As a result, valuation practitioners generally break a valuation down into two valuation phases. The first phase (detailed planning phase) is often an observation period of three to five years.

As individual net earnings cannot be forecast with sufficient probability after the detailed planning phase, a terminal value is estimated to reflect sustainable earnings in later years (second phase). The terminal value is calculated on the basis of the earnings in the first phase and analyses of the long-term financial and business performance, smoothed out over full business cycles.

#### **Net cash flows and distribution assumption**

When determining the net cash flows in the first phase, the current and future distribution policies of the subject company are taken into account. These are influenced by the level of equity, the tax situation, existing investment opportunities within the Company and possibly also by restrictions on dividend distributions imposed by commercial law. In addition, the distributions must be reconciled with the planned development of liquidity and refinancing options.

Full distribution of the projected profits can only be assumed if this is documented in the Company's business plan, is permitted by law and is covered by sufficient liquidity. In the second phase, a standardized distribution rate is assumed that is equivalent to the distribution rate of an alternative investment.

#### **Consideration of measures of synergy effects which have already been initiated and documented prior to the valuation date**

When determining an objectified equity value, the value of a company rests on the earnings power existing on the valuation date, as reflected by the success factors already in existence. As such, the relevant earnings power can only derive from measures which have already been initiated prior to the valuation date or, at a minimum, are sufficiently documented in the business concept ("root theory") (cf. IDW S 1, section 32).



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Furthermore, only so-called pseudo synergies are considered when determining the objectified equity value. These are synergies that can be achieved regardless of the purpose of the valuation. They are distinct from real synergies which only arise when the measure underlying the valuation goes ahead and which must not be taken into account when determining the objectified value. In addition, the root principle must be applied in considering pseudo synergies (i.e., the measures leading to synergies must have been initiated by the valuation date or at least sufficiently documented) (cf. IDW S 1, sections 34, 50).

#### Income tax effects

In keeping with the valuation purpose, which is to create an objectified basis of information in compliance with the provisions of corporate law, the income tax burden was taken into account in the form of indirect standardization in accordance with IDW S 1, sections 31, 44. This requires the valuation to be performed from the perspective of the owner who is assumed to be a resident natural person liable to unlimited taxation. In addition to the income tax burden on the level of the Company, the personal income tax is considered when determining the net earnings and the discount rate.

Hence, when determining the net cash flows, the income taxes of the Company and the owner must be considered. For (German) corporations, for example, trade tax, corporate income tax and the solidarity surcharge are deducted as income taxes at company level.

When valuing corporations, it must be borne in mind that under the German Business Tax Reform Act of 2008 a flat-rate withholding tax is levied on investment income at the level of the owner of privately held shares. Flat-rate withholding tax is charged at a definitive rate of 25% plus the solidarity surcharge. As such, a full flat-rate withholding tax has been charged on dividend income since 1 January 2009. Capital gains on the sale of shares acquired after 1 January 2009 are also subject to the flat-rate withholding tax regardless of how long they are held before they are sold.

For the valuation of corporations and the direct standardization of personal income tax, additional assumptions must be made as to the length of time the shares are held in order to account for capital gains taxation in the form of withholding tax (cf. IDW S 1, section 44). Empirical evidence for estimating a standardized holding period to determine the effective capital gains tax rate is limited, but in response to the introduction of capital gains taxation, holding periods can, as a rule, be assumed to be lengthy. As a result, a standardized effective capital gains tax rate of 12.5% plus the solidarity surcharge, i.e., half of the withholding tax rate, is considered appropriate.



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*Calculation of the cost of equity using the capital asset pricing model (CAPM)*

$$r_E = r_{RF} + \beta * MRP$$

$r_E$  = Cost of equity

$r_{RF}$  = Base interest rate/risk-free interest rate

MRP = Market risk premium

$\beta$  = Beta factor

### Methodological approach for the discount rate

Economically speaking, the calculation of the equity value using the capitalized earnings method is a comparison of the attainable net distributions flowing from the Company to the owners with the return on an alternative investment. The basis for comparison is the cash flow generated from the best alternative use of capital compared with an investment in the subject company.

In connection with the present value calculation underlying the capitalized earnings method, the discount rate reflects an investor's alternative, comparing the return on its investment in a specific company with the return on a corresponding alternative investment in equities. In this context, the discount rate represents the return on an appropriate alternative investment that is equivalent to the cash flow to be capitalized in terms of duration, risk and taxation (cf. IDW S 1, section 7.2.4.1). This risk is taken into account in the methods commonly used in Germany and abroad by applying a premium to the discount rate (risk premium method) (cf. IDW S 1, section 90).

In particular, capital market returns on equity investments (in the form of a share portfolio) can be used as a basis for determining alternative returns. In accordance with IDW S 1, section 7.2.4.1, such share returns generally have to be broken down into a base interest rate and a risk premium required by the owners in return for their assuming entrepreneurial risk. Capital market models such as the capital asset pricing model (CAPM) (see IDW S 1, section 7.2.4.1) can be used for such a breakdown.

According to the CAPM, the discount rate consists of the base interest rate and risk premium components. The sustainable future growth in net earnings during the terminal phase is considered in the valuation using a growth factor which is deducted from the discount rate.

The Tax-CAPM also enables the effect of personal income tax on the calculation of the base interest rate and the risk premium to be shown explicitly. This, in turn, enables income taxes to be taken into consideration in a consistent manner when determining the amount of net distributions and the discount rate.



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### Base interest rate

The purpose of the base interest rate is to determine a risk-free alternative investment (with an equivalent maturity) to an investment in the subject company. Being virtually safe, government bonds in Germany largely meet the risk-free requirement.

Strictly speaking, if a business is being valued under the premise of its going concern, the return on a similarly unlimited public bond observed on the valuation date should be used to establish the base interest rate for the equivalent maturity. In the absence of such “perpetual” bonds, it would appear sensible to use the return on long-term government bonds. The current yield curve can be used as a basis for the required reinvestment (IDW S 1, section 117).

The IDW’s Technical Committee for Business Valuation and Economics [“Fachausschuss für Unternehmensbewertung und Betriebswirtschaft”: FAUB] addressed the question as to how the yield curve can be used to derive base interest rates (cf. IDW-Fachnachrichten no. 8/2005). According to the FAUB, the yield curve for government bonds should be used in this case to determine the objectified value. From this yield curve on the bond market, the relationship between interest rates and maturities as it would apply for zero-coupons with no credit risk can be determined. The zero-coupon bond interest rates for equivalent maturities derived from the yield curve ensure that the requirement of equivalent maturities is fulfilled (cf. Jonas/Wieland-Blöse/Schiffarth, FB 2004, p. 647 ff.). The IDW recommends using the yield curve data published by Deutsche Bundesbank as a basis.

To neutralize short-term market volatility and potential errors in estimates, particularly for the long-term returns relevant for business valuations, it may be appropriate to use average interest rates instead of only using the zero-coupon bond interest rates estimated as of the valuation date. To ensure practicable and transparent smoothing, period-specific average interest rates can be derived from the estimated returns of the previous three months.

The returns of less than 1.50% currently observable for long-term German government bonds mark a historical low. Inflation-indexed German government bonds and those in the short-term maturity segment sometimes even exhibit negative returns, with the return on German government bonds significantly lower than EURIBOR interest rates for the same maturity or other European government bond returns. These market observations can be explained in particular by the fact that, all other things being equal, demand for German government bonds has risen due to investors’ greater need for security.



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As no market failure in relation to trade in German government bonds can be observed and no type of investment entailing less risk can be identified, we have used the return on German government bonds observable on the market as the best estimator for current risk-free returns despite historically low levels.

In determining the discount rate, the income tax burden incurred on the alternative investment from the final shareholders' perspective needs to be considered. Flat-rate withholding tax including solidarity surcharge is charged at a rate of 26.375% on interest income.

### Risk premium

An equity investment entails a greater risk than an investment in risk-free fixed-income securities. As opposed to an investment in risk-free government bonds – whose long-term expected return is reflected in the base interest rate – the level and timing of projected earnings from an investment in equities is subject to uncertainty.

Market players demand risk premiums on the interest rate of a risk-free investment to compensate them for the uncertainties relating to the risks and opportunities of a business investment and the development of future cash flows. When determining the objectified value, the risk premium should not be derived from the subjective risk propensity of an individual owner but rather from the general behavior or the expectations of the market.

Risk premiums can be derived from empirically determined returns on equities on the capital market using pricing models. In its standard form, the CAPM represents a capital market model in which costs of capital and risk premiums are stated without taking account of the effects of personal income tax. Returns on equities and risk premiums are generally influenced by the personal income tax of the shareholders. The Tax-CAPM is a variation of the CAPM which explicitly allows personal income tax to be considered when determining the base interest rate and risk premium.

According to this capital market model, the future returns expected on an investment can be calculated from the sum of the base interest rate and the market risk premium weighted with the beta factor, after personal income tax in each case.





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#### Market risk premium

The risk premium can be defined as the difference between an investment in a widely diversified portfolio of shares subject to risk and an investment in risk-free instruments.

Capital market studies over many years have revealed that, in the past, investments in shares have generated higher yields than investments in low-risk bonds. Historical market risk premiums of between approximately 4.0% and 6.0% have been identified depending, among other factors, on the period selected.

On the basis of these studies (cf. e.g., Stehle 2004) and the current tax system, the IDW recommended recognizing a market risk premium before personal income tax within a range of 4.5% to 5.5% (cf. online report on the 95th meeting of the FAUB on 29 November 2007). After considering personal income tax, the IDW recommended using a market risk premium of between 4.0% and 5.0%.

The FAUB discussed the possible effects of the present situation on the capital market, with its historically low risk-free interest rates, on calculating the discount rate based on the Tax-CAPM. In this connection, the FAUB recommended in its pronouncement of 10 January 2012 to examine in course of a business valuation whether the current situation on the capital market has to be taken into consideration (cf. IDW-Fachnachrichten 2009, p. 696 et seq.), by applying the market risk premium at the upper end of the recommended range of 4.5% to 5.5% (before personal income tax) or of 4.0% to 5.0% (after personal income tax).

The background to this pronouncement was the increased uncertainty on the capital markets as a result of the current financial market crisis and situation on the capital markets, and the associated risk.

Developments on the capital markets and the corresponding risk factors, such as capital transfer, economic and other country risk, have intensified further since January 2012. The historic risk-free returns of 2012 as well as currently observable returns for long-term German government bonds of just over 2% (2012) and currently 1%, respectively, represent historical lows and are significantly below the returns of other EU government bonds. Overall, present developments suggest that the market and risk situation is an unusual one which currently no longer allows the use of unadjusted market risk premiums based on historical figures. Further indications of an increased market risk premium at present can also be seen on the basis of historical data on real share returns as well as ex-ante analyses of share returns.



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At its 108th meeting on 27 August 2012, the FAUB again addressed the determination of the market risk premium in the current situation and decided to increase the recommended range of the market risk premium to 5.5% to 7.0% (before personal tax) and to 5.0% to 6.0% (after personal tax) (cf. guidance from the FAUB on accounting for the financial market crisis in determining the discount rate in business valuation, 19 September 2012).

The FAUB has since reviewed and discussed this situation at each meeting. It must be noted that, according to the CAPM concept used for business valuation purposes, the market risk premium represents a residual amount reflecting the assumptions for determining total returns and returns on equity (that are observable on the capital market) and (observable) risk-free base interest rates and the market risk premium can therefore not be discussed separately from total return analyses (cf. Bertram/Castedello/Tschöpel, CF 2015, p. 468). By design, the determination of the base interest rate reflects the current market environment in the form of real returns on German government bonds that have fallen significantly since the financial market crisis, while an unchanged historical market risk premium used in older recommended ranges would ignore the current capital market situation and would not allow, for example, a full CAPM-based recalculation of more recent total returns. There are several approaches for measuring the market risk premium as an indirect difference, each of which has its own advantages and disadvantages, making none clearly superior to the rest. Consequently, a pluralistic approach aimed at an overall assessment appears more appropriate than an isolated analysis. As well as an analysis of historical returns on equities, this also includes, for example, an (historical) analysis of long-term real returns on equities and the use of (prospective) ex ante analyses of implied costs of capital. Below, we explain the above approaches in greater detail (for more background information, calculation bases and explanatory material, cf. Castedello/Jonas/Schieszl/Lenckner, WPg 2018, p. 806 et seq.).

The historical **ex-post approach** can be taken, involving examining the development of historical real returns aimed at either directly determining a market risk premium that is constant over time (historical approach) or defining the market risk premium as a residual amount from a real return on equities postulated as constant over time and the current risk-free interest rate as of the cut-off date (total market return approach). Both approaches are based on returns on equities and bonds over a historical observation period, assumptions on appropriate averaging (arithmetic, geometrical, a combination of the two, length of the investment time slices etc.) and an analysis of nominal or real returns. The main differences relate to the order in which differences between the returns on equities and bonds analyzed are calculated and thus to the amount that is postulated as being constant (constant return on equities with residual market risk premium vs. constant market risk premium).



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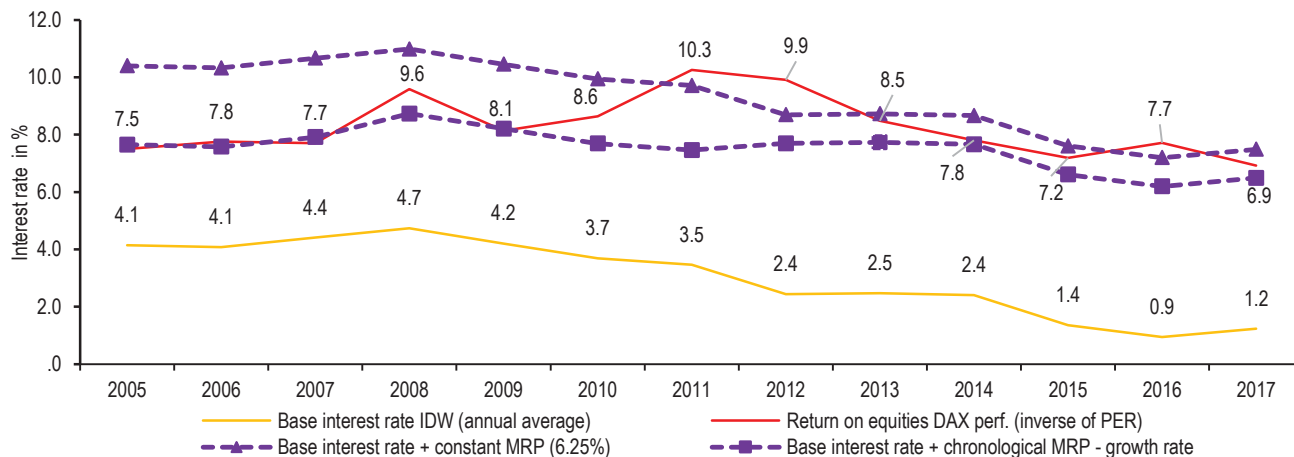
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A CAPM-based model recalculation of the total return can illustrate the explanatory power of these methodological approaches for more recent capital market developments and thus also shed more light on the question of whether the market risk premium should be regarded as a long-term constant component (and therefore one that has remained unchanged both before and after the financial market crisis) within the expected total return on equity or as at least a partially variable component (in the risk-free interest rate environment).

The figures chosen for the initial analysis are before personal tax (as post-tax returns are not empirically observable). The chart below presents the observable returns on equities, calculated from the inverse of the price-earnings ratio (PER) of the DAX, the development of the nominal base interest rate (annual average of the rates calculated per month) and two different CAPM-based recalculations. The chart shows that while returns on equities in 2016 and 2017 almost returned to the level of the pre-crisis years 2005 to 2007, there was a significant fall in the base interest rate over the total period (from a range of 4% to 4.5% down to the current rate of around 1%). This is an indication that the market risk premium must have been at least partially subject to change since the decrease in the risk-free interest rate (by approximately 3 percentage points) was not matched by a similar decrease in the return on equities. This also becomes evident when, in the first CAPM-based recalculation (cf. dotted line with triangle), a permanently constant market risk premium of 6.25% (for illustrative purposes taken to be the middle of the current recommended range before personal tax of 5.5% to 7.0%) is applied to the respective relevant base interest rate.

#### Development of return on equities, base interest rates and CAPM-based recalculation of the total return



Source: Castedello/Jonas/Schieszl/Lenckner, WPg 2018, p. 814.; EY analysis



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In the second recalculation (cf. dotted line with square), on the other hand, the average recommended range for the historical period is used for the market risk premium and applied to the base interest rate and a growth discount of 1% is deducted. A comparison of the two calculations shows that (1) in most cases, it is only possible to recalculate more recent total returns from 2012 using the current recommended ranges for the market risk premium as increased by the FAUB in September 2012 and (2) lower premiums for the pre-crisis years within the ranges recommended at the time by the FAUB (4.0% to 5.0% before 2008; 4.5% to 5.5% until 2011) were appropriate in retrospect (cf. Castedello/Jonas/Schieszl/Lenckner, WPg 2018, p. 814-816).

These are all indications that the market risk premium represents a component that is at least partially variable within the CAPM method for calculating the total return and that there has also been a real, at least partial, increase in the market risk premium on the capital markets in recent times. This backs up the increase in the recommended range by the FAUB in September 2012.

In addition to this (visual and empirical) assessment, historical time series of real returns on German equities can also be analyzed in order to perform a back calculation of nominal market risk premiums based on the assumption of expected values for real returns that are constant over time as well as estimates on expected inflation and recent base interest rates. The table below shows the calculated values for ex-post market risk premiums for selected time series, investment periods and averaging methods. The market risk premiums determined amount to approximately 7% and some even show a further upward trend. Consequently, this analysis in isolation also backs up the increase in the recommended range by the FAUB and the use of the upper end of the range (before personal tax) in the current interest rate environment.

### Back calculation of nominal market risk premiums (ex post)

Basis	Investment time slices	Return	Average	R <sub>M</sub> real (rounded)	Expected inflation	R <sub>M</sub> nominal	R <sub>F</sub> nominal	Market risk premium
CDAX, 1955 - 2017	One year	Real	arithm.	9.4%	1.7%	11.1%	1.3%	9.8%
CDAX, 1955 - 2017	30 years	Real	geom.	6.8%	1.7%	8.5%	1.3%	7.2%
FTS, 1955 - 2013	One year	Real	arithm.	9.7%	1.7%	11.4%	1.3%	10.1%
FTS, 1955 - 2013	30 years	Real	geom.	7.0%	1.7%	8.7%	1.3%	7.4%

Source: Castedello/Jonas/Schieszl/Lenckner, WPg 2018, p. 817.; EY analysis



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Since ex-post approaches can involve uncertainties in terms of the theoretical model and have their occasional deficiencies, further analyses of the implied costs of capital including the **ex-ante** market risk premium can be performed in order to arrive at an overall assessment of the market risk premium in the current market environment using a variety of methods. This shifts the focus away from the past used in the ex-post approach towards an inclusion of the current capital market situation by using observable market values as of the analysis cut-off date and expected cash flows of listed companies (e.g., DAX companies) acquired from analyst estimates in order to calculate the value using the (implied) costs of capital and the market risk premium. These analyses show an implied market risk premium of approximately 7% as of the end of 2017. In accordance with a recommendation issued on 17 October 2017, the business valuation working group of the Technical Committee for Business Economics of the Austrian Chamber of Public Accountants now also follows the implied approach, according to which the market risk premium is calculated as a residual amount based on the expected implied total returns specified less the base interest rate for the cut-off date and was last within a corridor of 6.15% to 7.65% (before personal tax) (cf. Bertl, WPg 2018, p. 805 et seq.).

The above considerations on ex-ante market risk premiums also indicate that the level has risen and remained at this higher level since the financial market crisis and back up the increase in the recommended range for Germany by the FAUB in 2012 (to a range of 5.5% to 7.0% before personal tax). As this recommendation is still valid and the FAUB's considerations and ranges at the time are substantiated by current market research (based on ex-post, ex-ante and real return-based analyses), we consider it appropriate to set the market risk premium within the range recommended by the IDW's FAUB. In light of the current low interest environment, this would be equivalent to a market risk premium before personal tax at the top end of the range of 7.0%.

However, the valuation purpose at hand calls for a direct standardization of the income tax burden and thus for the use of cost of capital and a market risk premium after **personal tax**. A direct calculation of a market risk premium after personal tax is not possible due to the complex interactions between withholding tax on distributions (dividend yield), capital gains (market returns) and base interest rate. Instead, a market risk premium after personal tax can be calculated via a reconciliation to a market return after personal tax and to a base interest rate after personal tax, with the market risk premium after personal tax comprising the difference between the two.



## 3 Valuation principles and methods

### 2 Methodological approach for the discount rate

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#### Relationship between market risk premiums before and after personal tax for plausibility purposes

	Before personal tax	Personal tax	After personal tax
<b>Market return before personal tax</b>	<b>8.25%</b>		
Distribution rate	50.0%		
Dividend yield	4.13%	26.38%	3.04%
Earning yield	4.13%	13.19%	3.58%
<b>Market return after personal tax</b>			<b>6.62%</b>
Base interest rate	1.25%	26.38%	0.92%
<b>Market risk premium</b>	<b>7.00%</b>		<b>5.70%</b>

Source: Based on Castedello/Jonas/Schieszl /Lenckner, WPg 2018, p. 824, using a market risk premium before personal tax of 7.0% as basis for the after tax calculations.

This simplified reconciliation can test the plausibility of the relationship between market risk premiums before and after personal tax. The adjacent table presents this plausibility test based on the market risk premium before personal tax of 7.0% explained above. This results in a theoretical market risk premium after personal tax of approximately 5.7%, which we rounded down to 5.5%, the middle of the range recommended by the FAUB, having a ceteris paribus value increasing impact.

As previously shown in the discussion of the calculation of market risk premiums before personal tax, these premiums are in some cases even higher than the premium of 7.0% used in the adjacent sample calculation and some even show a further upward trend. Thus it can be considered appropriate to use a market risk premium that is also at the upper end of the range or, as is assumed here, at least in the middle of the recommended range after personal tax (5.5%). By contrast, an overall assessment of the considerations and discussions leads to the conclusion that using a market risk premium at the lower end of the range is not appropriate in the current market environment.



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#### Company-specific risk (beta factor)

According to the Tax-CAPM, the company-specific risk premium is the product of the market risk premium after tax and the beta factor. The beta factor reflects the risk of a specific stock in relation to all equities (market portfolio). A beta factor of more than 1.0 means an above-average systematic risk compared to the overall market, while a beta factor of less than 1.0 means a lower than average risk in comparison to the overall market.

As a rule, beta factors are established as far as possible on a market basis using historical price data with the assistance of regression analyses. If the subject company is itself listed on a stock market, its own beta factor can be applied in certain circumstances.

If the subject company is not listed or its own beta factor cannot be used for other reasons, the average beta factor of a peer group can be applied. Here, care must be taken to ensure that the companies included in the peer group have a systematic risk comparable to that of the subject company.

The level of the observed beta factors depends on the selected parameters, in particular the selected observation period, the selected return interval and the reference index used. It is therefore necessary to base the calculation on a period which can also be considered as representative for the Company's future risks. In the choice of the beta factor it must also be taken into account that the capital structure has an influence on the beta factor. As a rule, a higher debt-equity ratio results in a higher beta factor and a lower debt-equity ratio results in a lower beta factor.

#### Growth discount

Budgets and forecasts are usually based on nominal amounts and inflation-related effects in the detailed planning phase are reflected directly in the budgeted income and expense items. By contrast, in phase two (i.e., for the period after the detailed planning phase) the price-related growth in net earnings is accounted for in the valuation by applying a deduction to the discount rate.

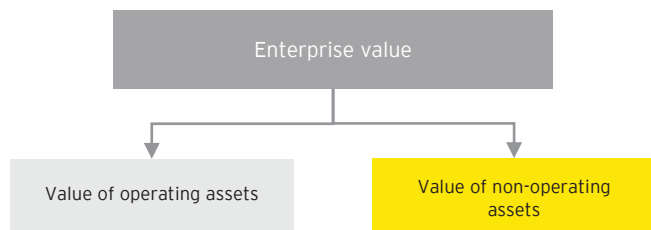
The amount of the growth discount applied is company-specific and is mainly dependent on the extent to which the company is in a position to compensate for inflation-induced price rises by passing them on to customers or by improving efficiency.



### 3 Valuation principles and methods

#### 3 Separately valued assets

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#### Separately valued assets

The capitalized earnings value of the subject company only reflects the value of the operating assets. The valuation has to be supplemented if the Company has non-operating assets at its disposal. Assets that can be sold individually without impairing the Company's ability to continue as a going concern or actual operations are considered separately from the capitalized earnings valuation of the operating units in the amount of the net income from their individual sale, and included in the equity value.





### 3 Valuation principles and methods

#### 4 Liquidation and net asset value

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#### Liquidation and net asset value

Should it prove more advantageous to sell the assets of the Company separately rather than to maintain a going concern, the sum of the net proceeds generated by the sale (the liquidation value) is taken as the (minimum) equity value.

Since there is no obvious reason for the liquidation of the subject company in the case at hand, liquidation (break-up) is not an alternative to continuing the business as a going concern, particularly in light of the costs which would be incurred for redundancy plans, terminating contracts and services still to be rendered. The liquidation value therefore would not need to be determined.

However, we performed a high-level calculation of the liquidation value using a comparison of the statements of financial position of Linde AG and came to the conclusion that liquidating Linde AG is not preferable to continuing it as a going concern.

The calculation of the value of the Company's net assets based on replacement costs is the basis for the reconstruction value or net asset value of the company which, due to the fact that intangible assets are generally not captured and measured fully by this process (e.g., value of the organization, position on the market, reputation, etc.), is only a partial reconstruction value. This is only of independent relevance in a few exceptional cases (e.g., if the best alternative use of capital would be to reconstruct the Company). In the case at hand, the net asset value of the Company is not relevant and was therefore not determined.



### 3 Valuation principles and methods

#### 5 Comparative market valuation

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#### Comparative market valuation

IDW S 1, section 143 recommends using simplified pricing based on capital market data to test the plausibility of the valuation determined under the capitalized earnings method or discounted cash flow method. In particular, approaches based on multiples can be used. IDW S 1, section 144 expressly states that a business valuation using the capitalized earnings method or DCF method cannot replace these simplified pricing methods.

In the common multiple approaches, multiples of financial KPIs are derived either from market capitalizations of listed peer group companies (comparable companies approach) or from purchase prices paid in actual comparable transactions (recent transactions approach) and applied to the subject company. These capital market-oriented or transaction-related multiple approaches are based on the assumption that the relationship between the market capitalization or the purchase price actually paid and the financial KPIs of the subject company is similar to that of peer group companies. The results of the multiple valuation are largely determined by the composition of the peer group or comparable transactions as well as the selection of multiples used for the valuation.

In the case at hand, we used the results of the multiple valuation for our plausibility test. For details, we refer to our comments in section 5 *Testing plausibility by means of multiples* of this report.



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#### Stock market price

Since the shares of Linde AG are currently still listed on the Frankfurt Stock Exchange, the regulated markets of the Berlin, Düsseldorf, Hamburg, Munich and Stuttgart stock exchanges and the Tradegate Exchange and are also traded over the counter at the Hanover Stock Exchange, it would also be conceivable to determine the value of the Company based on the market capitalization of the Linde Group derived from the stock market price.

However, there are cogent arguments against valuing a company using its stock market price, since the stock market price depends on numerous special factors and as such is susceptible to incalculable fluctuations and developments. Special factors include the size and narrowness of the market, randomness of specific prices as well as speculative and other variables not related to the value.

In its decision on 27 April 1999 (cf. German Federal Constitutional Court [“Bundesverfassungsgericht”]: BVerfG], 1 BvR 1613/94, DB 1999, p. 1,693 et seq.; WPg 1999, p. 780 et seq., cf. also IDW S 1, section 16), the Federal Constitutional Court ruled that the full compensation to be granted in determining fair compensation for minority shareholders when concluding a domination and profit transfer agreement may not be below the fair value of the shares. For listed companies, the fair value may not be determined without reference to the stock market price. The principles expounded in the decision are therefore analogously applicable to determining fair cash compensation pursuant to Sec. 62 (5) Sentence 1 UmwG in conjunction with Sec. 327a et seq. AktG.

In its abovementioned decision, the Federal Constitutional Court also ruled that the stock market price alone need not always be authoritative for determining the amount of compensation: “Exceeding this price is unproblematic under constitutional law. But there still may be good constitutional reasons for going below this price.” This applies in the exceptional event that the stock market price does not reflect the fair value of the share.

# 4

## Calculation of the equity value

### Calculation of the equity value

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#### Statement of financial position Linde Group

Currency: EURm	Dec15A	Dec16A	Dec17A	Jun18A
Goodwill	11,604	11,405	10,681	10,997
Other intangible assets	2,760	2,440	2,047	1,973
Property, plant and equipment	12,782	12,756	11,756	11,847
Equity investments in associates and joint ventures (equity method)	242	239	219	224
Other financial assets	57	71	84	108
Finance lease receivables	217	165	70	61
Trade receivables	2	2	6	6
Other receivables and assets	426	378	381	424
Income tax receivables	9	7	12	10
Deferred tax assets	327	500	416	403
<b>Non-current assets</b>	<b>28,426</b>	<b>27,963</b>	<b>25,672</b>	<b>26,053</b>
Inventories	1,241	1,231	1,211	1,259
Finance lease receivables	52	49	33	25
Trade receivables	2,724	2,755	2,668	2,763
Contract assets	-	-	-	170
Other receivables and assets	778	788	706	755
Income tax receivables	277	199	227	185
Securities	421	131	623	17
Cash and cash equivalents	1,417	1,463	1,432	1,272
Non-current assets held for sale	11	610	941	15
<b>Current assets</b>	<b>6,921</b>	<b>7,226</b>	<b>7,841</b>	<b>6,461</b>
<b>Assets</b>	<b>35,347</b>	<b>35,189</b>	<b>33,513</b>	<b>32,514</b>

Source: Management information

#### I. Analysis of assets and liabilities

The adjacent table shows the Linde Group's consolidated statement of financial position for fiscal years FY15A (actual figures for fiscal year 2015) to FY17A as well as the half-year financial statements as of 30 June 2018.

##### Assets

##### *Goodwill/other intangible assets*

The goodwill resulted from past business combinations and acquisitions such as Lincare or BOC. With the commencement of sales negotiations, the business of the logistics company GIST was classified as held for sale as of Dec16A pursuant to IFRS 5. The assets and liabilities were reclassified accordingly. The carrying amount of the goodwill therefore decreased by EURm 225. This was offset by additions in connection with acquisitions. The decrease to EURm 10,681 and EURm 2,047 in intangible assets as of Dec17A resulted primarily from currency differences arising as a result of changes in exchange rates. As the sales negotiations with regard to the GIST Division were discontinued in FY18A, the original reclassification was reversed.

##### *Equity investments*

The equity investments of the Gases Division mainly comprise associates and joint ventures in the EMEA, Asia-Pacific and Americas regions. The profits and losses of these equity investments are accounted for using the equity method in line with the ownership interest.

##### *Property, plant and equipment*

Property, plant and equipment mainly comprise plant and machinery as well as land, land rights and buildings. As of Dec16A, they remained at a relatively stable level compared with Dec15A. Due to the reclassification of GIST, assets of EURm 109 were reclassified. This decrease was also offset by new acquisitions. The decrease as of Dec17A was primarily attributable to currency differences. In FY18A, the reclassification of the property, plant and equipment related to GIST was also reversed.



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#### Statement of financial position Linde Group

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Other intangible assets	2,760	2,440	2,047	1,973
Property, plant and equipment	12,782	12,756	11,756	11,847
Equity investments in associates and joint ventures (equity method)	242	239	219	224
Other financial assets	57	71	84	108
Finance lease receivables	217	165	70	61
Trade receivables	2	2	6	6
Other receivables and assets	426	378	381	424
Income tax receivables	9	7	12	10
Deferred tax assets	327	500	416	403
<b>Non-current assets</b>	<b>28,426</b>	<b>27,963</b>	<b>25,672</b>	<b>26,053</b>
Inventories	1,241	1,231	1,211	1,259
Finance lease receivables	52	49	33	25
Trade receivables	2,724	2,755	2,668	2,763
Contract assets	-	-	-	170
Other receivables and assets	778	788	706	755
Income tax receivables	277	199	227	185
Securities	421	131	623	17
Cash and cash equivalents	1,417	1,463	1,432	1,272
Non-current assets held for sale	11	610	941	15
<b>Current assets</b>	<b>6,921</b>	<b>7,226</b>	<b>7,841</b>	<b>6,461</b>
<b>Assets</b>	<b>35,347</b>	<b>35,189</b>	<b>33,513</b>	<b>32,514</b>

Source: Management information

#### Receivables

Current and non-current finance lease receivables declined steadily over the period from FY15A to the first half of 2018 due to expiring contracts. Moreover, an On-Site contract was amended in FY17A, which resulted in a related reclassification. From the Group's perspective, as with the other receivables and assets, current and non-current trade receivables remained relatively stable. The effect of the decrease in trade receivables through the reclassification of GIST (EURm 110) was offset by increases due to normal business operations.

#### Inventories/cash

Inventories mainly consist of work in process and finished goods and merchandise. Inventories and cash remained at a relatively constant level during the observation period.

#### Non-current assets held for sale

Due to the reclassification of GIST in FY16A, the carrying amounts of the related assets (EURm 585) and liabilities (EURm 139) were reported in the statement of financial position under current assets/liabilities. Contract negotiations were still ongoing in FY17A and the sale still appeared highly likely, which is why the reclassification was not reversed. In addition, it was decided in 2017 to sell an EMEA production facility, resulting in assets of EURm 219 also being reclassified. This sale was completed in FY18A. As the sales negotiations with regard to the GIST Division were discontinued in FY18A, the original reclassification was reversed.



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### Statement of financial position Linde Group

Currency: EURm	Dec15A	Dec16A	Dec17A	Jun18A
<b>Total equity</b>	<b>15,449</b>	<b>15,480</b>	<b>15,059</b>	<b>14,672</b>
Provisions for pensions and similar obligations	1,068	1,564	1,280	1,226
Other non-current provisions	530	526	477	436
Deferred tax liabilities	1,750	1,683	1,243	1,291
Financial debt	8,460	6,674	6,089	5,458
Liabilities from finance leases	55	53	40	51
Trade payables	3	1	1	4
Contract liabilities	-	-	-	132
Other non-current liabilities	847	725	537	382
<b>Non-current liabilities</b>	<b>12,713</b>	<b>11,226</b>	<b>9,667</b>	<b>8,980</b>
Current provisions	1,089	1,140	1,110	999
Financial debt	1,023	1,854	1,930	2,636
Liabilities from finance leases	23	21	14	15
Trade payables	3,223	3,570	3,814	2,803
Contract liabilities	-	-	-	1,355
Other current liabilities	1,255	1,208	1,159	616
Liabilities from income taxes	568	549	551	435
Liabilities related to non-current assets classified as held for sale and disposal groups	4	141	209	3
<b>Current liabilities</b>	<b>7,185</b>	<b>8,483</b>	<b>8,787</b>	<b>8,862</b>
<b>Total equity and liabilities</b>	<b>35,347</b>	<b>35,189</b>	<b>33,513</b>	<b>32,514</b>

Source: Management information

### Equity and liabilities

#### Equity

Equity as of Dec16A remained at a similar level to 2015. The decrease as of Dec17A is attributable to the depreciation of the USD and the GBP, which is reflected in currency translation recorded directly in equity under other reserves.

#### Provisions

Provisions for pensions rose from EURm 1,068 as of Dec15A to EURm 1,564 as of Dec16A. The increase is mainly attributable to actuarial effects due to adjusted financial assumptions in the UK and Germany. While effects from currency differences and settlement payments as of Dec17A led to a decrease in provisions, these remained at a relatively constant level as of Jun18A. The other provisions were also not subject to significant fluctuations during the observation period, with other non-current provisions predominantly comprising provisions for dismantling obligations and other current provisions primarily comprising personnel provisions.

#### Financial liabilities

The interest-bearing obligations of the Group primarily comprise exchange-traded bonds, a small proportion of liabilities to banks and other financial liabilities. Non-current financial liabilities decreased as of Dec16A, primarily as a result of bond repayments. This item also decreased in 2016 and 2017 due to ongoing reclassification into current financial liabilities, which increased correspondingly. As of Jun18A, current financial liabilities increased by EURm 706, primarily due to the issue of short-term securities under the European Commercial Paper program.

#### Liabilities

As of Dec16A, deferred tax liabilities were fairly stable compared with the prior year. The decrease as of Dec17A is due to changes in temporary differences relating to deferred taxes. Trade payables increased steadily during the observation period from FY15A to FY17A. Other non-current liabilities remained stable during fiscal years FY15A and FY17A. The decline in other current liabilities and trade payables as of Jun18A is attributable to the separate presentation of contract liabilities of EURm 1,355 due to the first-time application of IFRS 15. The change in current liabilities in connection with non-current assets held for sale during the observation period primarily resulted from the reclassification of the GIST Division.



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#### Income statement Linde Group

Currency: EURm	FY15A	FY16A	FY17A	H1/18A
<b>Revenue</b>	<b>17,944</b>	<b>16,948</b>	<b>17,113</b>	<b>8,640</b>
Cost of goods sold	(11,575)	(10,847)	(11,274)	(5,536)
<b>Gross profit</b>	<b>6,369</b>	<b>6,101</b>	<b>5,839</b>	<b>3,104</b>
Selling expenses	(2,711)	(2,387)	(2,375)	(1,144)
Impairments of receivables and contract assets	-	-	-	(86)
Research and development costs	(132)	(121)	(112)	(52)
Administrative expenses	(1,664)	(1,720)	(1,629)	(773)
Other operating income	421	467	418	250
Other operating expenses	(252)	(278)	(216)	(86)
Group's share of profit or loss from associates and joint ventures (equity method)	12	13	19	9
<b>EBIT (from continuing operations)</b>	<b>2,043</b>	<b>2,075</b>	<b>1,944</b>	<b>1,222</b>
Finance income	42	29	37	29
Finance costs	(439)	(353)	(302)	(126)
<b>Earnings before taxes (from continuing operations)</b>	<b>1,646</b>	<b>1,751</b>	<b>1,679</b>	<b>1,125</b>
Income taxes	(394)	(424)	(143)	(242)
<b>Earnings after taxes (from continuing operations)</b>	<b>1,252</b>	<b>1,327</b>	<b>1,536</b>	<b>883</b>
Earnings after taxes from discontinued operations	-	(52)	30	-
<b>Earnings after taxes</b>	<b>1,252</b>	<b>1,275</b>	<b>1,566</b>	<b>883</b>

Source: Management information

#### II. Analysis of financial performance

The adjacent table presents the consolidated income statement of the Linde Group for fiscal years FY15A to FY17A. The figures for the first half of FY18A are also presented for information purposes and as an indication for the current fiscal year; these figures are not directly comparable, however.

##### Revenue

The Gases Division accounts for the greatest share of revenue. The revenue of the GIST Division previously reported under "Other" was reclassified in FY16A (EURm 587). This reclassification was a main driver of the decrease in revenue in FY16A. In FY16A, revenue in the Gases Division decreased by 1.8% primarily due to negative currency effects. After adjustment for these effects, growth amounted to 1.4%. This growth was primarily driven by the Americas segment in the Healthcare product area and Asia-Pacific due to the positive development of all product areas in the Asia region. Engineering (plant construction) revenue developed in line with the progress of the individual construction projects and decreased by 9.4% in FY16A. Ongoing low oil and gas prices also led to a low demand for engineering projects. In FY17A, total revenue of the Linde Group rose by 1% despite negative currency effects. Adjusted for natural gas and currency effects, growth was 2.1%, primarily due to the positive developments of the EMEA and Asia-Pacific segments in the Gases Division and the higher revenue contribution from the Engineering Division.

##### Revenue by segment

Currency: EURm	FY15A	Percentage	FY16A	Percentage	FY17A	Percentage	H1/18A	Percentage
Gases	15,168	84.5%	14,892	87.9%	14,988	87.6%	7,176	83.1%
Engineering (plant construction)	2,594	14.5%	2,351	13.9%	2,388	13.9%	1,185	13.7%
Other	607	3.4%	-	-	-	-	279	3.2%
Reconciliation	(425)	(2.4%)	(295)	(1.7%)	(263)	(1.5%)	-	-
<b>Revenue</b>	<b>17,944</b>	<b>100%</b>	<b>16,948</b>	<b>100%</b>	<b>17,113</b>	<b>100%</b>	<b>8,640</b>	<b>100%</b>

Source: Management information





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<b>Gross profit</b>	<b>6,369</b>	<b>6,101</b>	<b>5,839</b>	<b>3,104</b>
Selling expenses	(2,711)	(2,387)	(2,375)	(1,144)
Impairments of receivables and contract assets	-	-	-	(86)
Research and development costs	(132)	(121)	(112)	(52)
Administrative expenses	(1,664)	(1,720)	(1,629)	(773)
Other operating income	421	467	418	250
Other operating expenses	(252)	(278)	(216)	(86)
Group's share of profit or loss from associates and joint ventures (equity method)	12	13	19	9
<b>EBIT (from continuing operations)</b>	<b>2,043</b>	<b>2,075</b>	<b>1,944</b>	<b>1,222</b>
Finance income	42	29	37	29
Finance costs	(439)	(353)	(302)	(126)
<b>Earnings before taxes (from continuing operations)</b>	<b>1,646</b>	<b>1,751</b>	<b>1,679</b>	<b>1,125</b>
Income taxes	(394)	(424)	(143)	(242)
<b>Earnings after taxes (from continuing operations)</b>	<b>1,252</b>	<b>1,327</b>	<b>1,536</b>	<b>883</b>
Earnings after taxes from discontinued operations	-	(52)	30	-
<b>Earnings after taxes</b>	<b>1,252</b>	<b>1,275</b>	<b>1,566</b>	<b>883</b>

Source: Management information

#### Cost of goods sold/functional costs

In FY16A, cost of goods sold decreased due to the lower revenue contribution from the Engineering Division. While higher non-recurring effects recorded as well as higher natural gas prices in FY17A led to a disproportionate increase in costs, currency differences of around EURm 90 had an offsetting effect. In FY16A, other functional costs decreased by EURm 102 compared with FY15A due to the fact that lower restructuring expenses were recognized than in the prior year. Measures initiated in 2015 under the Focus program to increase efficiency led to savings already in the subsequent year. Other functional costs decreased by EURm 112 in FY17A partly due to the efficiency programs Focus and LIFT (initiated in FY16A). This was offset by higher non-recurring effects such as restructuring expenses of EURm 292 compared with the prior year.

#### Other operating income/expenses

Other operating income and expenses primarily comprise income/expenses from currency translation differences and the disposal of non-current assets. The increase in FY16A was mainly attributable to such disposals. Declines in income and expenses from currency translation differences had an offsetting effect. In FY17A, income/expenses from currency translation differences remained at a relatively stable level, while income from asset disposals decreased slightly.

#### Financial result

In FY16A, the financial result improved due to the repayment of two hybrid bonds of EURm 700 and GBpm 250 bearing interest of 7.375% and of 8.125%, respectively. In FY17A, there was a further decrease in finance costs and gross financial liabilities.

#### Income taxes

In FY16A, income taxes increased due to higher income. In FY17A, expenses decreased due to the change in temporary differences relating to deferred taxes.

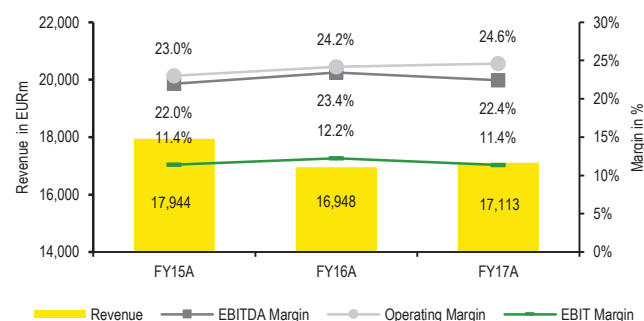


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#### Historical development of EBIT, EBITDA and operating margin



Source: Management information

#### Margin development

In FY16A, both EBITDA and the EBIT margin improved due to the measures initiated in 2015 to increase efficiency and reduce costs (Focus program). Aside from further measures under the LIFT program, savings continued to be made in FY17A. However, this positive effect was dampened by restructuring expenses incurred in connection with these measures as well as expenses in connection with the planned merger with Praxair.

The Linde Group monitors its business activities using the metric "Operating profit". For this purpose, earnings before interest and taxes (EBIT) are initially adjusted for the non-recurring effects incurred in the respective fiscal year such as restructuring expenses. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment are then added back. The Linde Group was therefore able to continuously improve its margin before non-recurring effects during the observation period from FY15A to FY17A partly due to the measures described above. Over the past three financial years (FY15A - FY17A), the operating margin was thus at an average level of around 23.9%.

#### Historical development of KPIs

Currency EURm	FY15A	FY16A	FY17A
Revenue	17,944	16,948	17,113
EBITDA	3,939	3,972	3,840
Operating profit	4,131	4,098	4,213
EBITDA margin	22.0%	23.4%	22.4%
Operating margin	23.0%	24.2%	24.6%
EBIT margin	11.4%	12.2%	11.4%
Revenue growth	n/a	-5.6%	1.0%
Growth operating profit	n/a	-0.8%	2.8%

Source: Management information



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### Adjustments of the consolidated income statement

Currency: EURm	FY15A	FY16A	FY17A
<b>Revenue (from continuing operations)</b>	17,944	16,948	17,113
Adjustment for disposals, tolling and GIST	(2,202)	(1,574)	(1,674)
<b>Pro forma revenue</b>	<b>15,743</b>	<b>15,374</b>	<b>15,439</b>
<b>EBIT (from continuing operations)</b>	2,043	2,075	1,944
<b><u>Non-recurring costs identified in the consolidated financial statements</u></b>			
Restructuring expenses	192	116	280
Expenses in connection with the planned merger with Praxair	-	10	93
Amortization, depreciation and write-downs of intangible assets and property, plant and equipment	1,896	1,897	1,896
<b>EBITDA before non-recurring effects (operating profit)</b>	<b>4,131</b>	<b>4,098</b>	<b>4,213</b>
Adjustment for disposals and GIST	(385)	(346)	(387)
<b>Pro forma operating profit</b>	<b>3,746</b>	<b>3,752</b>	<b>3,825</b>
<i>Revenue growth</i>	n/a	-5.6%	1.0%
<i>Pro forma revenue growth</i>	n/a	-2.3%	0.4%
<i>Growth in the operating profit</i>	n/a	-0.8%	2.8%
<i>Growth in the pro forma operating profit</i>	n/a	0.1%	2.0%
<i>Operating margin</i>	23.0%	24.2%	24.6%
<i>Pro forma operating margin</i>	23.8%	24.4%	24.8%

Source: Management information

### III. Adjustments of the consolidated income statement

In order to highlight the effective drivers of success in the past, the income statements were analyzed and adjusted for non-recurring items. The adjustments relate to non-recurring effects that are not expected to occur again and/or are not taken into account in the budget and forecasts. The related analyses performed for the Linde Group for the past fiscal years serve to gain a better understanding of the fundamentals of the budget and forecasts. The effect of the adjustments on overall performance at the level of revenue and the operating profit is shown in the adjacent table and is explained below. However, these pro forma adjustments do not have an impact on the calculation of the equity value because the valuation is based solely on the results of future fiscal years. The historical analysis is thus merely used as a basis for an initial assessment of the plausibility of the budget and forecasts.

#### Revenue/EBITDA adjustments

##### *Disposal of operating units for regulatory and commercial reasons ("disposals")*

In order to obtain the necessary regulatory approvals for the business combination of Linde AG and Praxair, Inc. in all relevant countries, it was necessary to commit to the relevant antitrust authorities to sell certain business activities. As these disposals had not yet been completed at the time of preparing the business plan and [this](#) expert opinion, the extent and impact of expected disposals of businesses in the Gases Division had to be taken into account in the budget and forecasts by the Executive Board. The disposals mainly relate to (1) initially North and South America and China and were supplemented in the course of the valuation work by new information on (2) additional disposals in India, the Republic of Korea, China and the USA. More detailed information on disposals and their method of valuation can be found in the section *Valuation of separately valued assets*. Disposals from (1) are adjusted in the context of this analysis of the past and are included in the following plausibility check of the budget and forecasts, while disposals from (2) are included in the considerations on separately valued assets.

Furthermore, these so-called "divestments" also included expected sales for business reasons. As the budget and forecasts present figures after disposals, the same pro forma adjustment (i.e., a retrospective elimination) is performed for the purposes of the historical analysis. When testing the plausibility of the budget and forecasts (see subsection *Analysis of the budget and forecasts*), the foreign exchange rates used in the planning period are also adjusted. We point out that the adjusted values in the income statement are solely used to test plausibility and do not represent audited financial statements.



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<i>Pro forma operating margin</i>	23.8%	24.4%	24.8%

Source: Management information

### Tolling accounting

On 1 January 2018, the Linde Group applied IFRS 15 for the first time, using the modified retrospective method whereby the cumulative effects of first-time application were recorded as an adjustment of the opening balance of retained earnings. The retrospective application was limited to contracts that had not yet been performed in full as of 1 January 2018. For certain contracts, the change in accounting policies resulted in an adjustment to the recording of on-charges of customer-related goods and services, which are no longer recorded as such, as Linde does not have any control over the goods and services within the meaning of IFRS 15. The offsetting of the costs previously recorded on a gross basis with the reimbursement by the customer through revenue resulted in a decrease in revenue in the first half of 2018 compared with the previous accounting treatment under IAS 11 and IAS 18, but also led to a decrease in the cost of goods sold in the same amount, so that the result remained unaffected. The change primarily affected revenue in the On-Site business of the Gases Division. As the revenue figures for the planning period are lower due to this offsetting effect, revenue from past periods has been adjusted accordingly. While the share of revenue contributed by tolling agreements for FY17A was able to be calculated system-wise, the adjustment for fiscal years 2015 and 2016 was based on estimates which were calculated using the figures from 2017.

### GIST

As explained above, the reclassification of the business operations of GIST resulted in a change in presentation in the statement of financial position and the income statement. As the values of the business plan contain the financial figures of the logistics company as a continuing operation, an adjustment was made in the past 2016 and 2017 fiscal years on the basis of the actual values.

### Non-recurring effects

In FY15A, non-recurring effects comprised restructuring expenses of EURm 192. In fiscal years 2016 and 2017, expenses were adjusted for the initiated efficiency programs Focus and LIFT as well as expenses in connection with the planned merger with Praxair.

### Income from currency translation

As currency effects are not taken into account in the budget and forecasts and both positive and negative effects have occurred in the past, a further adjustment of revenue and the operating profit for foreign currency effects was made during plausibility testing of the budget and forecasts to aid comparability (see section *Analysis of the budget and forecasts*).

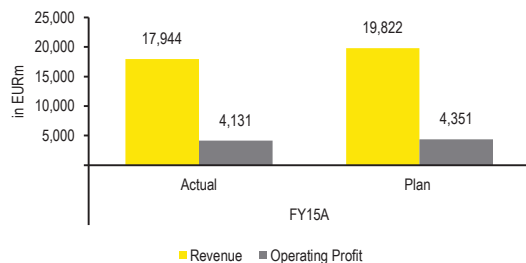


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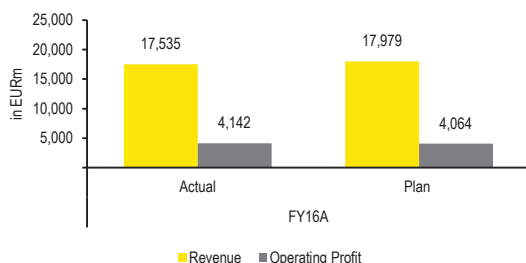
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#### Historical planning accuracy FY15A



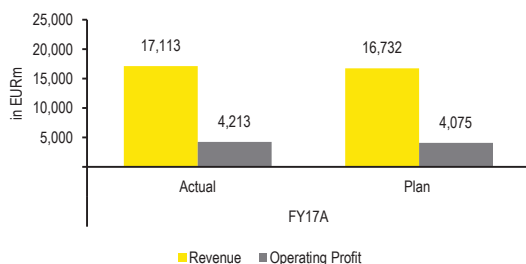
Source: Management information; cf. actual figures in Annual Report 2015

#### Historical planning accuracy FY16A



Source: Management information; cf. actual figures in Annual Report 2016, p. 114 including GIST

#### Historical planning accuracy FY17A



Source: Management information; cf. actual figures in Annual Report 2017

#### IV. Planning accuracy

Currency: EURm*	Actual FY15A	Plan FY15A	Delta	Actual FY16A	Plan FY16A	Delta	Actual FY17A	Plan FY17A	Delta
<b>Revenue</b>									
Group	17,944	19,822	-9%	17,535**	17,979	-2%	17,113	16,732	2%
Gases	15,168	16,083	-6%	14,892	15,197	-2%	14,988	14,952	0%
Engineering	2,594	3,458	-25%	2,351	2,308	2%	2,388	2,198	9%
<b>Operating profit</b>									
Group	4,131	4,351	-5%	4,142**	4,064	2%	4,213	4,075	3%
Gases	4,151	4,298	-3%	4,210	4,166	1%	4,267	4,170	2%
Engineering	216	276	-22%	196	169	16%	220	177	24%

Source: Management information

\*: The planning values were translated using the actual exchange rates for the respective periods.

\*\* : Actual figures including the revenue and result respectively from the GIST Division

For the purpose of analyzing the planning accuracy of the Group in the past, the actual figures achieved were compared with the budget figures for the respective fiscal years FY15A to FY17A.

#### Fiscal year 2015

In fiscal year 2015, budgeted revenue including the GIST Division of EURm 19,822 was not achieved (actual: EURm 17,944). The deviation was primarily attributable to the Engineering Division. The low price of oil and the related subdued demand in engineering generally led to lower order intake which had a knock-on effect on revenue in the fiscal year (budget: EURm 3,458; actual: EURm 2,594). In the Gases Division, the budget of EURm 16,083 was not achieved (actual: EURm 15,168) due to the subdued economic environment as well as low energy costs and the termination of On-Site contracts. These effects had a correspondingly negative yet proportionately lower impact (compared to revenue) on the Linde Group's operating profit (EURm 4,131 rather than EURm 4,351).

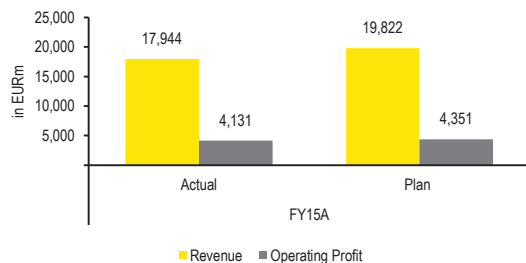


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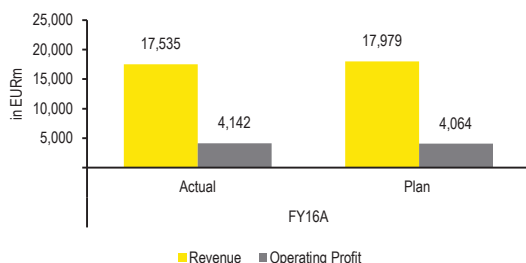
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### Historical planning accuracy FY15A



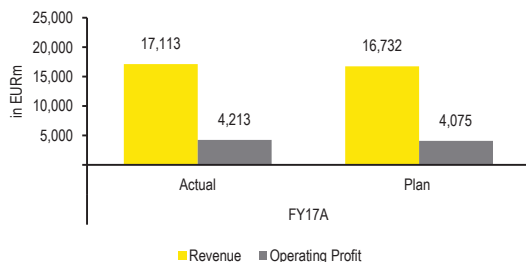
Source: Management information; cf. actual figures in Annual Report 2015

### Historical planning accuracy FY16A



Source: Management information; cf. actual figures in Annual Report 2016, p. 114 including GIST

### Historical planning accuracy FY17A



Source: Management information; cf. actual figures in Annual Report 2017

### Fiscal year 2016

The Group trailed the planned revenue targets for FY16A (EURm 17,979) slightly by 2% (actual: EURm 17,535). These figures contain the GIST business, which was reclassified to discontinued operations this fiscal year. While the Engineering Division was able to slightly exceed its targets with revenue of EURm 2,351 (budget: EURm 2,308), the Gases Division fell short of the budget of EURm 15,197 (actual: EURm 14,892) primarily due to negative currency effects. The operating profit at group level (EURm 4,142) exceeded the budget of EURm 4,064 primarily due to positive effects from disposals of non-current assets.

### Fiscal year 2017

The Linde Group recorded a positive performance in FY17A, with revenue of EURm 17,113 exceeding the budgeted figure (EURm 16,732). This positive development was mainly attributable to the Engineering Division, in which revenue and earnings developed in line with the progress made in individual construction projects. In addition, higher earnings in certain engineering projects as well as an improved capacity utilization situation led to an improvement in the operating profit (actual: EURm 4,213 vs. budget: EURm 4,075).

### Conclusion on planning accuracy

Taking into account the economic and business circumstances, the plan figures were almost met. In particular, the deviations in the Engineering Division are due to the project nature of the business, which can entail delays in revenue recognition. Based on the analysis of historical planning accuracy, the present budget and forecasts can therefore be considered an appropriate basis for the business valuation.

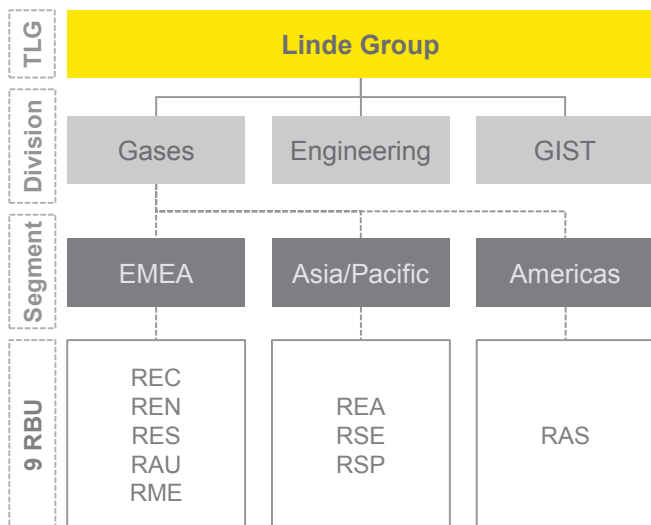


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### Structure of the Linde Group



Source: Management information

### I. Linde Group budget and forecasts

#### Background of the budget and forecasts

The Linde Group's budget and forecasts, which are used for the present business valuation, were prepared in the period from June to August with a last update in September 2018 and approved in this form by the Executive Board of Linde AG on 5 September 2018. In the course of the valuation work, further details regarding the extent of additional divestments required by antitrust law were obtained. These were presented by Linde as part of an update of its budget and forecasts and approved by the Executive Board on 9 October 2018. We have compared this new planning status in detail with the planning status as of September and have reconciled the adjustments made by the company. We have included value-relevant changes in the September planning status and record the value contributions resulting from additional disposals separately, as detailed in the section *Analysis of the budget and forecasts*, to be valued separately. In this respect, reference is always made below to the approved budget and forecasts as of September 2018, unless expressly stated otherwise.

The budget and forecasts prepared in EUR in accordance with the principles of IFRSs consist of an integrated income statement, a statement of financial position and cash flow statement for the Linde Group on a consolidated basis for fiscal years FY18F (Forecast), the Budget year FY19B as well as the plan years FY20P to FY22P (Plan). The planned income statement for the total Linde Group comprises the budget and forecasts for the individual regional business units of the Gases Division ("Regional Business Units" or "RBU") and budget and forecasts for the other Engineering and GIST Divisions.

#### Preparation of the budget and forecasts/planning process

The plan figures were submitted to us in the first parts in July 2018 and in full in August 2018. In order to reflect most recent insights into anti-trust disposals updates of the plan figures as per 4 September and 8 October 2018 were incorporated by Linde. These budgets and forecasts were approved by the Executive Board of Linde AG on 5 September and 9 October 2018, respectively.

The plan figures for FY18F are based on an update of the actual figures of the individual RBU and divisions in the first half of 2018 (as of 30 June 2018) and were derived using local knowledge of the RBU executives and adjusting for non-recurring one-time and special effects in the first half of the fiscal year (6+6 Forecast). On the basis of this forecast, top-down targets for plan year 2019 were established at the level of the individual RBU and divisions as part of the budget process of the Linde Group with detailed budget figures. In addition, the regulatory and other operating divestments in the respective RBU at the time of preparation of the budget were also taken into account in the budget figures.





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The business plans for FY20P to FY22P are based on the detailed budget figures for FY19B that were updated under the assumption of annual product-group-specific growth rates, expected margin developments and other relevant indicators. Growth rates and indicators were largely taken from the prior year's business plan, which was prepared as part of a detailed bottom-up planning process in October 2017 and approved by the Executive Board in November 2017.

Synergy effects from the business combination were not included in the planning process; the value of these synergy effects was therefore taken into account in a separate valuation adjustment (cf. section *Analysis of planned synergies*). Cost efficiencies from stand-alone programs such as LIFT were, however, included in full in the business plan.

### II. General considerations regarding plausibility testing of the budget and forecasts

In order to test the plausibility of the budget and forecasts at group level, the analysis was performed along the Company's planning process, which provides a subdivision in the three divisions Gases, Engineering and GIST. Due to its materiality and the structure of the internal reporting and management system, the Gases Division is further subdivided into three segments and nine RBU.

First, the individual RBU were examined in detail against the background of the regionally different market environment in order to then carry out an overall assessment of aggregate group planning of the **Gases Division**.

The **Engineering Division** and **GIST Division** are then examined in detail; these differ from the traditional industrial gases business due to the different business models.

An overall assessment at the level of the group planning is then performed, which includes the three aforementioned division budgets and forecasts and is supplemented by a budget and forecast of the financial results and taxes.

The budgets and forecasts of the Linde Group also include a detailed forecast statement of financial position and cash flow statement, which together with the forecast income statement make up an integrated set of financial statements. The investment and financing concept of the plan fiscal years is included in the forecast statement of financial position; this concept should be assessed in the overall context of the forecast financial performance.

Mathematical accuracy and general plausibility, material internal plausibility (in particular consistency with the explanations and planning assumptions, consistency with the actual development and company potential) as well as material external plausibility (in particular consistency with market analyses and competition) serve as instruments for plausibility testing.



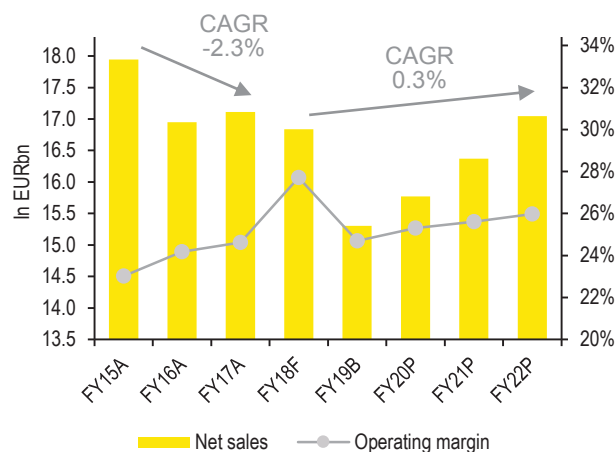


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### Revenue and operating margin of the Linde Group (before adjustments)



Source: Management information, EY analysis

### Adjustments for plausibility testing

For the past three fiscal years FY15A to FY17A, the audited consolidated financial statements of the Linde Group initially show a negative revenue development (before any adjustments) at a compound annual growth rate of -2.3% (CAGR) (cf. adjacent chart). The group planning of the Linde Group also shows a clear reduction in revenue initially in FY19B, primarily due to expected disposals of operating units for antitrust and commercial reasons. Unadjusted, this would reflect a compound average annual growth rate of solely approximately 0.3% (CAGR) until the end of the planning period in 2022.

For the purposes of plausibility testing, it is therefore essential to carry out an adjustment to both historical and future (relating to the first planning year 2018) earnings. This relates in particular to the effects of tolling, disposals of business units, GIST and other non-recurring effects.

As the Linde Group operates internationally and generates a significant proportion of its total revenue in foreign currency, this development is partly shaped by fluctuating exchange rates over time. For comparison purposes, results in foreign currency are translated at exchange rates used for planning purposes and, consequently, a pro forma elimination of currency effects.

For planning purposes, the effects of the expected divestments in North and South America as well as of Chinese joint ventures are only presented in the budget and forecasts from FY19B onwards, so that, for the purpose of comparison, the forecast figures for FY18F were also adjusted for these divestments as of FY19B onwards. To this end, both the revenue and the operating profit in FY18F were reduced by corresponding figures related to these divestments. Furthermore, the disposal gains of EURm 625 were also adjusted for planning purposes. At the same time, the adjustment had no impact on the calculation of the cash flows relevant to valuation, since it used the forecast FY18F prior to these adjustments for this purpose.

It should be noted that all adjustments and eliminations applied to past financial position and financial performance made for the valuation purposes in question exclusively serve to test the plausibility and related derivation of benchmarks. The scope and level of detail were based on materiality. The test of plausibility is therefore not a review of historical data within the meaning of an audit of financial statements in accordance with Secs. 316 et seq. HGB. Eliminations and the resulting pro forma/adjusted financial information were not audited.



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#### Testing the plausibility of revenue forecasts

To test the plausibility of the Linde Group's budget and forecasts, the revenue development at the level of the individual regional business units was analyzed in a first step. The forecast revenue growth was examined in view of the historical revenue trend (FY15A to FY17A), macroeconomic metrics from the planning process and in view of market trend forecasts from market studies of related sectors. The macroeconomic metrics, which on the whole demonstrate a positive correlation with the Linde Group's business development, include economic growth figures, such as real GDP, industrial production output (IP) and inflation-related metrics (Consumer Price Index (CPI), Producer Price Index (PPI)). By contrast, the market forecasts derived from market studies could only be tied to its business performance to a limited extent (cf. our comments in the section *Market and competitor analysis*). Furthermore, price-quantity effects of central product groups (On-Site, Healthcare, Bulk, PGP, Electronics) were analyzed and addressed in discussions with employees responsible for planning and department heads.

The revenue forecasts of the other (comparatively smaller) divisions Engineering and GIST were separately calculated taking into account their different business models.

The previously reviewed individual budgets and forecasts are aggregated (and consolidated) at the level of the Group budget and forecasts. In addition to the plausibility tests already performed, a comparison with forecasts of financial analysts, a comparison with comparable peer companies as well as a comparison to the macroeconomic commercial and sector-specific market environment is performed.

#### Plausibility testing of expected costs

The income statement in the Gases division is presented using the cost of sales method, with cost of goods sold being differentiated from other functional costs such as selling, general and administrative expenses.

For planning purposes, the Company subdivides the cost of goods sold (COGS) into variable and fixed costs. The item variable COGS includes, for example, costs for the production-related consumption of natural gas or electricity as well as transport costs. The fixed costs include, for example, personnel expenses as well as repair and maintenance costs. Selling and administrative expenses mainly relate to personnel expenses for selling and administration. The planned development of these cost rates was investigated in greater depth using the information from the analysis of historical performance and incorporating expected business developments.



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#### Plausibility testing of the planned operating profit

Operating profit (OP) is a key performance indicator in addition to revenue development. It is defined as EBITDA before non-recurring items. We used the operating margins for the past three fiscal years (FY15A to FY17A) to test the plausibility of the operating profit per RBU.

In addition, the expected operating margin in the budget and forecasts for the entire Linde Group was compared to the market view of financial analysts and comparable companies.

#### Testing the plausibility of the projected statement of financial position including the investment and financial planning

Balance sheet analysis tools were used to calculate key performance indicators for the historical and plan items of the statement of financial position and to test resulting findings regarding asset and capital structure for plausibility. This includes in particular the changes in fixed assets (including related planned amortization, depreciation and write-downs as well as investments), the relationship between working capital over time and revenue and expense planning, rolling forward of equity in the income statement and distribution planning, financial planning in the context of the debt-to-equity ratio and the financial result as well as the change in cash and cash equivalents in the cash flow planning.

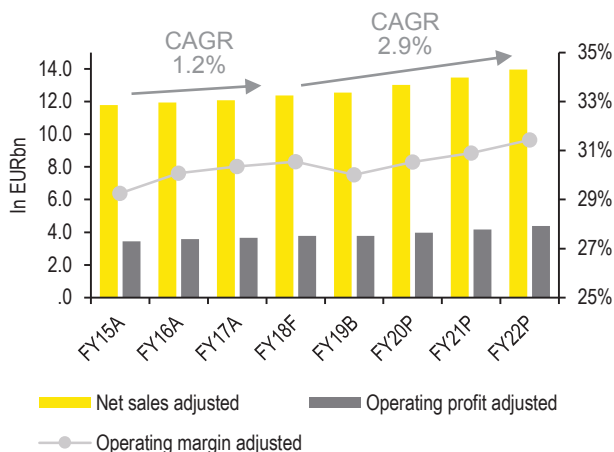


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### Historical figures, budget and forecasts for the Gases Division (post adjustments)



Source: Management information, EY analysis

### Pro forma adjustments

Currency: EURm	FY15A	FY16A	FY17A	FY18F
<b>Revenue</b>	<b>15,168</b>	<b>14,892</b>	<b>14,988</b>	<b>14,108</b>
Tolling accounting	(382)	(375)	(377)	-
Divestments	(1,820)	(1,787)	(1,877)	(1,733)
Exchange effect	(1,186)	(797)	(660)	-
<b>Adjusted revenue</b>	<b>11,780</b>	<b>11,933</b>	<b>12,074</b>	<b>12,376</b>
<b>Operating profit</b>	<b>4,151</b>	<b>4,210</b>	<b>4,267</b>	<b>4,183</b>
Divestments	(385)	(390)	(411)	(403)
Exchange effect	(320)	(231)	(192)	-
<b>Adjusted operating profit</b>	<b>3,447</b>	<b>3,589</b>	<b>3,665</b>	<b>3,779</b>

Source: Management information, EY analysis

### III. Testing the plausibility of the budget and forecasts

#### a) Gases Division

The aggregated projected income statement of the Gases Division for the period from FY18F to FY22P is presented in the table below. Figures are based on the audited financial information from the segment reporting for the fiscal years from 2015 to 2017, supplementary data from internal reporting as well as the projected financial statements of Linde Group. Adjustments made for plausibility testing are disclosed separately.

#### Gases Division – income statement for the period from FY15A to FY22P

Currency: EURm	FY15A	FY16A	FY17A	FY18F	FY19B	FY20P	FY21P	FY22P
<b>Revenue</b>	<b>15,168</b>	<b>14,892</b>	<b>14,988</b>	<b>14,108</b>	<b>12,552</b>	<b>13,016</b>	<b>13,468</b>	<b>13,955</b>
Variable production cost	(6,395)	(6,037)	(6,296)	(5,550)	(4,925)	(5,045)	(5,231)	(5,390)
Fixed production cost	(4,012)	(4,117)	(4,166)	(4,039)	(3,421)	(3,535)	(3,548)	(3,766)
<b>Gross profit</b>	<b>4,761</b>	<b>4,737</b>	<b>4,526</b>	<b>4,519</b>	<b>4,207</b>	<b>4,436</b>	<b>4,689</b>	<b>4,799</b>
Selling, general and administrative and R&D expenses (SG&A)	(2,504)	(2,508)	(2,225)	(2,187)	(1,885)	(1,938)	(1,994)	(1,913)
Other operating income and expenses	229	247	208	184	(114)	(115)	(118)	(120)
Shares in JV	14	13	21	18	19	20	20	21
<b>EBIT</b>	<b>2,500</b>	<b>2,489</b>	<b>2,530</b>	<b>2,534</b>	<b>2,227</b>	<b>2,402</b>	<b>2,598</b>	<b>2,786</b>
Amortization, depreciation and write-downs	1,651	1,721	1,738	1,649	1,540	1,571	1,564	1,599
<b>Operating profit</b>	<b>4,151</b>	<b>4,210</b>	<b>4,267</b>	<b>4,183</b>	<b>3,766</b>	<b>3,974</b>	<b>4,162</b>	<b>4,386</b>
<b>Adjusted revenue</b>	<b>11,780</b>	<b>11,933</b>	<b>12,074</b>	<b>12,376</b>	<b>12,552</b>	<b>13,016</b>	<b>13,468</b>	<b>13,955</b>
<b>Adjusted operating profit</b>	<b>3,447</b>	<b>3,589</b>	<b>3,665</b>	<b>3,779</b>	<b>3,766</b>	<b>3,974</b>	<b>4,162</b>	<b>4,386</b>
Revenue growth	n/a	-1.8%	0.6%	-5.9%	-11.0%	3.7%	3.5%	3.6%
Adjusted revenue growth	n/a	1.3%	1.2%	2.5%	1.4%	3.7%	3.5%	3.6%
Operating margin	27.4%	28.3%	28.5%	29.6%	30.0%	30.5%	30.9%	31.4%
Adjusted operating margin	29.3%	30.1%	30.4%	30.5%	30.0%	30.5%	30.9%	31.4%

Source: Management information, EY analysis



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### Composition of the Gases Division – Overview of the FY19B plan figures

EURm per segment	Revenues	OP	Margin
EMEA	5,814	1,871	32.2%
Asia/Pacific	4,060	1,137	28.0%
Americas	2,892	821	28.4%
Group effects (Gases Division)	(213)	(62)	n/a
<b>Total Gases Division</b>	<b>12,552</b>	<b>3,766</b>	<b>30.0%</b>

Source: Management information, EY analysis

Since the Gases Division contributed around 82% of (adjusted) consolidated revenue and around 93% of the consolidated operating profit (before administrative overheads and consolidated revenue) in FY18F, it is the focal point of analyses and tests of plausibility.

The Gases Division's revenue development is first planned at the level of individual regional business units, which are combined in the three segments EMEA, Asia/Pacific and Americas. The adjacent table shows the sales and operating profit contribution expected for the 2019 budget year from these three segments, which together make up the Gases Division. Disposals of business activities due to antitrust regulations, in particular concerning the Americas segment (e.g. an RBU of the segment is completely divested), have already been taken into account in the planning as of 2019. The eliminations relate to group accounting effects between the individual RBU as well as the sales and operating profit contributions recorded for the joint Group headquarters, which must also be taken into account in the aggregation of the individual RBU to form the Gases Division as a whole.

As mentioned above, the June 2018 half-year figures serve as a starting point for the derivation of the FY18F full-year forecast by adding the expected figures for the second half of the fiscal year. The first half of 2018 was shaped by a large number of one-off and non-recurring effects with a positive effect on earnings of around EURm 121 (based on an analysis of a materiality-based selection of EBITDA). The effects were eliminated as non-recurring business transactions from the projections for the second half of the year. This includes items such as other operating income from the divestment and deconsolidation of a German subsidiary for economic reasons in March 2018, tax income and income from the reversal of provisions relating to various RBU.

#### *Development of revenues*

Revenue development in the Gases Division is therefore generally analyzed on the basis of local economic conditions (overall economic conditions comprising GDP, industrial output and inflation), product-group-specific portfolio effects, ranking of customer markets (emerging economies vs developed markets) and price-quantity interaction (coupled with assumptions regarding sales targets and pass-through of price increases).

Revenues of EURm 14,108 are expected for the current fiscal year 2018, which falls short of the reported prior-year revenue level. The decrease in revenue is mainly attributable to the introduction of tolling accounting (estimated effect of around EURm 377) and currency effects. By contrast, an adjusted analysis (cf. previous page) gives rise to an adjusted revenue increase of approximately 2.5%.



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Source: Management information, EY analysis

In 2019, revenue is initially expected to decrease to EURm 12,552. However, this is largely the result of the planned divestment of certain business units in accordance with antitrust law. An analysis of the revenue development for FY18F and FY19B adjusted for non-recurring effects for tolling, divestments and currency effects (cf. previous page) indicates positive revenue growth of 1.4%. This short-term growth pattern is chiefly to be understood against the background of the business and investment cycle of the industrial gas sector and the investment policy applied in fiscal years 2015 to 2017. Due to sector-specific conditions, larger investment projects require a ramp-up phase of two to three years until sufficient production volumes reach the market or have an impact on the Linde Group in the form of additional revenue volumes.

Since the investment level for new project growth was comparably low in the years FY15A to FY17A, as a consequence, there are fewer new gas plant ramp-ups in the planning years FY18F and also in particular in FY19B. This occasional historical investment bottleneck results in growth rates that fall slightly short of the competition and market in the short to medium term; cf. our comments in the section Analysis of the budget and forecasts.

For the subsequent period FY20P to FY22P, with a significantly higher number of new ramp-ups compared to FY19B, substantial growth of 3.5% to 3.7% is expected. Overall adjusted projected average growth of 2.9% p.a. is expected for the period from FY18F to FY22P, which is above the average adjusted revenue growth achieved in the preceding years from FY15A to FY17A.

We discussed regional differences and development trends with the planning heads and included these within the plausibility assessment of the budget and forecasts.

Overall, the healthcare and electronics product groups record the highest growth rates of around 4% to 5% p.a. Electronics depends on semiconductor production and other specific areas of application which are currently seeing positive economic and volume developments, especially in regions as China, Taiwan and Republic of Korea. Healthcare encompasses hospital care and homecare. The latter is expanding primarily via volume due to rising patient figures, but price pressure is mounting in this segment due to competitive tenders by health insurers and other public healthcare facilities. On-Site and Bulk were recorded at 3% to 4% in the budget and forecasts, PGP at 2% to 3% (forecast years 2020 to 2022). While growth in the developed markets (especially Europe) tends to be tied to price developments, certain developing countries still offer volume growth opportunities.

These planned developments are resulting in slight shifts in proportions of the Gases Division's product portfolio. However, On-Site, Healthcare, Bulk and PGP remain this division's main revenue drivers, each accounting for around 20% to 25% of revenue. Electronics still accounts for around 8% to 9% of revenue.



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Source: Management information, EY analysis

#### *Development of central functions' cost*

For planning purposes, cost of goods sold (COGS) is subdivided into variable and fixed costs. The cost ratios for variable COGS are assumed to improve consistently over the plan years by a total of around 0.5 percentage points. This will primarily be achieved through optimized natural gas and electricity utilization in the production process. While fixed COGS only benefit from minor savings effects, the Linde Group expects a significant decrease in the cost ratio for selling and administrative expenses by around 1.0 percentage points, mainly driven by optimization and savings effects of the LIFT program (especially in FY19B).

#### *Development of the operating profit*

As already explained, the operating profit of the FY18F forecast is influenced by a large number of non-recurring effects in the first half of the fiscal year with a positive effect of around EURm 121. Consequently, the Linde Group expects a slight drop in the second half of the year compared to the first six months since these effects are non-recurring.

This situation will also impact the development of profitability compared to the plan years FY18F and FY19B. It should be considered that the FY18F operating profit must first be adjusted downward by EURm 121 to allow for comparative conclusions on the absolute increase in FY19B.

From FY19B onwards, a consistent increase in the operating margin from around 30% to 31.4% (FY22P) is expected. Boost effects are expected from the LIFT program's cost efficiency and optimization measures, other local (RBU-specific) cost-savings efforts, an expected end to competitive bidding in the USA (regarding Lincare) and other economies of scale.

Compared to past developments, the expected operating profit will grow by around 5% p.a. from FY20P onwards, while the past adjusted operating profit only increased by c. 4% and 2%, respectively, in financial years 2016 and 2017. As such, planned earnings exceed the (adjusted) historical results both in terms of average growth and margins.





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Group effects (Gases Division)	(213)	(62)	n/a
<b>Total Gases Division</b>	<b>12,552</b>	<b>3,766</b>	<b>30.0%</b>

Source: Management information, EY analysis

In some cases, profitability differs between the various segments regarding the RBU included in them. This mainly results from the respective product group mix of a RBU as well as from the individual economic and industry-specific development of local markets served. The Homecare business can't be compared directly to the other industrial gases business and therefore has a different cost and sales market structure. However, overlapping effects of individual RBU lead to an overall rather balanced ratio at the segment level.

The major RBU in the Americas segment are subject to a significant change in the composition of the product mix towards Healthcare, On-Site and Electronics as a result of the disposals of business units planned to take place in 2019, whereas previously Bulk and PGP in combination contributed approx. one third of sales. Moreover, a RBU in this segment being directly responsible for the helium-only business is not directly comparable to the rest of the Group's business.

In the Asia/Pacific segment, the RBU RSE is affected by the highly competitive local market environment in India and therefore achieves margins below the Group average. RSP (mainly Australia, New Zealand and New Guinea) is confronted with the challenge of overcapacities in the market and the associated difficult framework conditions, especially in the PGP business, which is also the largest source of sales.

In EMEA, RBU RME has a high share of sales in the On-Site and PGP business, which offer price-driven potential in the short to medium term in a competitive environment characterized by a large number of small local market players thanks to Linde's comparatively high level of quality and standardization. For RAU, it is expected that the overcapacity will continue, especially in the South African market, combined with underutilized air separation units (ASU) regarding plants and a positive effect on PGP and bulk profitability.





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### Historical figures, budget and forecasts for the Engineering Division (post adjustments)

Currency: EURm	FY15A	FY16A	FY17A	FY18F	FY19B	FY20P	FY21P	FY22P
<b>Revenue</b>	<b>2,594</b>	<b>2,351</b>	<b>2,388</b>	<b>2,554</b>	<b>2,554</b>	<b>2,554</b>	<b>2,652</b>	<b>2,754</b>
Exchange effect	(129)	(68)	(34)	-	-	-	-	-
<b>Adjusted revenue</b>	<b>2,465</b>	<b>2,283</b>	<b>2,354</b>	<b>2,554</b>	<b>2,554</b>	<b>2,554</b>	<b>2,652</b>	<b>2,754</b>
<b>Operating profit</b>	<b>216</b>	<b>196</b>	<b>220</b>	<b>258</b>	<b>255</b>	<b>255</b>	<b>265</b>	<b>275</b>
Exchange effect	(9)	(2)	2	-	-	-	-	-
<b>Adjusted operating profit</b>	<b>207</b>	<b>195</b>	<b>222</b>	<b>258</b>	<b>255</b>	<b>255</b>	<b>265</b>	<b>275</b>
<i>Adjusted revenue growth</i>	<i>n/a</i>	<i>-7.4%</i>	<i>3.1%</i>	<i>8.5%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>3.8%</i>	<i>3.8%</i>
<i>Adjusted operating margin</i>	<i>8.4%</i>	<i>8.5%</i>	<i>9.4%</i>	<i>10.1%</i>	<i>10.0%</i>	<i>10.0%</i>	<i>10.0%</i>	<i>10.0%</i>

Source: Management information, EY analysis

### Historical figures, budget and forecasts for the GIST Division (post adjustments)

Currency: EURm	FY15A	FY16A	FY17A	FY18F	FY19B	FY20P	FY21P	FY22P
<b>Revenue</b>	<b>608</b>	<b>602</b>	<b>605</b>	<b>578</b>	<b>603</b>	<b>605</b>	<b>656</b>	<b>740</b>
Exchange effect	(99)	(44)	(11)	-	-	-	-	-
<b>Adjusted revenue</b>	<b>509</b>	<b>559</b>	<b>594</b>	<b>578</b>	<b>603</b>	<b>605</b>	<b>656</b>	<b>740</b>
<b>Operating profit</b>	<b>44</b>	<b>44</b>	<b>23</b>	<b>35</b>	<b>36</b>	<b>41</b>	<b>44</b>	<b>46</b>
Exchange effect	(7)	(3)	(1)	-	-	-	-	-
<b>Adjusted operating profit</b>	<b>38</b>	<b>41</b>	<b>23</b>	<b>35</b>	<b>36</b>	<b>41</b>	<b>44</b>	<b>46</b>
<i>Adjusted revenue growth</i>	<i>n/a</i>	<i>9.7%</i>	<i>6.2%</i>	<i>-2.7%</i>	<i>4.4%</i>	<i>0.3%</i>	<i>8.5%</i>	<i>12.8%</i>
<i>Adjusted operating margin</i>	<i>7.4%</i>	<i>7.4%</i>	<i>3.8%</i>	<i>6.1%</i>	<i>5.9%</i>	<i>6.7%</i>	<i>6.7%</i>	<i>6.2%</i>

Source: Management information, EY analysis

### b) Engineering Division

As an integral component of the group-wide business model, the turnkey plants bundled in the Engineering Division strengthen the Linde Group's competitive position in the market. Despite extensive interdependencies with the Gases Division of the Linde Group, the engineering business has a fundamentally different structure and thus requires special consideration and analysis.

- ▶ The project business is noticeably more volatile and has cycles of four to seven years. The volatility is countered by geographical and customer-industry-specific diversification.
- ▶ The Company expects revenue growth of around 2.9% p.a. (CAGR) or 3.2% p.a. adjusted (CAGR).
- ▶ The engineering business generally generates lower margins compared to the gases business, however, Linde generally operates on a fixed-price basis and thus bears the cost risk (mainly personnel and steel).
- ▶ In the prior fiscal years FY15A to FY17A, the (adjusted) operating margin was around 9%. In the budget and forecast (FY18F to FY22P), the Linde Group expects an efficiency boost that will raise the operating margin to 10%.

### c) GIST Division

The GIST Division is not part of the Linde Group's core business and is subject to different development factors due to its different business model which focuses on logistics and supply chain solutions. The logistics company is primarily active on the UK market and generates revenue on this market from foodstuffs logistics (main customer Starbucks) and advisory services. Revenue from freight operations (transport services to distributors and end customers) is also generated on the European and global market.

- ▶ Customers are not expected to defect in the short to medium term, and as such revenue is expected to remain almost unchanged. Growth is expected in the UK and US in FY21P and FY22P, in particular from the Starbucks business.
- ▶ Due to the consistent cost structure during the planning period, the operating margin will remain at a relatively constant level, which is noticeably lower than that of the Gases Division.

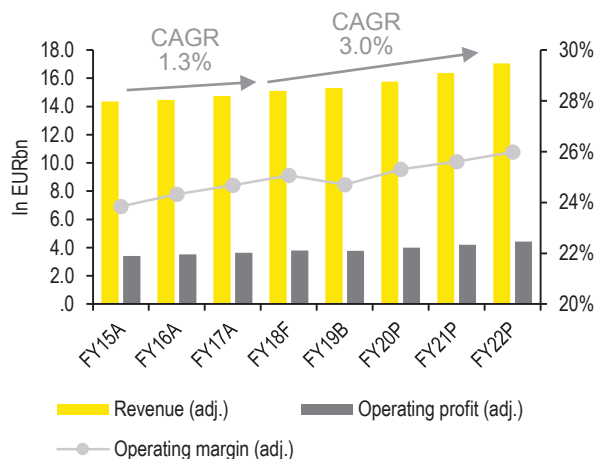


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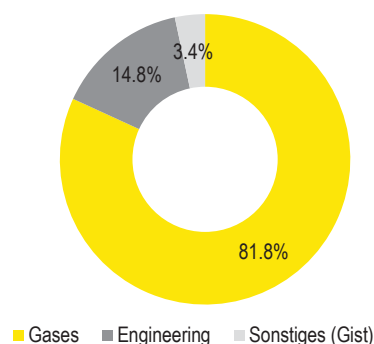
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### Historical and planned earnings of the Linde Group (net of adjustments) 2015 to 2022



Source: Management information, EY analysis

### Revenue breakdown by division (Reference period: 2018 forecast)



Source: Management information, EY analysis

### d) Linde Group (group planning)

The following table provides an overview of the Linde Group's aggregated projected income statement at group level for FY18F to FY22P as well as the audited consolidated financial statement figures for fiscal years FY15A to FY27A. Adjustments for non-recurring effects are commented below.

### Linde Group – income statement for the period from FY15A to FY22P

Currency: EURm	FY15A	FY16A	FY17A	FY18F	FY19B	FY20P	FY21P	FY22P
<b>Revenue</b>	<b>17,944</b>	<b>16,948</b>	<b>17,113</b>	<b>16,836</b>	<b>15,305</b>	<b>15,770</b>	<b>16,372</b>	<b>17,044</b>
<b>Operating profit</b>	<b>4,131</b>	<b>4,098</b>	<b>4,213</b>	<b>4,665</b>	<b>3,780</b>	<b>3,991</b>	<b>4,192</b>	<b>4,428</b>
Non-recurring effects	(192)	(126)	(373)	-	-	-	-	-
Amortization, depreciation and write-downs	(1,896)	(1,897)	(1,896)	(1,863)	(1,727)	(1,735)	(1,720)	(1,751)
<b>EBIT</b>	<b>2,043</b>	<b>2,075</b>	<b>1,944</b>	<b>2,802</b>	<b>2,053</b>	<b>2,256</b>	<b>2,473</b>	<b>2,677</b>
Finance income	42	29	37	33	33	35	36	38
Finance costs	(439)	(353)	(302)	(237)	(173)	(150)	(135)	(125)
<b>Earnings before taxes</b>	<b>1,646</b>	<b>1,751</b>	<b>1,679</b>	<b>2,598</b>	<b>1,912</b>	<b>2,140</b>	<b>2,374</b>	<b>2,590</b>
Income taxes	(394)	(424)	(143)	(642)	(459)	(514)	(570)	(622)
<b>Earnings after taxes from continuing operations</b>	<b>1,252</b>	<b>1,327</b>	<b>1,536</b>	<b>1,956</b>	<b>1,453</b>	<b>1,626</b>	<b>1,804</b>	<b>1,969</b>
Earnings after taxes from discontinued operations	-	(52)	30	-	-	-	-	-
<b>Earnings after taxes</b>	<b>1,252</b>	<b>1,275</b>	<b>1,566</b>	<b>1,956</b>	<b>1,453</b>	<b>1,626</b>	<b>1,804</b>	<b>1,969</b>
thereof shares held by Linde AG shareholders	1,149	1,154	1,434	1,816	1,313	1,486	1,664	1,829
thereof shares held by other shareholders	103	121	132	140	140	140	140	140
<b>Adjusted revenue</b>	<b>14,349</b>	<b>14,474</b>	<b>14,738</b>	<b>15,104</b>	<b>15,305</b>	<b>15,770</b>	<b>16,372</b>	<b>17,044</b>
<b>Adjusted operating profit</b>	<b>3,421</b>	<b>3,521</b>	<b>3,637</b>	<b>3,787</b>	<b>3,780</b>	<b>3,991</b>	<b>4,192</b>	<b>4,428</b>
<i>Adjusted revenue growth</i>	<i>n/a</i>	<i>0.9%</i>	<i>1.8%</i>	<i>2.5%</i>	<i>1.3%</i>	<i>3.0%</i>	<i>3.8%</i>	<i>4.1%</i>
<i>Adjusted operating margin</i>	<i>23.8%</i>	<i>24.3%</i>	<i>24.7%</i>	<i>25.1%</i>	<i>24.7%</i>	<i>25.3%</i>	<i>25.6%</i>	<i>26.0%</i>

Source: Management information, EY analysis

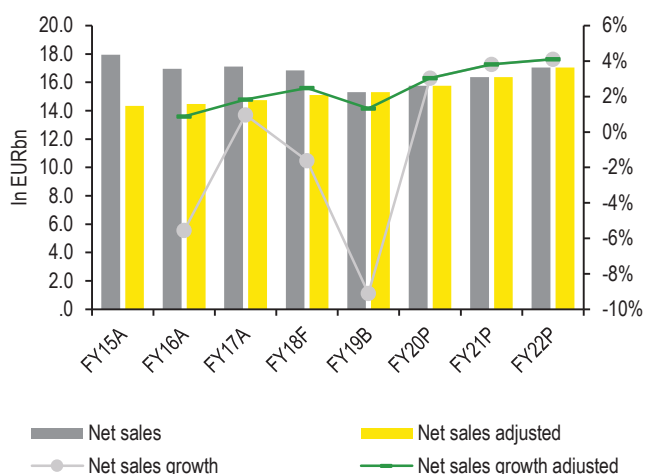


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### Linde Group – revenue growth



Source: Management information, EY analysis

### Linde Group – overview of the pro forma adjustments

Currency: EURm	FY15A	FY16A	FY17A	FY18F
<b>Revenue</b>	<b>17,944</b>	<b>16,948</b>	<b>17,113</b>	<b>16,836</b>
Divestments	(1,820)	(1,787)	(1,877)	(1,733)
Tolling accounting	(382)	(375)	(377)	-
GIST	-	587	580	-
<b>Pro forma revenue</b>	<b>15,743</b>	<b>15,374</b>	<b>15,439</b>	<b>15,104</b>
Exchange effect	(1,394)	(900)	(701)	-
<b>Adjusted revenue</b>	<b>14,349</b>	<b>14,474</b>	<b>14,738</b>	<b>15,104</b>

Source: Management information, EY analysis

The plausibility of the group's budget and forecasts was tested against the background of the findings already gained from analyses at the level of the divisions, especially with regard to the Gases Division, which is the key group component. See the previous report sections for more details.

#### Testing plausibility of revenue

Revenue of EURm 16,836 is expected for the current fiscal year 2018, which falls below the reported FY17A revenue level. As already explained in detail in the Gases Division section above, the decrease in revenue is largely due to the introduction of tolling accounting, the reclassification of GIST and currency effects. Compared to FY18F, FY19B revenue is initially expected to decrease to EURm 15,305. However, this is largely the result of the planned divestment of certain business units in accordance with antitrust law. An analysis of the revenue development for FY18F and FY19B adjusted for non-recurring effects (adjusted revenue) indicates revenue growth of 2.5% and 1.3%, respectively. The Group's revenue development for 2019 is subject to the effects already described in the Gases Division section above, since its revenue contribution accounts for 82%.

### Linde Group – revenue development in the period from FY15A to FY22P

Currency: EURm	FY15A	FY16A	FY17A	FY18F	FY19B	FY20P	FY21P	FY22P	CAGR GJ15A to GJ17A	CAGR GJ18F to GJ22P
<b>Revenue</b>	<b>17,944</b>	<b>16,948</b>	<b>17,113</b>	<b>16,836</b>	<b>15,305</b>	<b>15,770</b>	<b>16,372</b>	<b>17,044</b>	-2.3%	-0.1%
<b>Pro forma revenue</b>	<b>15,743</b>	<b>15,374</b>	<b>15,439</b>	<b>15,104</b>	<b>15,305</b>	<b>15,770</b>	<b>16,372</b>	<b>17,044</b>	-1.0%	2.0%
Exchange effect	(1,394)	(900)	(701)	-	-	-	-	-		
<b>Adjusted revenue</b>	<b>14,349</b>	<b>14,474</b>	<b>14,738</b>	<b>15,104</b>	<b>15,305</b>	<b>15,770</b>	<b>16,372</b>	<b>17,044</b>	1.3%	3.0%
<i>Revenue growth</i>	<i>n/a</i>	<i>-5.6%</i>	<i>1.0%</i>	<i>-1.6%</i>	<i>-9.1%</i>	<i>3.0%</i>	<i>3.8%</i>	<i>4.1%</i>		
<i>Adjusted revenue growth</i>	<i>n/a</i>	<i>0.9%</i>	<i>1.8%</i>	<i>2.5%</i>	<i>1.3%</i>	<i>3.0%</i>	<i>3.8%</i>	<i>4.1%</i>		

Source: Management information, EY analysis

For the subsequent plan years 2020 to 2022, further revenue growth of 3.0% to 4.1% is expected. Consequently, an average growth of 3.0% p.a. (CAGR 2018 to 2022) was used in the budget and forecasts, which exceeds the average revenue growth for the prior period analyzed of 2015 to 2017 of 1.3%.

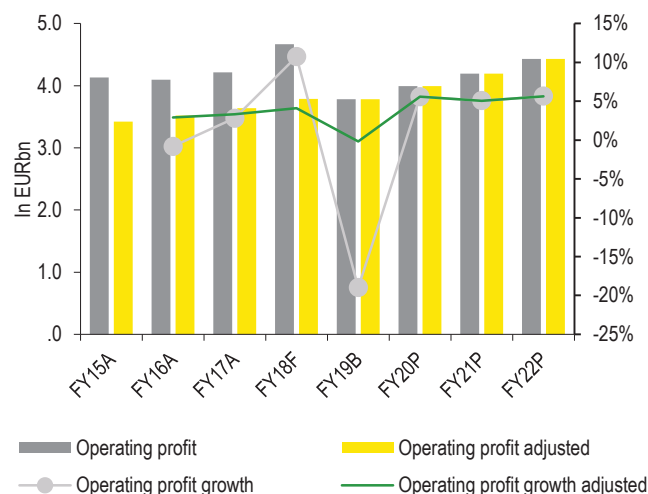


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### Linde Group – development of the operating profit



Source: Management information, EY analysis

### Linde Group – overview of the pro forma adjustments

Currency: EURm	FY15A	FY16A	FY17A	FY18F
<b>Operating profit</b>	<b>4,131</b>	<b>4,098</b>	<b>4,213</b>	<b>4,665</b>
Divestments	(385)	(390)	(411)	(403)
Disposal gains	-	-	-	(625)
One-off costs LIFT-program	-	-	-	150
GIST	-	44	23	-
<b>Pro forma operating profit</b>	<b>3,746</b>	<b>3,752</b>	<b>3,825</b>	<b>3,787</b>
Foreign exchange effect	(325)	(231)	(188)	-
<b>Adjusted operating profit</b>	<b>3,421</b>	<b>3,521</b>	<b>3,637</b>	<b>3,787</b>

Source: Management information, EY analysis

### Testing plausibility of the operating profit

An operating profit of EURm 4,665 is expected for the current FY18F. This is significantly higher than the operating profit of the past fiscal years as well as the operating profit for the period FY19B to FY22P. The significant increase compared to FY17A is the result of the expected gain on disposal from divestments required under antitrust law of EURm 625 included in the FY18F forecast (this amount is reduced by contrasting expenses for programs to increase efficiency/LIFT of EURm 150, resulting in net non-recurring effects of EURm 475).

The significant decrease in the operating profit in FY19B compared with FY18F can consequently again be explained by effects from the divested business units that, from that point on, are no longer included in the budget and forecasts. Adjusted for these effects, the adjusted operating profit largely stagnates in FY19B. As already set out in the comments on the Gases Division, this must also be seen in connection with non-recurring effects of approximately EURm 121 in the first six months of 2018. All other things being equal, deducting these from earnings for FY18F would result in a significantly higher increase in earnings in 2019. Growth in the operating profit of 5.1% to 5.6% is expected for the subsequent years from FY20P to FY22P.

For the subsequent period from FY20P to FY22P, following the trend of previous years, a further slight increase in the operating margin to 26.0% in FY22P is expected (see table on page 67). The group-wide margin is below the profitability indicators of the Gases Division due to the inclusion of the comparatively low-margin engineering business (with a revenue share of around 15%).

### Linde Group – development of the operating profit FY15A to FY22P

Currency: EURm	FY15A	FY16A	FY17A	FY18F	FY19B	FY20P	FY21P	FY22P
<b>Operating profit</b>	<b>4,131</b>	<b>4,098</b>	<b>4,213</b>	<b>4,665</b>	<b>3,780</b>	<b>3,991</b>	<b>4,192</b>	<b>4,428</b>
<b>Pro forma operating profit</b>	<b>3,746</b>	<b>3,752</b>	<b>3,825</b>	<b>3,787</b>	<b>3,780</b>	<b>3,991</b>	<b>4,192</b>	<b>4,428</b>
Exchange effect	(325)	(231)	(188)	-	-	-	-	-
<b>Adjusted operating profit</b>	<b>3,421</b>	<b>3,521</b>	<b>3,637</b>	<b>3,787</b>	<b>3,780</b>	<b>3,991</b>	<b>4,192</b>	<b>4,428</b>
OP growth	n/a	-0.8%	2.8%	10.7%	-19.0%	5.6%	5.1%	5.6%
Adjusted OP growth	n/a	2.9%	3.3%	4.1%	-0.2%	5.6%	5.1%	5.6%

Source: Management information, EY analysis



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### Overview of the general economic and industry-specific indicators and growth forecasts

in %	FY18F	FY19B	FY20P	FY21P	FY22P
Real GDP	3.1%	2.9%	2.7%	2.8%	2.7%
Industrial production	3.7%	3.2%	2.7%	2.7%	2.6%
CPI	3.3%	3.1%	3.0%	3.0%	2.9%
PPI	4.1%	3.1%	2.9%	2.7%	2.7%
Basic chemicals market	3.7%*	4.0%	6.8%	5.7%	5.1%
Industrial gases market	4.3%	4.4%	4.5%	4.5%	n/a
Chemical sector market	2.9%	3.2%	3.5%	3.8%	n/a
General economic min	3.1%	2.9%	2.7%	2.7%	2.6%
General economic max	3.7%	3.2%	2.7%	2.8%	2.7%
Average expected inflation	3.7%	3.1%	2.9%	2.9%	2.8%
Minimum sector growth	2.9%	3.2%	3.5%	3.8%	5.1%
Maximum sector growth	4.3%	4.4%	6.8%	5.7%	5.1%
<b>Linde Group**</b>	<b>2.5%</b>	<b>1.3%</b>	<b>3.0%</b>	<b>3.8%</b>	<b>4.1%</b>

Source: Oxford Economics; The Business Research Company 2018; IHS MarkIT  
 \*The broader scope definition of the basic chemicals market also includes major shares of chemicals such as ethylene, chloralkali, soda ash and xylenes. For these significant nominal growth also stemming from strong price increases are forecasted. However, as these chemicals do not form part of the industrial gases universe relevant to Linde, nominal market growth rates were replaced by real growth rates for these data points up to 2018 taken from the same market research provider IHS MarkIT.  
 \*\*Linde Group adjusted revenue growth

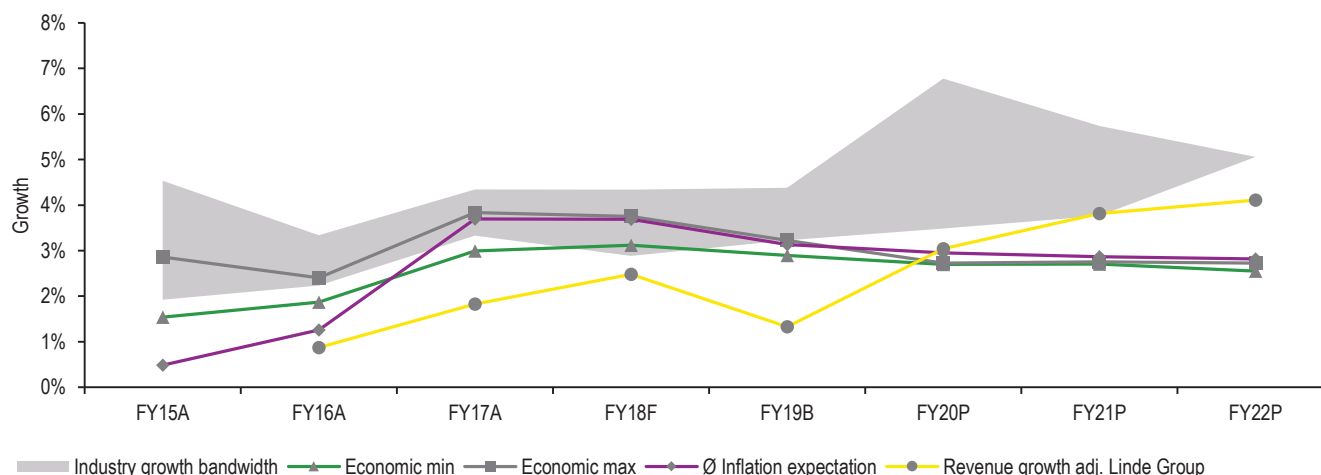
### Testing plausibility using general economic indicators and market forecasts

Since the business activities of the Linde Group, as a diversified and global company, significantly depend on the development of the global economy, the Linde Group's projected revenue development for the period from FY18F to FY22P was compared to the projected overall global macroeconomic development. General economic indicators are also used in Linde's planning process and some show a positive correlation with the business development.

The general economic indicators global growth in gross domestic product (GDP), the global development of the Industrial Production Index (IP) and expected inflation indicators were used and compared with the expected revenue growth of the Linde Group.

From the chart below, it becomes apparent that the revenue development follows a course slightly below the macroeconomic GDP/IP corridor, but is considerably higher from FY20P onwards. This divergence is attributable to regional and sector-specific aspects that the Company takes into account separately at RBU level in its planning process and can only be examined in an approximate and generalized manner in a global or combined analysis in the case at hand.

### General economic and industry-specific development



Source: Oxford Economics; The Business Research Company 2018; IHS MarkIT

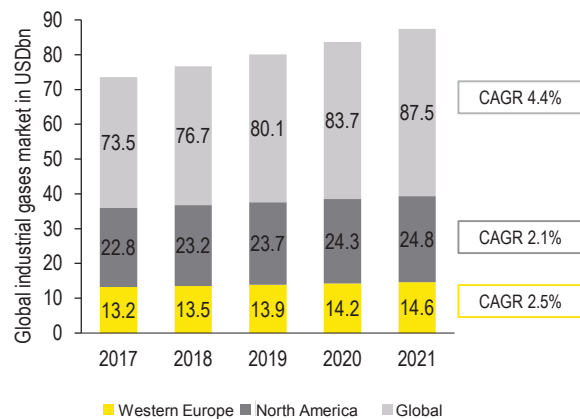


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### Industrial gases market by region



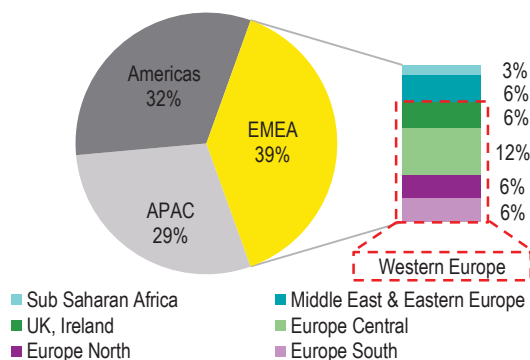
Source: The Business Research Company, Industrial Gas Global Market Report, 2018

According to the market studies on the forecast growth rates of the global chemical market, basic chemicals segment and industrial gases segment analyzed, growth rates well above the relative growth rates of GDP and IP are expected in the next few years. This is in part due to the high economic growth in Asia-Pacific. Targeted investments to cater to the higher demand, especially for electronics for which industrial gases and basic chemicals are needed, are expected to lead to higher market potential in the future. More conservative growth rates are anticipated in EMEA, though revenue increases are forecast in the years to come as digitalization makes advances. For Healthcare and specific Homecare, revenue growth in the years to come is expected as a result of an increase in patient numbers, a growing middle class and the higher medical demands.

As presented in the *Market and competitor analysis* section, a direct comparison of Linde’s business development with the market forecasts from studies is only possible to a limited extent since this involves an interweaving of different market definitions, diversity of products, regional aspects and different perspectives within the value chain. As a result, forecasts by market studies are not afforded any significant weight in the context of the Linde Group’s planning process.

Based on various market studies, expected growth of the gas and chemical industry in the planning period from FY18F to FY22P is between 2.9%\* and 6.8%. According to a market forecast, the compound annual growth rate (CAGR) of the global industrial gases market is approximately 4.4% (CAGR 2017 to 2021). This comparatively high growth rate must be seen against the backdrop of significantly lower CAGRs for the Western Europe and North America regions, however, two of the three largest regional and most relevant markets for Linde, which are set to grow by a mere 2.1% and 2.5% (CAGR), respectively.

### Revenue split by Linde Group RBU based on FY17A



Source: Management information

Therefore, the revenue growth forecast by Linde exceeds the market expectations for Western Europe and North America, while it falls short of the overall global forecast. We deem the planned development to be plausible overall.



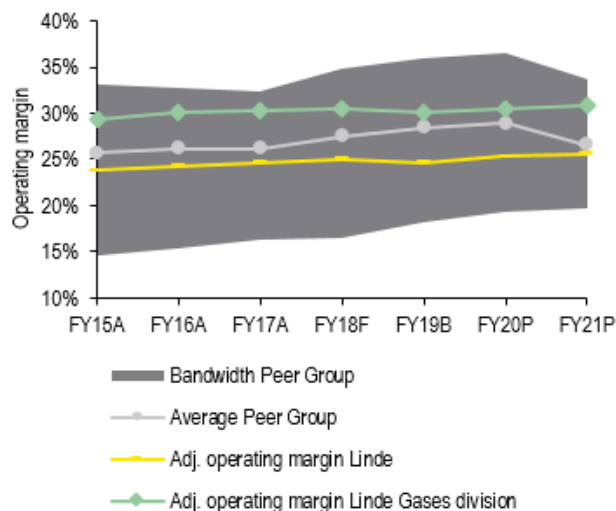


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### Comparison of Linde Group operating margin with peer group companies



Source: Capital IQ, EY analysis

### Testing plausibility by means of a peer group comparison

In order to further assess the overall plausibility of the budget and forecasts, it was compared with the development of a peer group. This was based on the expectations of the capital markets derived from analysts' estimates. It was not possible to assess revenue growth at this level since the comparability and informative value was inadequate due to the lack of transparency in analysts' assumptions about growth effects from individual segments, inorganic acquisitions and exchange rates as well as differing accounting standards and practices (in particular regarding Tolling for US comparable companies).

The projected EBITDA margin in the observation period is also below the average level for peer group companies for industrial gases (refer appendix B), but nonetheless within the range. The slightly lower average operating margin of the Linde Group relative to the peer group is due to differences in revenue splits across business segments as well as previous comments on the comparability of revenues. The diverging revenue distribution (peers having a different focus) has a different impact on the operating margin. While Praxair and Air Products nearly exclusively operate in the higher-margin industrial gases segment (operating margin adjusted Linde: c. 30% - 31%), both Air Liquide and the Linde Group also operate in the engineering segment, in which significantly lower margins are generated (Linde Group operating margin: approximately 10%, revenue share approximately 15%), which reduces the operating margin of the entire Linde Group. In light of the above, Air Liquide and Linde exhibit a comparable operating margin level of 24% to 27% both for the past FY15A to FY17A and in terms of their expectation for the next few fiscal years. Excluding Engineering, Linde's margin is above the average margin of the peer group. If a pro rata allocation of administrative expenses and other Group effects is applied to the adjusted margins of the Gases division presented in the adjacent analysis, resulting margins would be close to the average margin level of the peer group.

The decrease in the expected average peer group operating margin in FY21P presented in the chart is due to the lack of a forecast for a peer company (Air Products and Chemicals, Inc.) which reports higher margins both historically and in its projections. In view of the margin improvement expected by Linde, it should be noted that analysts also expect for the peer group improvements of between one and three percentage points in future fiscal years until FY21P.

In summary, we deem the forecast development of the Linde Group's operating margin compared to the peer group to be plausible.

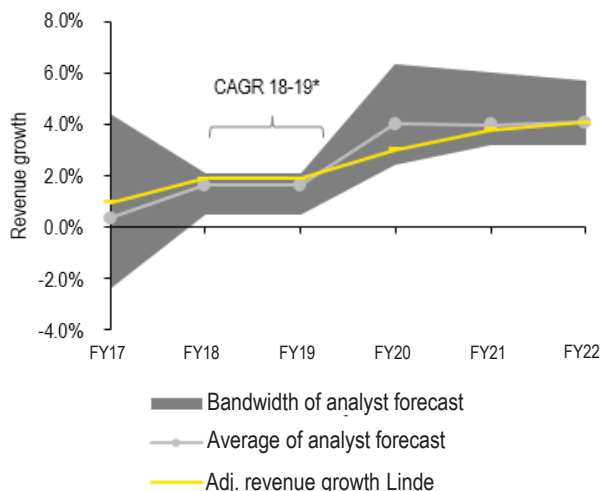


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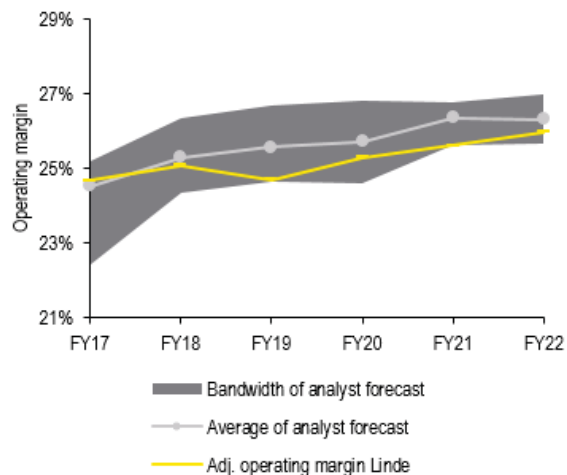
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#### Analysts' estimates of revenue growth



Source: Analyst reports Q3 2018, EY analysis

#### Analysts' estimates of operating margin



Source: Analyst reports Q3 2018, EY analysis

#### Testing plausibility by means of analysts' assessments for the Linde Group

In addition to comparing the budget and forecasts with the expectations for the peer companies, we reviewed analyst forecasts from June 2018 to September 2018 and, consequently, the capital market's expectations regarding future revenue development as well as the Linde Group's expected operating margin and determined relevant bandwidths (see the chart on revenue growth and the operating margin on the left).

#### Revenue growth

On the basis of an analysis of the analysts' forecast revenue growth compared with the plan figures in FY18F and FY19B, it can be observed that the analysts' forecast growth for FY18F is below the expected growth in Linde's planning and, conversely, for FY19B is well above the expectations of Linde Group. The reason for this is assumed to be a divergence in the periodic accruals. While the majority of the examined analysts' estimates already include the effect of the divestment of business required by antitrust regulations in their forecasts for 2018, this effect is only fully reflected in Linde's planning for FY19B. For plausibility testing purposes, this timing difference was adjusted for by using the average growth for 2018 - 2019 (CAGR) in both analyst estimates and Linde's planning for 2018 and 2019 instead of the expected revenue growth for the respective period.

Adjusted for this effect, it is evident that the average expectations of analysts are in line with the revenue growth forecast for the Linde Group.

#### Operating margin

It should be noted that the planned operating margins are within the bandwidth of the analysts' expected EBITDA margins.

In light of this, the Group's planning is not only supported by the detailed plausibility tests but also by capital market and analyst expectations both in terms of the planned revenue growth and the planned development of the operating margin.

\* Adjusted for the effect of the periodic deferral (effect of timing difference with regard to divestments required by antitrust law on revenue growth). Based on the average annual growth rate over the years 2018 and 2019, the expectations of the analysts' estimates are in line with Linde's planning.





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#### Concluding statement on the plausibility of the planning calculation

Against the background of the analyses presented above at divisional and Group level and the historical accuracy of planning, we are of the opinion that the planned earnings of Linde Group are comprehensible and consistent with historical developments, the explanations given to us for planning purposes, the macroeconomic and industry-specific forecasts and the medium-term expectations of the capital markets (comparable companies and analysts' assessments).

It therefore forms an appropriate basis for valuation as at valuation date.



## 4 Calculation of the equity value

### 3 Analysis of planned synergies

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## Accounting for synergies and cost efficiencies from the business combination

### Accounting for synergies in accordance with IDW S 1

Since this business valuation is being performed to establish the fair compensation for minority shareholders, the squeeze-out in accordance with transformation law constitutes the measure underlying the reason for the valuation. Consequently, only those synergies which can be realized without the squeeze-out and therefore qualify as **pseudo synergies in relation to the squeeze-out** are considered in this valuation, (cf. IDW S 1 (2008 version), section 34). When accounting for such (pseudo) synergies in the valuation, it should be determined whether the synergetic measures have already been initiated or are sufficiently documented in the business concept. A summary of the synergies relevant for the valuation is included on page 80.

### Implementability in the de facto group

Linde AG's squeeze-out in accordance with transformation law with and into Linde Intermediate Holding AG will be performed subsequent to the closing of the voluntary public exchange offer which took place in October 2018. The effective legal execution of the squeeze-out itself is scheduled for the summer of 2019. Upon closing of the business combination of the two groups of Linde and Praxair in October 2018, Linde plc is the indirect majority shareholder of Linde AG without having concluded a domination agreement with Linde AG via its subsidiary Linde Intermediate Holding AG. This will lead to a de facto group in which Linde AG is the dependent company during the period until the squeeze-out takes effect.

To address questions of whether any synergy measures can be implemented without the squeeze-out, i.e., in a de facto group, the requirements under corporate and stock corporation law must be reviewed in terms of duties to document and compensate for detriments to the interests of Linde AG.

Pursuant to Sec. 76 (1) and Sec. 93 (1) AktG, the Executive Board of Linde AG remains under an obligation to manage the Company in a de facto group. The board must review all measures requested by or taken in the interests of the (indirect) majority shareholder (Linde plc) in each specific instance to identify possible detrimental effects on Linde AG. If any measures are found to contain detrimental effects on Linde AG, a duty in accordance with Sec. 311 (2) AktG arises for Linde Intermediate Holding AG to compensate Linde AG and, in accordance with Sec. 312 AktG, for the Executive Board of Linde AG to provide documentation in the dependent company report that must be prepared in the first three months of a fiscal year. This report must be reviewed by both the Supervisory Board and the auditor of the Company's financial statements (Secs. 313, 314 AktG).



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### 3 Analysis of planned synergies

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### Executive Board's assessments of annual synergies and cost efficiencies achievable as a result of the business combination (after ramp-up phase, in USDm\*)

Currency: USDm*	Total (Linde + Praxair)
Corporate & global functions (excl. IT)	179
IT	48
Overlapping countries	187
Shared services	11
Productivity	69
Procurement	105
Engineering	52
<b>Total cost synergies (after divestments)</b>	<b>650</b>
Capex	155
<b>Total expected synergies (after divestments)</b>	<b>805</b>
LIFT program – independent	347
<b>Total expected synergies (after divestments, including LIFT)</b>	<b>1,152</b>

Source: Company information, EY analysis

\* For translating the planned synergy targets which were originally denominated in US dollars, an exchange rate of 1.05 (derived from 2016) was used and then adjusted for the 2018 updates to 1.13.

### Documentation as part of the business model

In a board meeting on 5 September 2018, Linde AG's Executive Board approved the estimates of synergies and cost efficiencies (the "synergies") underlying this valuation in connection with the multiple-year plan from FY18F to FY22P. These were based on the confirmed synergy targets last revised in March 2018 which had been reconfirmed on 19/20 June 2018 in a joint meeting of the Linde plc Management and Integration Committee (also attended by Linde AG Executive Board members) in Pullach.

The Executive Board made selective updates in August and September 2018, including to reflect new information about the scope of divestment of Linde business operations required under antitrust law. Linde AG's Supervisory Board had access to the same estimates of synergies when it adopted its resolution on 13 September 2018 to continue with the business combination agreement. It is our understanding that the future Management Committee of Linde plc has also pledged to stand by the overall synergy target of USDbn 1.1 to 1.2.

The internal documents regarding synergies provided to us by the Company largely cover considerations about cost synergies and capex synergies subdivided into specific synergy categories, related lists of measures in various levels of detail, categorized quantifications of synergy targets, assumptions about expected ramp-up and implementation phases as well as supplementary calculations of allocation keys and implementation costs.

### Quantification of the two groups' common synergies

In joint working sessions and Executive Board meetings of Linde plc, Linde AG and Praxair Inc., the synergies expected from the business combination (after expected divestments required under antitrust law) were determined along seven cost synergy categories and as capex synergies. The process involved a combined analysis of both groups (Linde and Praxair) on the basis of analytical models, projections and experience using the US dollar currency. The adjacent table provides an overview of the expected synergy targets of the combined group as recurring annual cost or capex savings after the detailed planning phase. These synergy targets expected to be fully developed within the detailed planning phase. A synergy potential of a total USDm 805 p.a. is expected from the business combination.

On top of this, there are additional cost efficiencies for Linde AG of USDm 347 as annual cost-saving potential from the ongoing LIFT program, which can be realized by Linde AG as an independent optimization measure independent of the business combination or squeeze-out and should therefore be separated conceptually from the assessment of synergies at hand. As savings from the LIFT program have already been incorporated into Linde AG's multi-year planning, the value-enhancing effects did not need to be considered separately for valuation purposes.



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The Company chiefly anticipates a large share of the expected cost synergies and capex savings to come from the improvement of internal processes and the optimization of the joint organizational structure. Investment savings mainly stem from a more efficient use of facilities, sales optimization and the avoidance of replacement investments in the overlapping regions.

The synergy estimates for the categories defined for the purposes of the business combination are mainly based on the following measures and optimization approaches:

- ▶ **Corporate & global functions (excl. IT):** Administration synergies are anticipated from the reduction of surplus staff in the joint company headquarters and the related cost savings in personnel and non-personnel general and administrative expenses.
- ▶ **IT:** Synergies from the elimination of redundant/streamlining of global and regional IT functions (including personnel expenses, project rationalization, license management, contract optimization, etc.).
- ▶ **Overlapping countries and shared services:** Effects from streamlining operating activities which have overlapped geographically so far and relocating and expanding shared services.
- ▶ **Productivity:** Anticipated effects from network and transport route optimization (including improved capacity utilization and lower average logistics costs), efficiency improvements in maintenance, production, marketing and sales as well as in the handling of spare parts.
- ▶ **Procurement:** Advantages from merging or renegotiating global contracts (e.g., supplier structures, mobile communications) and revising central company guidelines and cost budgets (e.g., transportation, post and shipping) for relevant regions and countries.
- ▶ **Engineering:** Consolidating overlapping activities of individual companies focused on large-scale plant construction in order to optimize the (staff) structure of the division as well as effects from insourcing, i.e., carrying out certain large-scale construction projects of Praxair within the Group that were previously awarded externally.
- ▶ **Capex:** Effects from avoiding unnecessary investments and achieving reductions by sharing best practices for setting up air separation plants, improved utilization of existing filling plants (bulk) and tanker trucks by increasing the network coverage, joint spare parts management and pooling cylinder systems business (lower number of empty cylinders and optimized inventory maintenance through economies of scale).



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### Executive Board's assessments of annual synergies and cost efficiencies achievable as a result of the business combination (after ramp-up phase, in USDm)

Currency: USDm	Total (Linde + Praxair)	Allocation key	Linde share	incl. in terminal value <sup>1)</sup>
Corporate & global functions (excl. IT)	179	55%	99	- <sup>2)</sup>
IT	48	70%	34	34
Overlapping countries	187	64%	120	120
Shared services	11	9%	1	1
Productivity	69	48%	33	33
Procurement	105	60%	63	63
Engineering	52	40%	21	21
<b>Total cost synergies (after divestments)</b>	<b>650</b>	<b>57%</b>	<b>370</b>	<b>271</b>
	<i>in EURm, (EUR/USD 1.13)</i>			240
Capex	155	43%	67	67
<b>Total expected synergies (after divestments)</b>	<b>805</b>	<b>54%</b>	<b>437</b>	<b>338</b>
LIFT program	347		347	- <sup>3)</sup>
<b>Total expected synergies (after divestments, including LIFT)</b>	<b>1,152</b>		<b>784</b>	<b>338</b>
	<i>in EURm, (EUR/USD 1.13)</i>			299

Source: Company information, EY analysis

1. Basis for terminal value plus growth rate
2. Administrative synergies have not been included as pre-contractual pseudo synergies, cf. explanation on the next page.
3. As savings from the LIFT program have already been incorporated into Linde AG's multi-year planning, the value-enhancing effects did not need to be considered separately for valuation purposes. Conceptually, LIFT must be considered separately from the other synergies.

### Allocation of the anticipated synergies to Linde AG

All synergy considerations in connection with the planned business combination were derived from a combined perspective, i.e., from the perspective of Linde plc post-business combination. For the purposes of the valuation at hand, however, the isolated perspective of Linde AG is relevant and thus the combined overall synergies need to be allocated pro rata to the Linde Group.

In accordance with the methods used to plan synergies, Linde AG systematically allocated the synergies and implementation costs to Linde AG. The allocation keys were chosen on the basis of relevant category and segment-specific items and cost types in the consolidated income statement, eliminating the planned divestments required under antitrust rules, as well as on the basis of full-time-equivalent comparisons (after divestments).

The resulting allocation keys and the synergy shares attributable to Linde AG and thus the synergy shares of relevance for the valuation are shown in the adjacent table.

In the allocation process, Linde AG chose not to include the mutual cost allocations for services provided by one of the partners for the internal procurement from the joint target company by functions/services outsourced to the other partner. Linde AG assumes that the internal cross-charging by Linde to Praxair and vice versa cancel each other out and thus quantified offsetting would not have any impact on value. This is considered appropriate given the Company's estimated allocation of cost synergies between Linde and Praxair.



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### Implementation costs – Linde AG

Currency: USDm	Total (Linde + Praxair)	Allocation key	Linde share	thereof included in ramp-up phase
Corporate & global functions (excl. IT)	109	55%	60	-1)
IT	20	70%	14	14
Overlapping countries	137	64%	88	88
Shared services	26	9%	2	2
Productivity	85	48%	41	41
Procurement	9	60%	5	5
Engineering	27	40%	11	11
<b>Implementation costs of the cost synergy categories</b>	<b>413</b>	<b>57%</b>	<b>221</b>	<b>161</b>
Capex	10	43%	4	4
<b>Implementation costs of the cost synergy categories (excluding LIFT)</b>	<b>423</b>	<b>53%</b>	<b>225</b>	<b>165</b>
Transaction with third parties (advisors, banks, attorneys)	314	54%	170	170
Branding/communication	50	54%	27	27
IT integration	60	70%	42	42
<b>Total implementation costs (excl. LIFT)</b>	<b>847</b>		<b>465</b>	<b>405</b>
LIFT program	281		281	-2)
<b>Total implementation costs (incl. LIFT)</b>	<b>1,128</b>		<b>746</b>	<b>405</b>
	<i>in EURm, (EUR/USD 1.13)</i>			359

Source: Company information, EY analysis

1. Synergies from corporate & global functions (excl. IT) have not been included as pre-contractual pseudo synergies, cf. explanations on the next page.
2. As effects from the LIFT program have already been incorporated into Linde AG's multi-year planning, the related implementation costs did not need to be considered separately for valuation purposes.

### Quantification of the implementation costs

To generate the previously described synergies with an impact on costs and liquidity, the Company anticipates implementation costs as presented in the adjacent table. These costs will all be realized in the synergy ramp-up phase within the detailed planning phase, which is why they are not incorporated in the terminal value phase of this valuation and have been included in full in the detailed planning phase.

For the purpose of allocating the implementation costs to Linde AG, the allocation key calculated for each category in the course of the breakdown of the synergy targets was used.

### Conclusion from testing the plausibility of Linde AG's synergies

We gained an understanding of the origins of the anticipated synergies of Linde AG on the basis of the mutual discussions we held and the documents and explanations provided. We consider the methodological and analytical approach for determining the effects of individual synergy classes to be appropriate and customary in practice. We tested the plausibility of the amount of synergies as a whole using observable ranges from market benchmarking. We consider the share of synergies attributable to Linde AG and related implementation costs to be an appropriate basis for inclusion in our valuation work and thus it should be considered separately (as enhancing value) in addition to the multi-year planning presented by the Company (which was prepared *before* synergy effects).

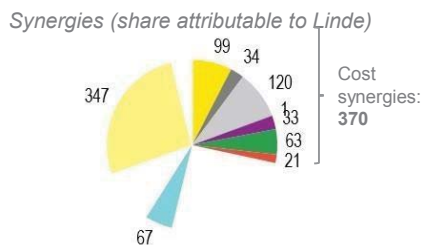
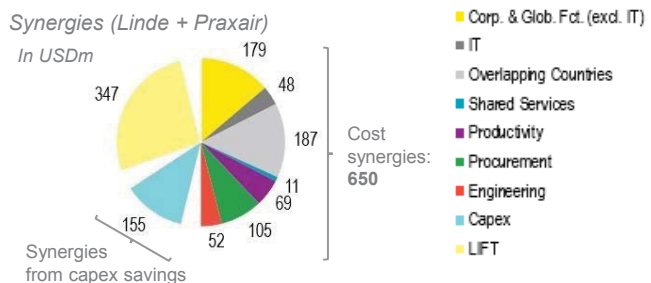


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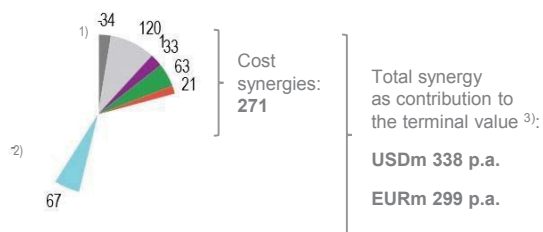
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### Overview of the synergies ultimately of relevance for the valuation (in USDm)



thereof pseudo synergies included for valuation purposes



Total synergy as contribution to the terminal value <sup>3)</sup>:  
**USDm 338 p.a.**  
**EURm 299 p.a.**

Source: Company information, EY analysis

1. Synergies from corporate & global functions (excl. IT) have not been included as pre-contractual pseudo synergies.
2. As effects from the LIFT program have already been incorporated into Linde AG's multi-year planning, the related implementation costs did not need to be considered separately for valuation purposes.
3. Basis for terminal value plus growth rate

### Summary of the pseudo synergies considered for valuation purposes

The quantification of and compensation for any detrimental effects suffered by the dependent company in the de facto group relationship becomes very complex and difficult in the area of administration, in particular “corporate & global functions (excl. IT)” synergies in the case at hand. Any such disadvantageous effects from the reduction in surplus staff at the joint company headquarters and from the streamlining, relocation and exchange of central corporate functions, in particular the administrative setup, are very difficult to assess for the purposes of an objective quantification prior to the squeeze out. Therefore, given the fact that the Executive Board has not yet conclusively quantified any disadvantageous effects (or dis-synergies) and the high documentation and review effort required, it is highly likely that no decision would be made or measures carried out in this synergy category in the de facto group.

As post-contractual or real synergies, the “corporate & global functions (excl. IT)” class was therefore not considered in the valuation, neither were the related implementation costs.

As pseudo synergies, all other synergy classes are incorporated in the detailed planning period, together with the related implementation costs planned for each class throughout the realization and implementation phase, as an additional EBITDA contribution (for cost synergies) or as a cash deduction from the planned investments (for capex synergies). This additional consideration as a valuation adjustment is necessary as Linde AG's multi-year planning for fiscal years FY18F to FY22P was prepared before synergy effects. Effects on the financial result and tax calculation are considered together. For the purposes of the terminal value, the synergy target for each category is assumed to recur annually after the end of the ramp-up phase and is thus included as value-enhancing in both future sustainable profitability (EBITDA contribution) and investment volume (capex deduction).

In line with the historical planning logic, the synergies and implementation costs are converted at the historical exchange rate and included as EUR amounts.

Total synergies of around EURm 299 have therefore been included in the terminal value.





## 4 Calculation of the equity value

### 4 Determination of sustainable earnings

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### Determination of the terminal value

#### Determination of sustainable earnings

For the years 2023 onwards (terminal value), we considered an earnings level that, on average, we regard as sustainable over economic cycles.

The basis used for deriving the sustainable earnings was the **revenue forecast** FY22P rolled forward applying a sustainable growth rate. In determining this growth rate half of the expected long-term inflation rate is commonly applied in the absence of special circumstances.

In addition to determining the sustainable growth rate by initially basing it on expected global and, in light of the adjustment of inflation for valuation purposes, on projected German and Western European inflation indicators, it was important to take into account that, while Linde has many long-term contracts with customers, the largest competitors have been able to further strengthen their market position in recent years. Due to strong competition, in particular in the European and US markets, it is not always possible to directly pass on price increases in order to avoid losing market share.

Discussions with the Linde Group's planning heads also revealed that this assumption on the pass-through of price appreciations appears appropriate in light of the circumstances of the Linde Group, considering in particular that the RBU in the gas business and Engineering and GIST Divisions are able to pass on prices to differing extents. Some significant differences can be explained by differing regional focus, diverging cyclicality in industrial gases and engineering (engineering project business) and stage of development and competition in the markets served (emerging economies and developed markets).

We therefore consider a **sustainable growth rate** of 1.0% to be appropriate.

An **EBITDA margin** of around 27.1% was used to calculate sustainable EBITDA. The EBITDA margin is calculated using the margin calculated for the last planning year, taking into account the synergy effects explained in the previous section and exchange rate adjustments, which are explained in more detail in section 5 (*Determination of earnings to be capitalized*).

The depreciation and amortization for FY22P has been replaced for the purposes of the terminal value by an investment level needed to maintain net assets in the long term. The basis for the derivation of this **long-term investment level** was a detailed analysis of maintenance, replacement and rationalization investments over the period from FY18F to FY22P. Any synergies having an effect on the long-term investment level were deducted. Overall, the long-term investment level for the terminal period is EURbn 1.3 (rounded).





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As in the detailed planning period, synergies were taken into account separately and, as described in detail in the section on **synergies**, added to EBITDA as a recurring effect on earnings.

The **interest result** was calculated for the terminal period taking into account the projected financing structure at the end of the detailed planning period in FY22P. The long-term investment result and the other financial result were determined based on the rollforward of the last plan year.

The **tax expense** was calculated applying a sustainable group tax rate of 24.0%.



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### Determination of earnings to be capitalized

Currency: EURm	FY18F	FY19B	FY20P	FY21P	FY22P	TV
<b>Profit for the period</b>	<b>1,956</b>	<b>1,453</b>	<b>1,626</b>	<b>1,804</b>	<b>1,969</b>	<b>n/a *</b>
Addition of cost synergies	(30)	(154)	63	206	240	242
Exchange effect at EBITDA level	40	11	(14)	(33)	(52)	(52)
Additional costs from divestitures mandated by antitrust authorities	(144)	-	-	-	-	-
Loss in financial result from release of derivatives	(179)	-	-	-	-	-
Net interest, tax and other valuation adjustments	(2)	35	(16)	(48)	(50)	(46)
<b>Profit for the period after valuation adjustments</b>	<b>1,641</b>	<b>1,346</b>	<b>1,660</b>	<b>1,929</b>	<b>2,106</b>	<b>2,605</b>
Minority interests in profit for the period	(121)	(116)	(144)	(167)	(182)	(252)
<b>Profit for the period after minority interests</b>	<b>1,521</b>	<b>1,229</b>	<b>1,516</b>	<b>1,763</b>	<b>1,924</b>	<b>2,353</b>
Retained earnings for business growth	(1,329)	(997)	(732)	(820)	(919)	(81)
<b>Net earnings available for distribution</b>	<b>191</b>	<b>233</b>	<b>784</b>	<b>942</b>	<b>1,006</b>	<b>2,272</b>
Personal income tax	(50)	(48)	(164)	(199)	(216)	(505)
<b>Income to be discounted after personal tax</b>	<b>141</b>	<b>185</b>	<b>621</b>	<b>743</b>	<b>790</b>	<b>1,767</b>

Source: Management information, EY analysis

\* The financial planning provided by The Linde Group does not include an independent derivation of the terminal value. This is only done for valuation purposes, taking into account the valuation adjustments presented above (including cost synergies and exchange rate effects).

The basis used in deriving the earnings to be capitalized is Linde's forecast profit for the period from FY18F to FY22P. Selected adjustments for valuation purposes were made to this profit in order to reconcile it to the profit for the period relevant for the valuation. These valuation adjustments are explained in more detail below.



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#### Valuation adjustments

##### *Consideration of synergies*

As already presented in the section *Analysis of the budget and forecasts* and *Analysis of planned synergies*, the budget and forecasts of the Linde Group were initially planned without including any synergies or cost efficiencies from the business combination of the Linde and Praxair groups. However, cost savings and one-time costs in connection with Linde's own efficiency programs, in particular the LIFT program, were included in the budget and forecasts.

As a result, contributions from pseudo cost synergies and capex synergies had to be added separately in the course of the valuation.

The defined synergies that are deemed to be pseudo synergies are incorporated in the detailed planning period, together with the related implementation costs planned for each class throughout the realization and implementation phase, as an additional EBITDA contribution (for cost synergies) or as a cash deduction from the planned investments (for capex synergies). For the purposes of the terminal value, the synergy target for each category is assumed to recur annually subsequent to the end of the ramp-up phase within the detailed planning phase and is thus included as value-enhancing in both future sustainable profitability (EBITDA contribution) and investment volume (capex deduction).

##### *Consideration of inflation and exchange rate effects*

Parts of the budget and forecasts of the Linde Group were prepared in foreign currency and translated for group planning purposes using a standard currency-specific exchange rate ("forecast exchange rate") across all planning periods. As a result, inflation differences, which can lead to currency appreciation or depreciation in the context of the relative purchasing power parities theory, are not fully taken into account. Thus for valuation purposes, the plan figures were first restated as if converted at respective spot rates. In a second step expected effects from inflation differences were included for each period. Any resulting exchange effects (net effect from updating the spot rate and including inflation differences) are taken into account with an effect on earnings and cash in the calculation of earnings to be capitalized.



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#### *Additional costs from divestitures mandated by antitrust authorities*

In the course of updating the planning information (cf. more detailed explanations in section *Valuation of separately valued assets*), more recent information was also obtained with regard to the additional one-off costs arising from disposals subject to antitrust law, which had not yet been taken into account in the budget and forecasts as of September. These are mainly carve-out, legal advice and audit costs for the carve-out financial data prepared and the fees for the investment banks involved in the process. These costs were included to the previous presented group planning in the section *Analysis of the budget and forecasts*.

#### *Adjustment of loss in financial result from derivatives*

In the course of the valuation work, new information arose with regard to an one-off effect on the financial result from the release of derivatives (interest rate swap for hedging purposes in connection with bond issues) as a result of the business combination with Praxair. These were taken into account separately in coordination with and on the basis of updated planning information for the Linde Group. The negative fair value of these special effects for the planning year 2018 were recognized in the income statement and cash flow respectively.

#### *Adjustment of the financial result and taxes to achieve an integrated forecast*

The forecast of the financial result and taxes beneath EBIT was recalculated and extended due to the valuation adjustments in order to arrive at integrated figures. In addition, more recent information on the effective tax rate, in particular for the 2018 planning year, has been presented with regard to the associated effects of disposals subject to antitrust law.

#### *Minority interests in profit for the period*

The planned profit attributable to minority interests had to be adjusted in particular due to the consideration of synergies in order to arrive at integrated figures. For this purpose, historical participation rates of minority interests in profit for the period were analyzed. These rates served as an allocation key for the results including synergies of the detailed planning period.

However, for the current fiscal year 2018, it was also assumed that the entities with minority interests will not participate in the planned gain on disposal from divestments required under antitrust law of EURm 625 (forecast figures as per September) as well as in the one-off effects from disposal costs and interest swap clearing described above.



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In addition, an analysis was performed in relation to the current companies with a minority interest which are reflected in consolidated profit in the period under review with a negative profit for the period. As from an economic point of view these companies, in respect of the terminal value, ought to obtain a profitable or at a minimum, a non-negative value reflecting the going concern assumption, a corresponding adjustment was made for the purposes of the terminal value.

#### *Distribution and reinvestment assumptions*

The budget and forecasts of the Linde Group include expected annual distributions that are rolled forward in reflection of the underlying financial planning, particularly the significant decrease in financial liabilities.

At its meeting on 7 March 2018, Linde AG's Supervisory Board proposed a resolution on profit appropriation to the shareholders entailing a distribution of a dividend of EUR 7.00 per qualifying no-par value share. The proposed dividend is composed of a distribution for fiscal year FY17A of EUR 3.90 (prior year: EUR 3.70) per Linde share and a pro rata distribution for three quarters of the dividend expected for fiscal year FY18F of EUR 3.10 per Linde share. The distribution totaling EURm 1,299 or EURm 1,375 including dividends to minority interests was paid out after it was resolved by the shareholder meeting on 3 May 2018.

For valuation purposes, this distribution was deducted from the opening balance of cash and securities (as of 31 December 2017) and correspondingly in net retained profit or minority share as these funds had already been disbursed as of the valuation date and for the purposes of the determination of the capitalized earnings value already declared as dividends, lowering profit for the period and thus future earnings opportunities. In terms of the other dividend entitlement for fiscal year FY18F, a dividend of EUR 1.03 per qualifying no-par value share is assumed in the budget and forecasts of the Linde Group, and thus a distribution sum of EURm 191. For the purposes of determining the income after personal tax to be discounted, a taxation on dividends is assumed for this amount of EURm 191 while the remaining sum of the distributable earnings is recognized as value added through reinvested earnings.

For the other detailed planning years FY19P to FY22P, a continuously increasing dividend rate is assumed based on the valuation assumptions of same-period recognition in line with the historical development. The value added through reinvested earnings was included in the calculation of earnings to be capitalized for valuation purposes.



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The assumed sustainable growth in the income statement also leads to growth in the Linde Group's forecast statement of financial position. To account for the financing of the sustainable growth, we assumed a reinvestment rate equal to the growth rate based on adjusted equity as of 31 December 2022 in the terminal period. Adjustments relate to items with a value-enhancing effect omitted from the growth calculation, in particular goodwill, for the purpose of the valuation. These funds from the reinvestment of earnings remain permanently in the Company and are used to generate growth after the last detailed planning year. Accordingly, we reduced the derived sustainable earnings attributable to the shareholders of Linde AG by the respective reinvested amount for growth financing.

For the terminal value from 2023 onwards, an assumption also had to be made as to how the funds generated will be used. These standardized assumptions are generally based on the distribution pattern of the alternative investment. In literature, distribution rates of 40% to 60% have been repeatedly stated for DAX and MDAX companies (cf. Wagner et al.: "Weiterentwicklung der Grundsätze der Unternehmensbewertung," WPG 2004, no. 17, p. 889 to 906; Schultze/Fischer: "Ausschüttungsquoten, kapitalwertneutrale Wiederanlage und Vollausschüttungsannahme – Eine kritische Analyse der Wertrelevanz des Ausschüttungsverhaltens im Rahmen der objektivierten Unternehmensbewertung, WPG 2013, p. 421 to 435 with further references). For this reason, we consider a long-term distribution rate of approximately 50% appropriate.

For valuation purposes, the investment of earnings contained in the terminal value were – as already also in the detailed planning period – included as added value through reinvested earnings in the calculation of the earnings to be capitalized and thus allocated to the shareholders.

Since the introduction of withholding tax effective 1 January 2009, capital gains on the sale of shares are also subject to 25% withholding tax plus solidarity surcharge, regardless of how long they are held. For valuation purposes, reinvested earnings were subject to an effective tax rate at half this rate (13.2%, incl. solidarity surcharge). This notional, direct taxation of reinvested earnings assumes that the shareholders generally hold their shares for a longer period of time, such that the effective taxation of the value contributed by reinvestment is significantly lower than the nominal tax rate.

In addition, when deriving the income to be discounted after personal tax, the inflation-related price increases in the perpetuity phase were also taken into account in the valuation and charged by a typified tax rate equivalent of half of the withholding tax plus solidarity surcharge. The purely inflation-related increases in equity value thus represent future capital gains in perpetuity, which are basically subject to the same tax burdens as reinvestment-related operating increases in equity value (cf. WPH Edition: Bewertung und Transaktionsberatung, 2018, Kap. A, Tz. 453).



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### Calculation of the discount rate

The calculation of the discount rate is presented in the table below.

#### Determination of the discount rate

Currency: EURm	FY18F	FY19B	FY20P	FY21P	FY22P	TV
Base interest rate before pers. tax	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Base interest rate after pers. tax	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%
Market risk premium	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Beta unlevered	0.73	0.73	0.73	0.73	0.73	0.73
Beta relevered	0.89	0.83	0.82	0.80	0.79	0.78
Terminal growth rate	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%
<b>Cost of equity</b>	<b>5.81%</b>	<b>5.51%</b>	<b>5.41%</b>	<b>5.34%</b>	<b>5.28%</b>	<b>4.21%</b>

Source: EY analysis, Capital IQ

#### Base interest rate

On the basis of the data published by Deutsche Bundesbank, the base interest rate was 1.25% before personal income tax at the time of completion of the valuation work. Taking the flat-rate withholding tax (25% plus solidarity surcharge) into account, the base interest rate amounts to 0.92% after tax.

This was in a first step calculated on the basis of the average interest rates for the months July to September 2018 and was further projected with a view with to most recent interest rate developments of October.

#### Market risk premium

The market risk premium was set at 5.5% after tax, and thus in the middle of the range recommended by the IDW of 5.0% to 6.0%. Please see the information provided in the section *Valuation principles and methods*.



## 4 Calculation of the equity value

### 6 Calculation of the discount rate

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### Linde AG's own beta factor as of 25 April 2018 **Beta factor**

	Data points	Beta levered	Frequency
Linde AG	104	0.92	2 yrs weekly

Source: Bloomberg, EY analysis

\*: The ticker symbol of Linde AG will be changed from LIN to LNA after the closing.

As a rule, beta factors are established as far as possible on a market basis using historical price data with the assistance of regression analyses. If the subject company is itself listed on a stock market, its own beta factor can be applied in certain circumstances.

The shares of Linde AG until completion of the exchange offer are listed under ISIN DE0006483001 (ticker LIN\*) on the Frankfurt Stock Exchange (Prime Standard) and on the regulated markets of the Berlin, Düsseldorf, Hamburg, Munich and Stuttgart stock markets and the Tradegate Exchange and are also traded over the counter at the Hanover Stock Exchange. Against the background of the public takeover offer made by Linde plc to the shareholders of Linde AG on 15 August 2017, the Linde shares tendered for exchange are listed under ISIN DE000A2E4L75 (ticker LINU). It can be assumed that the capital markets expect the exchange of these shares for Linde plc shares to be concluded and that the economic risks and rewards associated with Linde plc, i.e., in particular also the interests relating to the future of the business combination of Linde and Praxair Groups, are already reflected in the stock market price, at least to a certain extent.

Hence, only the original Linde shares (ticker LIN), which were not tendered for exchange, reflect the risks and rewards in the market price determined for Linde AG, i.e., the subject company. In addition, historical price data are available for Linde shares (ticker LIN) over a sufficient period of time, such that the Company's own primary beta can be used for the valuation to calculate the beta factor of Linde AG as a listed company. A peer group beta on the basis of a group of comparable listed third-party companies only serves to assess the plausibility of the Company's own beta.

A primary beta factor is generally unsuitable if it is determined on the basis of historical price data in a period following the announcement of the structural measure, mainly due to effects from market decoupling or (temporal) distortions caused by corporate actions (cf. German Federal Court of Justice ["Bundesgerichtshof": BGH] dated 19 July 2010, II ZB 18/09). The reference period for determining the beta factor must therefore end on or before the day on which the announcement of the structural measure is made (cf. Karlsruhe Higher Regional Court dated 13 May 2013, 12 W 77/07 (13), marginal no. 36 (juris); Frankfurt Higher Regional Court dated 30 August 2012, 21 W 14/11, marginal no. 80 (juris).

The period for the beta factor therefore ends on 25 April 2018 when the intention to consummate the squeeze-out was announced and comprises a period of two years with weekly return intervals.

The Company's own beta factor was determined on the basis of capital market data from the Bloomberg financial information service and analyzed in more detail. As a comparative index for regression analysis, the CDAX was used, being the broadest national index for the German market.





## 4 Calculation of the equity value

### 6 Calculation of the discount rate

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The suitability of the primary beta factor was examined in detail on the basis of statistical ratios and regression analysis methods as well as on the basis of share liquidity (cf. section 6 *Stock market price*). In valuation practice, the coefficient of determination R<sup>2</sup> (as the proportion of the spread or scattering explained by the market return of the benchmark index to the total spread of the stock return) or the t-test (influence of market return defined as independent variable on stock return as dependent variable) are most commonly used to test statistical significance, assessing whether the stock market prices are distortion-free and whether the beta factor can serve as a measure of the operational risk of Linde AG.

Based on our analyses of statistical significance, the review of liquidity criteria and the analysis of stock price performance, there are no indications that the Company's own beta factor should not be used. This stands at **0.92** (levered).

When choosing the beta factor, it must also be taken into account that the capital structure has an influence on the beta factor. As a rule, a higher debt-equity ratio results in a higher beta factor and a lower debt-equity ratio results in a lower beta factor. The unlevered beta factor is **0.73**.

The unlevered beta factor reflects the risk of a company fully financed by equity. In order to reflect the capital structure risk of the Company, the beta factor is adjusted dynamically on the basis of the debt/equity ratio for the specific period in line with the budget and forecasts.

For assessment purposes, the Company's own beta factor was compared with the average beta factor of a **peer group** of listed comparable companies. The beta factors of the peer group companies were calculated using broad-based national market indices. In this connection, the companies included in the peer group must be comparable to the entity being valued in terms of their systematic risk. The selection of peer companies, together with their Linde-specific divisional weightings, is shown in Appendix B and C; the peer group is also used to derive stock market multiples for the subsequent market-oriented plausibility check of the valuation result. The weighted average and median of these unlevered beta factors is well above the Linde own beta factor. Applying the relevant and quasi lower primary beta factor thus has a value-enhancing effect, *ceteris paribus*.

#### Growth rate

In the case of Linde, the use of a growth discount for FY18F to FY22P was not necessary, since income and expenses were planned as nominal amounts. A growth discount of 1.0% was applied for the fiscal years from 2023 and thereafter. This assumes that Linde's future distributable cash flows (taking the development of income and expenses into account) will grow continuously in nominal terms.



## 4 Calculation of the equity value

### 7 Determination of the capitalized earnings value

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### Determination of the capitalized earnings value

The calculation of the capitalized earnings value of Linde is presented in the following table:

#### Capitalized earnings value of Linde

Currency: EURm	FY18F	FY19B	FY20P	FY21P	FY22P	TV
<b>Income to be discounted after personal tax</b>	<b>141</b>	<b>185</b>	<b>621</b>	<b>743</b>	<b>790</b>	<b>1.767</b>
Cost of equity	5.81%	5.51%	5.41%	5.34%	5.28%	4.21%
Equity value at the beginning of the period	34,205	36,050	37,851	39,278	40,634	41,990
<b>Capitalized earnings value as of 12 December 2018 excl. special values</b>	<b>36,085</b>					

Source: EY analysis

Linde's capitalized earnings value before special items at 12 December 2018 is c. EURm 36,085.



## 4 Calculation of the equity value

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### Overview of non-operating assets and other special values

Currency: EURm	FY18F
Sale price	86
Carrying amount of land and buildings	17
Net gain on disposal	69
Tax (entity level)	(20)
<b>Non-operating land and buildings</b>	<b>66</b>
Assets held for sale	5
Securities	17
<b>Other non-operating assets</b>	<b>22</b>
Equity investments/Other financial assets	57
<b>Other special values</b>	<b>57</b>
<b>Special values</b>	<b>145</b>
Tax (personal level)	(38)
<b>Special values after pers. tax</b>	<b>107</b>
Compounding to the valuation date	6
<b>Special values as of the valuation date</b>	<b>113</b>

Source: EY analysis; management information

### Valuation of separately valued assets

#### Consideration of existing liquidity funds

As of 31 December 2017, the Linde Group had a cash balance of EURm 1,432 and securities classified as current assets of EURm 623 (before the valuation-related adjustment for the dividend paid in May 2018 for fiscal year 2017, along with the advance distribution for 2018). On the basis of the analyses of historical cash levels (in particular at subsidiaries) provided, an average operating cash balance was determined based on the revenue generated and was used for the budget and forecasts and accordingly also in the planning of the amount distributable.

Due to the recognition of these amount from surplus liquid funds in the net cash flows for the purposes of the valuation, it was not necessary to separately add these as separate values.

#### Separately valued assets

For value contributions which are not reflected in the consolidated budget and forecasts of the Linde Group as part of the planned assets, financial position and profit or loss, separate valuation is required in addition to the capitalized earnings value. This applies to (1) non-operating assets, (2) other special assets and (3) the recognition of disposals in accordance with antitrust regulations as a special valuation feature. In accordance with IDW S 1, non-operating assets should be valued separately and are defined as assets that can be sold without impairing the Company's actual operations.

#### (1): Non-operating assets

Land and buildings not required for operations, assets held for sale and securities were identified as assets not required for operations, cf. the table opposite.

These items are explained in more detail below.



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### Overview of non-operating assets and other special values

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<b>Special values</b>	<b>145</b>
Tax (personal level)	(38)
<b>Special values after pers. tax</b>	<b>107</b>
Compounding to the valuation date	6
<b>Special values as of the valuation date</b>	<b>113</b>

Source: EY analysis; management information

Land and buildings which Linde estimated to be at least 50% unnecessary for its operations were recognized as non-operating land and buildings worldwide. For land and buildings that were either already in the process of being sold or being put on the market at the observation date, a market value estimate was derived in the form of expected probability-weighted net sales proceeds. Taking the respective carrying amounts into account, the net disposal gain was then determined in order to determine relevant tax effects at company level. The resulting calculation steps are shown in the table (upper part). A separately valued asset of EURm 66 is recognized.

The H1 2018 results show non-current assets held for sale of EURm 15 as of 30 June 2018. These mainly relate to vehicles in the Asia-Pacific segment which were acquired in 2016 and are to be sold under a sale and leaseback arrangement. However, since these vehicles are considered as operating assets and a corresponding profit and loss contribution has already been recognized as part of the budget and forecasts, they are not accounted for as a special value. The other amount relates to the Remeo business in Germany, a company for integrated health care for patients requiring long-term ventilation support. Since the business was sold with effect as of 31 August 2018 the disposal group was recognized at the amount of proceeds on disposal of approximately EURm 5.

Current securities for cash investment of EURm 17 (as of 30 June 2018) are also not part of the operating business and are included in the valuation as a special value.

#### (2): Other special values

The other financial assets comprise long-term loans and other equity investments (at cost), whose investment income is not included in income in the budget and forecasts and is thus also accounted for as a special value.

Other equity investments recorded at cost include non-consolidated subsidiaries and investments in associates and joint ventures. Instead of the carrying amount (EURm 12), they were accounted for as a special value in the amount of the share in equity of approximately EURm 18. Other securities of the other equity investments were accounted for at their fair value of approximately EURm 38. The other loans also included in other financial assets did not have to be accounted for separately because the corresponding income was already included in the forecast financial result.

Value contributions from tax loss carryforwards were not recognized separately as they had already been taken into account by Linde Group in the tax planning as part of the effective Group tax rate.



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#### *Consideration of distribution restrictions*

Restrictions on distribution of income need to be considered when determining the special values after personal tax. This was not necessary in the case at hand since there were sufficiently high group retained earnings at the beginning of fiscal year 2018 and liquidity to assume an extensive distribution with a corresponding personal tax effect.

#### *(3): Particularity of the valuation - Consideration of divestments mandated by antitrust authorities*

In order to obtain the necessary regulatory approvals from the respective national antitrust authorities in connection with the business combination, Linde AG and Praxair, Inc. had to sell certain business activities. These divestments had not yet been completed at the time the budget and forecasts were prepared. Nevertheless, these circumstances needed to be assessed in the planning process and in the valuation work and the associated value contributions have been included accordingly.

#### *a) Scope and valuation method used to recognize the disposals as of September 2018:*

Considering all the conditions for completion of the business combination, the Linde Group's budget and forecasts of August 2018, including an update in September 2018, was prepared by eliminating the expected development of the assets, financial positions and earnings of business units and activities to be sold under antitrust law. The disposal objects known at the time of the planning were taken into account. These mainly comprised business activities in the USA, Canada, Puerto Rico, Brazil, Colombia and shares in joint ventures in China. The planning was approved by the Executive Board on September 5, 2018.

The planned consolidated income statement and balance sheet therefore already reflected the disposal of the value contribution from the related business volume and also included the expected net disposal proceeds or disposal gain (less the carrying amounts of assets and liabilities disposed of) in the sense of an integrated calculation as part of the planned year 2018. Therefore, no further adjustments had to be made for valuation purposes.

However, for the purposes of comparability between past and planned financial years as part of the planning plausibility assessment, corresponding adjustments were taken into account in the historical analysis (without value impact), as described in detail in the section *Analysis of historical performance* and *Analysis of the budget and forecasts* above.



## 4 Calculation of the equity value

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#### *b) Scope and valuation method used to recognize the disposals as of October 2018:*

In the course of the valuation work, further insights regarding the scope of additional disposals required by antitrust law became available. These were processed by the Linde Group as part of an update of the budget and forecasts and the updated plan was presented to and approved by the Executive Board on 9 October. It was necessary to update the budget and forecasts because it was foreseeable that the Group's assumption of value neutrality (the value contribution to be disposed of corresponds to the disposal proceeds received) with regard to these additional disposals would not apply in the Republic of South Korea, India, China and the USA.

The proceeds from or gains on these disposals are calculated using a market-based multiplier method and therefore reflect the Executive Board's expectations of achievable purchase prices. Linde uses EBITDA multiples of between 4.0x and 6.5x, which are below the average multiples achieved for all disposals to date due to the partial fragmentation of the business (e.g. individual assets with customer contracts without independent corporate character), the limited buyer universe (primarily local market participants instead of international competitors), the time component and the restrictions arising from partly existing pre-emption rights and joint venture structures.

We have validated the Linde Group's price calculation on the basis of an analysis of the value-driving parameters and on the basis of information provided and the first indicative purchase price offers received (for China).

In order to illustrate the value effect from the planning update of the disposal-related items, we have compared the payment surpluses resulting from the Group's view of both planning calculations in integrated arithmetic sets. The differences for each plan year thus represent the net value contributions from outgoing business and, in return, the additional disposal proceeds or gains (in the first planning year). By consistently discounting these residual cash flows, a present value was determined and recognized as a separate asset. This is a deduction item because the disposal proceeds or gains will not offset the corresponding value contribution of the divested business.

The deduction of EURm 1,253 is made as part of the derivation of the equity value in the following section. Separate consideration of tax effects was not necessary due to the methodological approach chosen (difference analysis of after-tax figures). Neither was a separate compounding of interest on the valuation date necessary.



## 4 Calculation of the equity value

### 9 Determination of the enterprise value

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### Determination of the equity value

On the basis of the above values, the equity value of the Linde Group is as presented in the following table:

### Calculation of the equity value

Currency: EURm	FY18F	FY19B	FY20P	FY21P	FY22P	TV
<b>Income to be discounted after personal tax</b>	<b>141</b>	<b>185</b>	<b>621</b>	<b>743</b>	<b>790</b>	<b>1.767</b>
Cost of equity	5.81%	5.51%	5.41%	5.34%	5.28%	4.21%
Equity value at the beginning of the period	34,205	36,050	37,851	39,278	40,634	41,990
<b>Capitalized earnings value as of 12 December 2018 excluding special values</b>	<b>36,085</b>					
Non-operating assets and special values after personal taxes	107					
Compounding of non-operating assets and special values	6					
Adjustment of additional divestitures mandated by antitrust authorities	(1,253)					
<b>Equity value as of 12 December 2018</b>	<b>34,944</b>					
<b>Equity value per share (in EUR)</b>	<b>188.24</b>					

Source: EY Calculations

Based on the capitalized earnings value, and after adding the non-operating assets and deducting the adjustment of additional divestitures mandated by antitrust authorities, the equity value of Linde AG is approximately EURbn 34.94 as of the valuation date 12 December 2018.

This results in a pro rata value per share of EUR 188.24 based on 185,638,071 no-par value shares (outstanding shares without treasury stock).

# 5

## Testing plausibility by means of multiples

### Plausibility check of multiples

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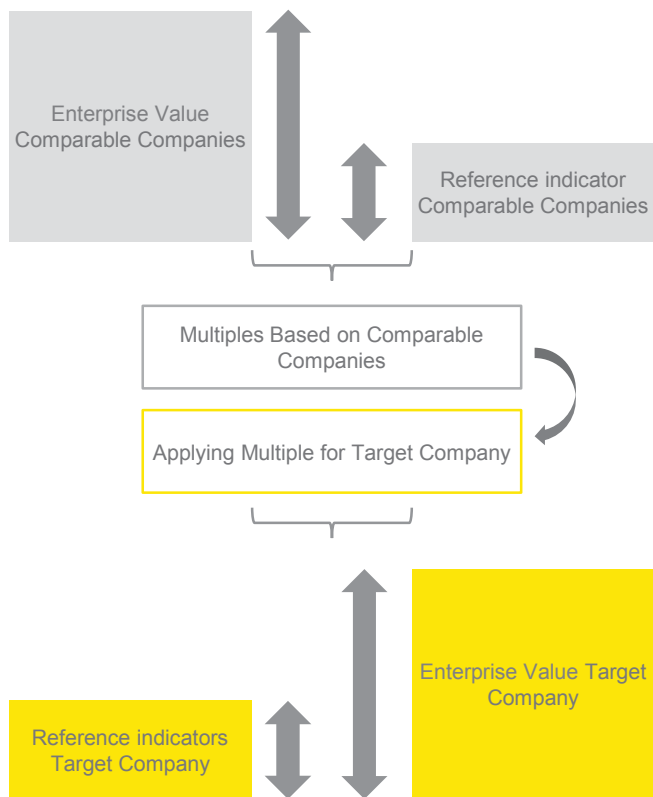


## 5 Testing plausibility by means of multiples

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#### Overview Multiple Approach



#### Determination of the equity value on the basis of capital market multiples

IDW S 1, section 143 recommends using simplified pricing methods based on capital market data to test the plausibility of the valuation determined under the capitalized earnings method. In particular, approaches based on multiples can be used. IDW S 1, section 144 expressly states that a business valuation using the capitalized earnings method cannot replace these simplified pricing methods.

The multiplier method is based on multiples of reference indicators of a group of companies which are comparable to the subject company (peer group). The multiples are calculated as ratios of the market capitalization of peer group companies to their reference indicators and are applied to the subject company.

Depending on the indicator used, the multiplier method determines the subject company’s equity value directly or indirectly (by deducting the net debt).

This method differs from the cash flow-based capitalized earnings method, which determines the equity value by discounting future cash flows. As the multiplier method is typically a valuation approach using market prices that are determined free of synergy potential, internal optimization potential and integration costs, the results of the market-based methods derive prices, rather than the company’s actual value.

Multiples incorporate capital market data to reflect the aggregated assessment of market participants as to longer term earnings expectations and business risk.

#### Indicators

Revenue or earnings figures and the carrying amount of equity of the peer group companies are used as financial indicators for calculating multiples. The following indicators are generally used:

- ▶ Revenues,
- ▶ Earnings before interest, taxes, depreciation and amortization (EBITDA),
- ▶ Earnings before interest and taxes (EBIT),
- ▶ Profit for the period.



## 5 Testing plausibility by means of multiples

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When selecting the relevant financial indicator it has to be taken into account that it is allocated proportionately to certain equity owners and that the denominator must match the relevant numerator when determining the multiples. For example, if the profit for the period is used as the financial indicator in the numerator, the equity value and not the enterprise value should be used in the denominator as the profit for the period is only attributable to equity owners. In contrast to the profit for the period, revenue, EBITDA or EBIT are ultimately attributable to all capital providers (equity and debt capital providers) and must therefore be stated in relation to the enterprise value.

The calculation of meaningful multipliers presupposes the existence of comparable companies which are at least comparable in relation to underlying legal, economic and financial factors. In addition, operating-related criteria, for example, industry, sales (customers, regions), competitive situation and growth prospects need to be considered when assessing the comparability of the companies. Therefore, the peer companies already used in the peer group analysis to verify the beta factor (cf. appendix B and the section *Calculation of the discount rate*) were used in the multiples-based approach below.

#### Approach

The peer company data relevant for the valuation were derived from recent financial statements, profit estimates and market capitalizations. In particular, we used recent consensus estimates from analysts for 2018 und 2019.

#### *Determination of the EBITDA and EBIT of the Linde Group used for the multiple valuation*

In determining the enterprise value, the multiple specific to the period was multiplied with the Linde Group's EBITDA/EBIT for the same fiscal year. Since revenue multiples usually disregard the expense structure of the subject company, they are only of limited informational value. Considering the different capital structures and tax situations, it was decided not to analyze profit multiples in the case at hand.

The company-specific indicators were taken from the audited consolidated financial statements for fiscal year 2017 and the budget and forecasts for the Linde Group described above and adjusted in order to best reflect the expected sustainable future circumstances of the Linde Group.



## 5 Testing plausibility by means of multiples

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- ▶ The operating profit for fiscal year 2017 was adjusted for the share in expected future divestments and the operating profit of the Division GIST that will be continued again in the future (cf. the description in the section on the *Analysis of historical performance*). Expected sustainable cost synergies of EURm 240 were also added. EBIT for fiscal year 2017 was adjusted in the same way, with the share in expected future divestments being approximated based on the share of the operating profit.
- ▶ The operating profit expected for FY18F according to the forecast was adjusted for the share attributable to divestments, the expected gain on disposal from these divestments and non-recurring costs for the LIFT program as well as additional identified non-recurring effects. In addition, expected sustainable cost synergies of approximately EURm 240 were added.
- ▶ Since the operating profit and EBIT expected for fiscal year 2019 according to the forecast already reflect the effects of expected divestments no adjustments were made for FY19P. Only the expected sustainable cost synergies of approximately EURm 240 not yet included in the forecast were added.

#### *Determination of the net debt*

In order to derive the equity value for the Linde Group, the net debt was deducted from the enterprise value. The net debt results from the interest-bearing liabilities calculated based on the current and non-current financial liabilities, liabilities from finance lease and pension provisions according to the consolidated financial statements as of 31 December 2017 or to the H1 2018 results of the Linde Group as of 30 June 2018, less non-operating liquidity.

Liquid assets as of 30 June 2018 (cash and cash equivalents as well as short-term securities) already reflect the distribution for the financial year 2017 taken place in May 2018 (including minority dividends) as well as the advance dividend for the first three quarters in 2018. This advance dividend has to be deducted as payment before valuation date due to the fact that it is no longer at shareholders' disposal as of valuation date. In contrast, liquid assets as per 31 December 2017 had to be adjusted manually to reflect these cash-outs from distributions. The expected proceeds from divestitures mandated by antitrust authorities were recognized as part of special values.



## 5 Testing plausibility by means of multiples

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#### *Special values*

As part of the derivation of the equity value using stock market multiples, the following effects, which are not already reflected in the company-specific reference figures, were included in the special values:

- ▶ Net proceeds from divestments required under antitrust law that are no longer reflected in the budget and forecasts and thus in the performance indicators but represent financial value contributions were included as a special values. In addition, the value effect from additional divestments was taken into account in line with the valuation of earnings.
- ▶ In addition, the value effect from the adjustment of additional antitrust divestitures was taken into account in analogy to the calculation of the capitalized earnings value (cf. section *Valuation of separately valued assets*).
- ▶ Other special effects include costs for divestments that are not sustainable and therefore adjusted in EBITDA and EBIT as well as one-time costs for efficiency programs (after personal taxes).
- ▶ In addition, the value effect from the interest swap (also after personal taxes) already explained in the context of the calculation of capitalized income was taken into account.
- ▶ Costs expected for implementing synergies as well as synergy potentials not fully deployed in the starting period represent non-recurring one-off effects which have to be deducted as part of non-recurring values (after personal taxes) instead of company-specific indicators.
- ▶ Furthermore, the other special values explained above net of any expected personal taxes and compounded to valuation date were included accordingly.

#### *Minority interests*

In line with the approach for determining the multiples of the peer companies, minority interests were economically considered as a liability to third parties and deducted – in addition to net debt and special values – from the enterprise value. The minority interests were determined based on the consolidated statement of financial position of the Linde Group, with the 31 December 2017 amount being adjusted for the minority dividend distributed in May 2018.

#### *Number of shares outstanding*

In connection with the determination of the value per share of Linde AG on the basis of multiples, the equity values calculated for Linde AG were divided by the number of shares of Linde AG that were outstanding as of the valuation date (without consideration of treasury stock).

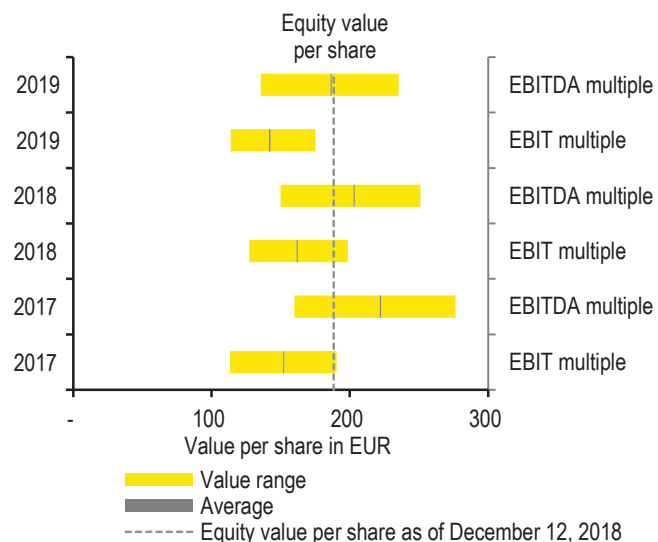


## 5 Testing plausibility by means of multiples

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### Business valuation using trading multiples



Source: Capital IQ, EY analysis

### Overview of the capital market multiples

	EV/EBITDA			EV/EBIT		
	2017	2018	2019	2017	2018	2019
1st quartile	9.7x	9.6x	8.6x	14.9x	14.6x	13.0x
Median	12.9x	12.4x	11.1x	18.5x	17.2x	14.6x
3rd quartile	15.0x	14.4x	13.2x	21.8x	20.5x	17.9x
<b>Average</b>	<b>12.6x</b>	<b>12.1x</b>	<b>11.0x</b>	<b>18.4x</b>	<b>17.5x</b>	<b>15.3x</b>

Source: Capital IQ, EY analysis

### Trading multiples

#### Selection of peer group

Comparable companies considered correspond to those who were also selected and used for the derivation of the beta factor. A detailed list of the peer group companies for Linde is presented in appendix B and C.

#### Valuation and analysis

The EBITDA and EBIT of the peer companies for 2018 to 2019 were derived from recent analysts' forecasts. The enterprise value ("EV") was calculated from the market capitalization of the peer companies plus net debt and minority interests. The multiples of the peer companies are shown in the adjacent table (cf. also appendix C). To present the ranges, the upper and lower quartile were excluded in order to limit the effects of outliers.

The following table also shows the derived values per share on the basis of average multiples. It can be seen that the derived value per share using the capitalized earnings method lies within this range of market-oriented prices and is therefore further supported by this multiple valuation.

#### Value per share of Linde AG based on the averages of EBITDA and EBIT multiples

Currency: EURm	EBITDA 2017	EBITDA 2018	EBITDA 2019	EBIT 2017	EBIT 2018	EBIT 2019
Linde Group (performance indicator adjusted for multiple valuation)	4,065	3,906	4,020	2,077	2,263	2,352
Average multiple	12.6x	12.1x	11.0x	18.4x	17.5x	15.3x
Enterprise value (excl. special values)	51,091	47,177	44,086	38,123	39,543	35,880
Net debt	(9,627)	(9,185)	(9,185)	(9,627)	(9,185)	(9,185)
Special values incl. gain from divestments	578	578	578	578	578	578
Equity value incl. minority interests	42,041	38,570	35,479	29,073	30,936	27,273
Minority interests in equity	(801)	(875)	(875)	(801)	(875)	(875)
Value of equity of Linde AG	41,240	37,695	34,604	28,272	30,061	26,398
Number of outstanding shares (in millions)	186	186	186	186	186	186
<b>Value per Linde AG share in EUR</b>	<b>222</b>	<b>203</b>	<b>186</b>	<b>152</b>	<b>162</b>	<b>142</b>

Source: Capital IQ, EY analysis



## 5 Testing plausibility by means of multiples

### 2 Determination of the enterprise value on the basis of transaction multiples

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### Testing the plausibility of the equity value on the basis of comparable transactions

#### Approach

When using transaction multiples, it is essential that the reference transactions are comparable. Therefore only transactions involving target companies with a business model and/or risk and reward profile comparable to those of the subject company should be considered. The prices paid are primarily effected by the individual and current interests of the parties involved, and thus by subjective value expectations. When establishing benchmarks, it should be considered, for example, whether majority or minority interests are being transferred and whether appreciably high strategic premiums were paid. As transaction multiples are derived from market prices, strategic premia and synergy potentials might be included implicitly. When analyzing transaction multiples, it has to be taken into account to select comparable transactions that are as close as possible to the valuation date.

#### Selection of comparable transactions

In order to ensure the greatest possible comparability with the subject company, we have exclusively considered transactions which meet the following criteria:

- ▶ target company operates in a comparable business segment
- ▶ the transaction took place in or after 2010
- ▶ a sufficiently large share in the target company was acquired in the target company (majority acquisition)
- ▶ the target company was not bought during an insolvency or financial distress

We calculated the enterprise value of the target company on the basis of publicly available information. It is calculated as the purchase price paid plus the company's net debt (as per the trading multiples approach) at the date of the transaction. It should be noted that the purchase price only refers to the shares actually purchased and must be extrapolated to 100% accordingly.

In order to determine the transaction multiples, we compared the implied enterprise value with EBITDA/EBIT at the date of the transaction. Multiples relating to revenue or profit for the period were not included due to their generally limited informational value.

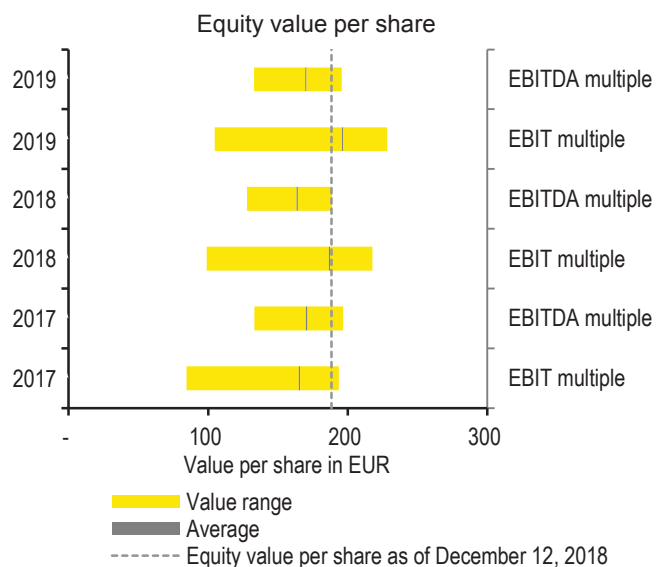


## 5 Testing plausibility by means of multiples

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### Business valuation using transaction multiples



Source: Capital IQ, EY analysis

### Overview of the transaction multiples

	EV/EBITDA	EV/EBIT
1st quartile	8.5x	12.3x
Median	10.1x	18.7x
3rd quartile	11.4x	22.1x
<b>Average</b>	<b>10.2x</b>	<b>19.5x</b>

Source: Capital IQ, mergermarket.com, EY analysis

### Transaction multiples

The adjacent overview shows the plausibility test using transaction multiples.

#### Valuation and analysis

The relevant multiples were multiplied by the EBITDA/EBIT for FY17A to FY19P of the Linde Group in order to derive a range for the equity value. The value ranges presented were calculated considering net debt, and net proceeds from divestments required under antitrust law and other non-recurring values. Analogously to the trading multiples, the interquartile range is presented. It should be noted that global transactions were used to test plausibility.

#### Conclusion

The adjacent chart shows that the value based on the capitalized earnings method is at the upper end of the bandwidth determined from the quartiles. If average multiples as shown in the table below are applied, the values are essentially below the capitalized earnings value per share. To this extent, the calculated capitalized earnings value is further supported; there are no indications for the capitalized earnings value being below current capital market conditions.

#### Value per share of Linde AG based on the averages of EBITDA and EBIT multiples

Currency: EURm	EBITDA 2017	EBITDA 2018	EBITDA 2019	EBIT 2017	EBIT 2018	EBIT 2019
Linde Group (performance indicator adjusted for multiple valuation)	4,065	3,906	4,020	2,077	2,263	2,352
Average multiple	10.2x	10.2x	10.2x	19.5x	19.5x	19.5x
Enterprise value (excl. special values)	41,513	39,887	41,049	40,563	44,202	45,935
Net debt	(9,627)	(9,185)	(9,185)	(9,627)	(9,185)	(9,185)
Special values incl. gain from divestments	578	578	578	578	578	578
Equity value incl. minority interests	32,464	31,280	32,442	31,514	35,595	37,328
Minority interests in equity	(801)	(875)	(875)	(801)	(875)	(875)
Value of equity of Linde AG	31,663	30,405	31,567	30,713	34,720	36,453
Number of outstanding shares (in millions)	186	186	186	186	186	186
<b>Value per Linde AG share in EUR</b>	<b>171</b>	<b>164</b>	<b>170</b>	<b>165</b>	<b>187</b>	<b>196</b>

Source: Capital IQ, mergermarket.com, EY analysis

# 6

## Stock market price

### Stock market price

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## 6 Stock market price

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#### Introduction and overview to the consideration of the market capitalization

In its decision on 27 April 1999 (cf. Federal Constitutional Court, 1 BvR 1613/94, DB 1999, p. 1,693 et seq.; WPg 1999, p. 780 et seq., cf. also IDW S 1, section 16), the Federal Constitutional Court ruled that the full compensation to be granted in determining fair compensation for minority shareholders when concluding a domination and profit transfer agreement may not be below the fair value of the shares. For listed companies, the fair value may not be determined without reference to the stock market. The principles expounded in the decision are therefore analogously applicable to determining fair cash compensation pursuant to Sec. 62 (5) Sentence 1 UmwG in conjunction with Sec. 327a et seq. AktG.

The Federal Constitutional Court also ruled that the stock market price does not always have to be the only factor used to determine the amount of compensation. “Exceeding this price is unproblematic under constitutional law. But there still may be good constitutional reasons for going below this price.” This applies in the exceptional event that the stock market price does not reflect the fair value of the share.

Since the shares of Linde AG will remain unchanged until completion of the exchange offer (not tendered for exchange: ISIN DE0006483001; tendered for exchange: ISIN DE000A2E4L75) are currently still listed on the Frankfurt Stock Exchange (Prime Standard), the regulated markets of the Berlin, Düsseldorf, Hamburg, Munich and Stuttgart stock exchanges and the Tradegate Exchange and are also traded over the counter at the Hanover Stock Exchange, it would also be conceivable to determine the value of the Company based on the market capitalization of Linde AG derived from the stock market price. After completion of the exchange offer, the shares of Linde AG will be listed exclusively under ISIN DE0006483001 with the new ticker symbol LNA.

However, there are cogent arguments against valuing a company using its stock market price, since the stock market price depends on numerous special factors and as such is susceptible to incalculable fluctuations and developments. Special factors include the size and narrowness of the market, randomness of specific prices as well as speculative and other variables not related to the value.



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#### The stock market price as relevant minimum value

In this type of valuation, the stock market price must be used as a minimum value (compensation in accordance with the UmwG in conjunction with the AktG).

According to rulings by the Federal Constitutional Court, a value less than the relevant stock market price may only be used to determine the compensation amount as an exception if the stock market price does not reflect the fair value of the share (cf. decision dated 27 April 1999, 1 BvR 1613/94). This is the case in particular if practically no trading of the company shares has occurred over a longer period of time, the individual minority shareholder is not able to sell his or her shares at the stock market price due to market constraint or the stock market price has been manipulated (cf. “DAT/Altana ruling,” Federal Court of Justice, decision dated 12 March 2001, II ZB 15/00; Düsseldorf Higher Regional Court, decision dated 25 May 2000, 19 W/5/93 AktE; Düsseldorf Higher Regional Court, decision dated 31 January 2003, 19 W 9/00 AktE; Karlsruhe Higher Regional Court, decision dated 5 May 2004, 12 W 12/01; Düsseldorf Higher Regional Court, decision dated 4 October 2006, 26 W 7/06).

More recent court rulings have also confirmed the opinion of the Federal Constitutional Court, e.g., the decision by the Munich Regional Court on 30 May 2018 on the relevance of the stock market price as a minimum value (as well as the three-month mean calculation presented below) (cf. Munich Regional Court I, 30 May 2018, 5 HK 10044/16, in particular section 189).

However, the rulings lack a quantification of criteria, such as the specification of a minimum trading volume or a certain number of days of trading in the relevant shares. The Stuttgart Higher Regional Court states: “Ultimately, it is necessary to make an overall assessment of the market circumstances in each case, quantitative limits cannot be set in broad terms” (cf. Stuttgart Higher Regional Court, decision dated 14 February 2008, 20 W 9/06). Acceptance of such exceptions is therefore very restrictive overall.

In its decision dated 12 September 2017 (12 W 1/17), the Karlsruhe Higher Regional Court also follows the opinion of the Federal Constitutional Court regarding the stock market price as a minimum value for the compensation (ibid. Munich Higher Regional Court AG 2007 246/247) and refers to the criteria of Sec. 5 WpÜG-AngVO [“Verordnung über öffentliche Angebote zum Erwerb von Wertpapieren und von Unternehmensübernahmen”: German Regulation on Public Offers to Acquire Securities and Takeover Enterprises] for the assessment of the existence of market constraint.

Sec. 5 (4) WpÜG-AngVO states the following on market constraint: “If stock market prices have been determined for the shares of the target company on less than one third of trading days during the three months prior to the announcement pursuant to Sec. 10 (1) Sentence 1 or Sec. 35 (1) Sentence 1 WpÜG [“Wertpapiererwerbs- und Übernahmegesetz”: German Securities Acquisition and Takeover Act] and if several



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stock market prices found consecutively differ from one another by more than 5%, the amount of compensation must be equivalent to the value of the entity calculated on the basis of a valuation of the target company.” In some of the court rulings, however, a potentially narrow market is not automatically considered as a criterion for precluding the use of the stock market price as a reference value. In its decision dated 11 July 2006 (31 Wx 41/05), for example, the Munich Higher Regional Court finds that the stock market price must also be used to measure the cash compensation in connection with a squeeze-out if the market is constrained provided a minority shareholder is able to sell his or her shares (at the bid price) on many trading days in the relevant period.

#### Relevant cut-off date and reference period

For the purpose of taking the stock market price into consideration, the relevant reference period used to calculate the stock market price as a minimum value needs to be determined.

According to the rulings of the Federal Court of Justice, when determining the relevant period for the stock market price that is to be used for the valuation, a reference price should be used based on the turnover-weighted average price over a period of three months (so-called “Stollwerck ruling,” cf. Federal Court of Justice decision dated 19 July 2010, II ZB 18/09). Using average values eliminates random effects and short-term distortions that can affect the price on a certain specific date. Furthermore, weighting the value according to daily revenue avoids distortions that can occur when a simple mean is used.

The period to use for calculating the three-month average price as a minimum value for the cash compensation in a capital measure had been the subject of disagreement in the literature and court rulings before the decision by the Federal Court of Justice on 19 July 2010. In contrast to the view previously taken, the Federal Court of Justice decided that the underlying three-month reference period ends on the day prior to announcement of the intended capital measure. The main argument for this opinion is that, following the announcement of a capital measure, the price development is influenced by speculation about the compensation amount. The Karlsruhe Higher Regional Court (12 September 2017) confirms this view and refers to Sec. 5 WpÜG-AngVO with regard to the calculation of the average price.



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### 3 Cut-off date and reference period

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In keeping with the ruling of the Federal Court of Justice, this means that the end of the reference period is the date prior to announcement of the declaration of intent to carry out a reorganization or corporate action. This is also the approach commonly adopted in practice. However, it is unclear how the actual date of the announcement on which the reference period ends should be identified and defined in each specific case.

Based on the principles of the Stollwerck ruling by the Federal Court of Justice, the first emergence of reliable information is relevant since market expectations alter with knowledge of the intended capital measure, namely in line with the amount of the expected compensation (cf. Federal Court of Justice dated 19 July 2010 – II ZB 18/19, marginal no. 22 and Karlsruhe Higher Regional Court dated 22 June 2015 – 12a W 5/15). Accordingly, it is irrelevant whether the market receives the information by means of an ad hoc announcement by the majority shareholder, an announcement by the controlled company or through a reliable media report (cf. Karlsruhe Higher Regional Court dated 22 June 2015 – 12a W 5/15, marginal no. 29).

On 25 April 2018, Linde AG announced that, on the same day, Linde plc, Linde AG and Praxair Inc. agreed, subject to the successful merger of the Linde and Praxair groups under the umbrella of Linde plc, to carry out a merger of Linde AG (transferor entity) with Linde Intermediate Holding AG (acquiring entity) in order to simplify the future group structure. In this connection, the remaining minority shareholders of Linde AG will be bought out (“squeezed out”) in return for a fair cash compensation pursuant to Sec. 62 (1) and (5) UmwG in conjunction with Sec. 327a et seq. AktG. It was also announced that Linde AG and Linde Intermediate Holding AG, which is expected to hold around 92% of the shares of Linde AG after the merger, will commence negotiations about a merger agreement. The merger agreement will state that, in connection with the merger, the remaining minority shareholders of Linde AG will be bought out (“squeezed out”) in return for a fair cash compensation pursuant to Sec. 62 (5) Sentence 1 UmwG in conjunction with Sec. 327a et seq. AktG.



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### 3 Cut-off date and reference period

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Furthermore, the tender document for the voluntary public takeover offer published by Linde plc on 15 August 2017 stated that a subsequent squeeze-out could potentially be included in the reorganization. As of 24 November 2017, Linde AG announced in this context that the 90% acceptance rate threshold had been reached and pointed out that if the merger was successful, Linde plc could initiate a squeeze-out under stock corporation law, but that no decision had been made in that regard at the current time. As of 29 November 2017, in the announcement pursuant to Sec. 23 (1) Sentence 1 No. 3 WpÜG, Linde plc finally made it known that the public takeover offer issued by Linde plc to the Linde shareholders had an acceptance rate of 92.05%, but was subject to the closing conditions for anti-trust approvals.

The following detailed analysis of the price for the Linde AG share will examine whether the stock market price was already significantly influenced prior to 25 April 2018 with regard to the announced capital measure and whether an earlier date should be considered as the end of the reference period as a result.



## 6 Stock market price

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#### Criteria for the analysis of the historical price development

We performed a detailed analysis of the stock market price in light of the above explanations on reference period and extrapolation considerations.

In addition to the criteria of market constraint (i.e., market narrowness) pursuant to Sec. 5 (4) WpÜG-AngVO stated above, our analysis was conducted in particular on the basis of the following quantitative criteria that have emerged in the court rulings as being key for assessing the relevance of the stock market price (cf. Land/Hallermayer, AG 2015, 659 (Vol. 18)):

- ▶ proportion of shares issued in free float
- ▶ trading volume in the reference period in relation to the free float
- ▶ number of trading days on which no shares were traded
- ▶ price jumps/volatility of stock market price in the reference period

We also examined the bid-ask spread.

Unless stated otherwise, we primarily used a three-month period from 25 January up to and including 24 April 2018 for the purpose of our analysis.

Unless stated otherwise, capital market data was sourced from the financial information provider Bloomberg (daily closing prices and daily average prices of all stock exchanges). We supplemented this information with trading data from Deutsche Börse AG (tick data from the electronic trading platform Xetra and Frankfurt floor trading).



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#### Master data of the Linde share

	Tendered	Untendered
ISIN	DE000A2E4L75	DE0006483001
WKN	A2E4L7	648300
Share type	Bearer shares	Bearer shares
Ticker	LINU	LIN
Branch	Chemicals	Chemicals
Index	DAX	-
Segment	Prime Standard	Prime Standard
Last Dividends		EUR 7.00 (2017) EUR 3.70 (2016) EUR 3.45 (2015) EUR 3.15 (2014) EUR 3.00 (2013)
No. of shares*	170,874,958	14,763,113
Market Cap**	EURbn 39.58	-
52 week high	EUR 228.60	EUR 199.40
52 week low	EUR 165.40	EUR 159.70
Stock exchange	Berlin, Duesseldorf, Frankfurt (Main), Hamburg, Munich, Stuttgart	
Rating	Moody's A2 stable, Standard & Poor's A+ stable, Scope A+ stable	

\* excluding 95,109 treasury shares  
\*\* at current share price, based on 185,638,071 shares

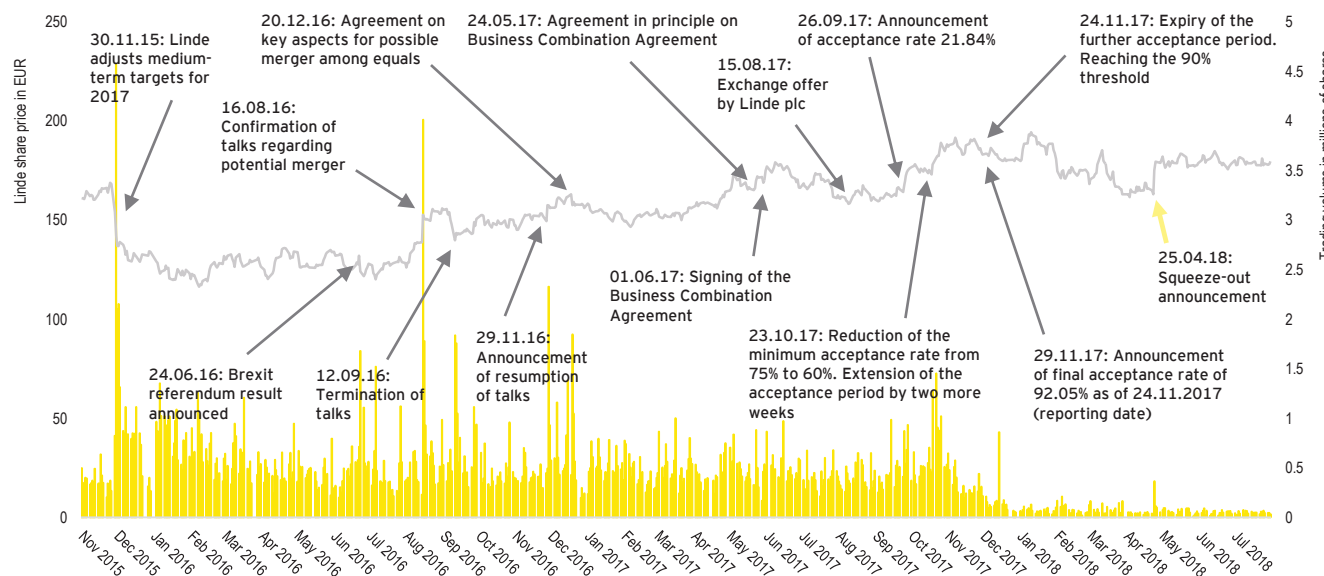
Source: Company information as of 21 October 2018

#### Development of the stock market price including a description of the relevant events

The Linde stock market price on 2 November 2015 was EUR 161.15 (closing price according to Bloomberg). Following the ad hoc announcement on the adjustment of the medium-term guidance for 2017 from 30 November 2015, the stock market price initially fell to EUR 142.00 on the subsequent day and then fell further to a temporary low of EUR 116.32 on 9 February 2016. The price then recovered and was listed at a slightly higher level of around EUR 130 per share in the subsequent trading months. Following the announcement of the result of the Brexit referendum on 24 June 2016, the price fell temporarily to EUR 121.70 (closing price of the following trading day).

An ad hoc announcement on 16 August 2016 confirmed that Praxair was holding talks with Linde on a potential merger, which caused the price to increase by approximately 10% compared to the previous day (from EUR 138.73 to EUR 152.60). Subsequently, the stock market price increased further to its temporary high of EUR 155.90 on 1 September 2016. After 7 September 2016, the stock market price started to fall again.

After the announcement that merger negotiations between the two parties had been abandoned (ad hoc announcement by Linde AG on 12 September 2016), the share reached a price of EUR 139.81 (down by 5.6%).



Source: Bloomberg, EY analysis



## 6 Stock market price

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In the months that followed, the Linde share climbed steadily to EUR 149.51 on 28 November 2016. In connection with the announcement of the resumption of talks on a possible merger between Linde AG and Praxair Inc. (bid price of USDbn 33.9) on 29 November 2016, the price of the Linde share rose by 5.4% to EUR 157.55. Subsequently, the price increased peaking at EUR 163.04 on 19 December 2016. On the next day, 20 December 2016, Praxair and Linde announced that they had agreed on the essential terms and conditions of a potential merger of equals between the two companies. In the subsequent months until the end of May, the price of the Linde share ranged between EUR 146.48 (minimum on 7 February 2017) and EUR 173.70 (maximum on 5 May 2017).

Following the announcement on 24 May 2017 that the two negotiating parties had reached a deal in principle on the business combination agreement (BCA) for the merger of equals, the agreement was signed on 1 June 2017 after obtaining approval from the Board of Directors of Praxair and Linde's Executive Board and Supervisory Board. The price then increased to a temporary maximum of EUR 179.20 on 9 June 2017.

On 15 August 2017, the tender document on the public takeover offer of Linde plc to the Linde shareholders was published. At this point, the share was traded at a price of EUR 162.33 (closing price on 14 August 2017 according to Bloomberg); the price changed only marginally on the date of the announcement and closed at EUR 162.92.

On the date on which the extended acceptance period ended, the price of the Linde share was EUR 191.00 (closing rate on 24 November 2017 according to Bloomberg), falling to EUR 187.16 at the end of the following trading day. On 29 November 2017, the acceptance rate of 92.05% as of the 24 November 2017 cut-off date was announced. There was no significant change in the share price, which stood at EUR 186.29 at the close of trading.

On the day prior to the announcement of the capital measure on 25 April 2018, the Linde share closed at EUR 163.00 (daily closing price on 24 April 2018). This news resulted in an immediate increase in the price to EUR 175.10 on 25 April 2018 (up 7.4%).





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#### **Analysis of the stock market price development based on liquidity criteria**

##### *Proportion of shares issued in free float*

Of the total 185.6 million shares issued, 14.85 million (including treasury shares) are in free float, which is equivalent to approximately 8% of the shares. The proportion of shares tendered for exchange and still freely tradeable is approximately 92%.

The proportion of shares in free float appears to be quite low overall at 8%, but is inherent to the purpose of the valuation. Accordingly, no final assessment can be reached on the basis of this criterion alone, and must rather be assessed together with the trading volume.

##### *Trading volume in the reference period in relation to the free float*

In the three-month observation period from 25 January 2018 to 24 April 2018, the cumulative trading volume was 4.2 million shares, or around 28% of the free float (based on Bloomberg data for all stock exchanges). This indicates sufficient liquidity.

##### *Number of trading days on which no shares were traded*

In the observation period from 25 January to 24 April 2018, transactions were recorded on all German trading days. Hence trading took place on significantly more than one third of normal trading days. Consequently, the shareholders had the opportunity to sell their shares within the meaning of the ruling of the Munich Higher Regional Court (decision dated 11 November 2006, 31 Wx 41/05) on every trading day.

Extending the observation period from 1 November 2015 to 24 April 2018 leads to the same finding (no trading day without trading).

##### *Price jumps/volatility of stock market price in the reference period*

Within the reference period under review (25 January to 24 April 2018), the highest positive price yield of consecutively concluded transactions was 2.1%; the highest negative yield was 2.8% (data source: tick data from Deutsche Börse AG for Xetra). Consequently, the largest price jump of the Linde share in the period under review was well below the threshold of 5%.

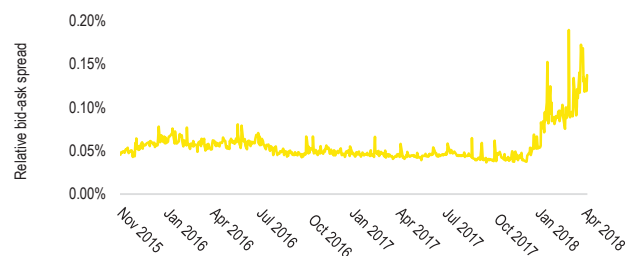


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### 4 Development of Linde AG's stock market price

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#### Development of the bid-ask spread for the Linde share



Source: Bloomberg

This trend is affirmed when the observation period is extended back to November 2015. As of 1 December 2015 (after the announcement of the reduction of the medium-term guidance for 2017 on 30 November 2015), 24 June 2016 (after the Brexit referendum), 16 August 2016 (date on which the merger talks were confirmed), 12 September 2016 and 30 November 2016 (first day after talks were resumed), there are price jumps of more than 5% in absolute terms, but they occur in isolation only, i.e., never twice or several times in a row (cf. Süßmann, Rainer in: Angerer/Geibel/Süßmann, WpÜG, 3rd edition, Sec. 31, marginal no. 106).

Overall, there have been only slight price jumps since 1 November 2015, such that the liquidity criterion regarding the Linde share is not restrained.

#### Analysis of the bid-ask spread

A further indicator for the lack of market constraint (i.e., market narrowness) is the bid-ask spread. In the observation period from 25 January to 24 April 2018, the bid and ask prices differ from one another only slightly, as shown in the adjacent graph. Even the highest bid-ask spread in the period (0.19%) is significantly less than 1%. The average bid-ask spread is approximately 0.11%. Normally, liquid shares have bid-ask spreads of less than 1%, cf. also Munich Regional Court I, 21 December 2015 – 5 HK O 24402/13. The average bid-ask spread of the Linde share is thus significantly lower than this threshold and the share is consequently deemed to be liquid.

When the observation period is extended back to 1 November 2015, the spread on every trading day is still significantly below 1%. The average bid-ask spread for the extended period is approximately 0.06%.

#### Other factors: capital market efficiency and information processing

In addition to the above factors, it needs to be considered whether all available information has been processed in the prices by the investors in such a way that the stock market price reflects the market value as required by the information efficiency theory (cf. Fama, Journal of Finance 1970, p. 383-417).

Linde AG has been listed on the German stock index (DAX) since 11 January 2002. It is therefore subject to disclosure requirements, ensuring the adequate availability of capital market-relevant information. We are not aware of any reasons why the Linde share would not reflect a level of information customary in an efficient market.



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#### Conclusion

Based on our analyses and the outlined criteria, we reach the conclusion that there was no market constraint (i.e., market narrowness) in the period from 25 January 2018 to 24 April 2018 (inclusive) or the medium-term historical period from November 2015. As such, there are no indications that the stock market price does not reflect the fair value of the share. We therefore conclude that the stock market price is relevant as a minimum value for measuring the compensation.

An analysis of the development of the stock market price reveals that the share price changed in the short term in response to merger announcements, but more or less leveled out again over the medium term. There is therefore no cause to assume that the stock market price was significantly influenced prior to 25 April 2018 with regard to the announced capital measure (squeeze-out). We therefore conclude that the relevant date of the announcement is 25 April 2018 and the three-month average price can be appropriately determined over a reference period from 25 January 2018 to 24 April 2018 (inclusive).



## 6 Stock market price

### 5 Calculation of the average stock market price

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#### Calculation of the average stock market price as of the cut-off date

Considering the three months directly prior to the announcement of the planned capital measure (procedure for excluding minority shareholders and merger) of 25 April 2018 as the reference period for calculating the average stock market price (period from 25 January 2018 up to and including 24 April 2018), there is a price movement from EUR 187.50 to EUR 163.00 (data sourced from the daily closing prices from Bloomberg).

BaFin [“Bundesanstalt für Finanzdienstleistungsaufsicht”: German Federal Financial Supervisory Authority] calculated a historical minimum price for the shares of Linde AG pursuant to Sec. 31 (1), (7) WpÜG in conjunction with Sec. 5 WpÜG-AngVO of EUR **172.79** as of this cut-off date. This was weighted by its revenue relative to the total number of units.

We analyzed and reviewed the three-month average price of the Linde AG share as of 24 April 2018 (inclusive) based on the data of Deutsche Börse AG as well as data from the financial information provider Bloomberg. We do not see any reason to use a deviating period to calculate the three-month average price.

To test the plausibility of the three-month average price for the Linde AG share provided by BaFin, we conducted our own plausibility calculations based on the trading data of Deutsche Börse AG. The trading data procured from Deutsche Börse AG for the Linde AG share (ISIN: DE0006483001) cover floor trading at the Frankfurt stock exchange and electronic trading (Xetra) which together account for the majority of the trading volume at all stock exchanges for Linde AG. The weighted average price of the Linde share was calculated based on the trading data of Deutsche Börse AG using the method described by BaFin. All transactions reported by Deutsche Börse AG (transaction or tick data) in the period from 25 January 2018 up to and including 24 April 2018 were taken into account. This plausibility calculation resulted in a three-month average price of **EUR 172.96** which, taking account of the slightly different data basis, is roughly equivalent to the mean price calculated by BaFin based on all relevant trading data. Taking account of the volume-weighted daily prices of the financial services provider Bloomberg used to further test the plausibility resulted in an average price of **EUR 172.95**.

The relevant average three-month stock market price therefore is **EUR 172.79** as calculated by BaFin.



## 6 Stock market price

### 6 Extrapolation of the stock market price to the date of the shareholders' meeting

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#### **Extrapolation of stock market price to the day of the shareholders' meeting**

In its ruling on the relevant reference period for calculating the stock market price, the Federal Court of Justice also found that, under certain circumstances, the stock market price of the share derived from the three-month reference period on the date prior to the announcement of the intended capital measure must be extrapolated to the date of the resolution of the shareholders' meeting in line with the general development of market capitalization or development customary for the industry. The price must be extrapolated if there is a long period between the announcement of the capital measure and the resolution by the shareholders' meeting on the capital measure and an adjustment appears necessary in light of the development of the stock market prices (cf. "Stollwerck ruling," of the Federal Court of Justice, decision dated 19 July 2010, II ZB 18/09 and confirmed by the Federal Court of Justice, decision dated 28 June 2011, II ZB 2/10).

A period of seven and a half months was considered to be a long period in the Federal Court of Justice's "Stollwerck ruling" from 2010. At all events, the Stuttgart Higher Regional Court dispenses with an extrapolation of the market capitalization in line with the general development of market capitalization or development customary for the industry if the shareholders' meeting takes place no longer than six months after the announcement of the capital measure (cf. Stuttgart Higher Regional Court, decision dated 19 January 2011, 20 W 3/09, Stuttgart Higher Regional Court, decision dated 4 May 2011, 20 W 11/08 and Stuttgart Higher Regional Court, decision dated 17 October 2011, 20 W 7/11).

The Stuttgart Higher Regional Court states that the inclusion of developments beyond the announcement of the capital measure via extrapolations should be an exception since this is merely aimed at preventing abuse by the majority shareholder of the structuring options associated with the announcement. The majority shareholder must not be allowed to exclude the other shareholders from a positive stock market trend by announcing the capital measure early and then waiting before implementing it (cf. Stuttgart Higher Regional Court, decision dated 19 January 2011, 20 W 3/09 and Stuttgart Higher Regional Court, decision dated 17 October 2011, 20 W 7/11 with reference to the "Stollwerck ruling" of the Federal Court of Justice, decision dated 19 July 2010, II ZB 18/09).

The Stuttgart Higher Regional Court thus believes application should be limited to cases in which execution of the announced capital measure is delayed for no objective reason. The Saarbrücken Higher Regional Court agrees with this assessment, adding a "dilatatory performance" of the squeeze-out as a further indicator (cf. Saarbrücken Higher Regional Court, decision dated 11 June 2014, 1 W 18/13). According to the Stuttgart Higher Regional Court, however, subsequent developments should not be taken into consideration when the capital measure is carried out within a "normal and customary timetable."



## 6 Stock market price

### 6 Extrapolation of the stock market price to the date of the shareholders' meeting

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The Munich Regional Court emphasizes the fact that the Stollwerck ruling was intended as an exception pointing to the danger of failing to recognize this aspect and allowing it to become the rule. It also points out that some approaches in literature do not adequately take account of the special aspects of the individual case, such as size and complexity of the subject company (cf. Munich Regional Court I, decision dated 28 April 2017, 5 HK O 26513/11).

For an extrapolation, the Frankfurt Higher Regional Court considers industry indices – or even peer group companies – to be more appropriate than cross-industry indexes because the price development of a certain company would normally be influenced more heavily by the industry it belongs to than by the development of the economy as a whole (Frankfurt Higher Regional Court, decision dated 21 December 2010, 5 W 15/10). In addition to direct extrapolations along general market developments, the preferred approach from an economic perspective consists of using the CAPM to take the share's own beta factor into account as an indicator for price movements along the market and accordingly to multiply it by the market or industry development of the respective period.

#### Conclusion on the necessity of an extrapolation

In the case at hand, the capital measure was announced on 25 April 2018. The shareholders' meeting is scheduled for 12 December 2018.

Relying on deliberations based on one-sided mathematical calculations could potentially indicate a “long period”, but would neglect the economic and actual aspects of limiting extrapolations to exceptional cases in which there is an unfounded intention to cause a delay, dilatory performance of the measure or an unusually long valuation and audit review period. However, such an exception which could justify an extrapolation does not exist here.

- ▶ After the conclusion of the squeeze-out agreement between Linde plc, Linde AG and Praxair, an ad hoc announcement had to be made on 25 April 2018; Linde AG was therefore legally obliged to make the announcement.
- ▶ The annual general meeting of Linde AG took place on 3 May 2018. The decision on the squeeze-out under transformation law was therefore made and announced in good time so that the shareholders could be informed of the squeeze-out before the annual general meeting, giving them the opportunity to ask questions at the meeting. This also put the Executive Board in a position to be able to provide clear answers to anticipated questions from the shareholders regarding measures to the transaction.



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- ▶ Furthermore, there are no indications that the date of the shareholders' meeting on 12 December 2018 might have been abusively postponed. 12 December 2018 is the earliest date on which an extraordinary shareholders' meeting of Linde AG could take place after the merger with Praxair and the exchange offer of Linde plc to the shareholders of Linde AG is successfully closed. The exchange offer to the Linde shareholders specifies as a condition that the required antitrust approvals are obtained by no later than 24 October 2018. The exchange offer can typically be completed a couple of business days later. The merger agreement cannot be concluded until after this date, at which time an extraordinary general meeting can then finally be convened. If the invitation is issued immediately, 12 December 2018 is one of the earliest possible dates for the shareholders' meeting from a practical perspective.
- ▶ As well as the pure coordination of the legal aspects and time planning, to fulfill antitrust conditions relating to divestments, financial interdependencies with the budget and forecasts, pro forma adjusted historical analyses and other aspects relevant to valuation need to be considered. Therefore a detailed planning, valuation and audit review process is necessary.
- ▶ The squeeze-out under the law of transformation has a particularly complex background comprising the planned merger of Linde and the Praxair Group as set out in detail in the business combination agreement dated 1 June 2017 and the offer document for the voluntary exchange offer of Linde plc., due among other things to the group structure, the synergies to be considered and the numerous advisory and review processes involved. In terms of size, based on the enterprise value, the Linde Group and the capital measure in the present case, is clearly larger than the enterprise value of the subject company in the Stollwerck ruling, which therefore also implies a greater complexity and that more time will be required than for a "normal and customary" review.



## 6 Stock market price

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#### Conclusion on the extrapolation requirement

As explained above, an extrapolation of the stock market price need not be performed. Moreover, the capitalized earnings value per share of **EUR 188.24** is approximately 9% above the average stock exchange price of **EUR 172.79** and it would therefore require growth in the underlying market or industry of even higher levels (especially if the extrapolation factor is determined applying Linde's beta factor being below 1.0) to arrive at a higher value via extrapolation. At the time of issuing this report, however, no growth of this amount has been observed in the market since 25 April 2018.



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## Summary of results

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## Conclusion

In accordance with our engagement, we determined the objectified equity value taking into account IDW Standard S 1 “Principles for the Performance of Business Valuations” issued by the IDW for the purpose of establishing the fair cash compensation in accordance with Sec. 62 (5) Sentence 1 UmwG in conjunction with Sec. 327a et seq. AktG. In keeping with the principles of IDW S 1, our role was that of an independent appraiser.

According to the results of our analyses based on the documents, information and evidence provided to us and using the methods explained in this report, the equity value of Linde AG, Munich, as of 12 December 2018 is approximately

**EURbn 34.94**

The resulting value of each of the 185.6 million shares is

**EUR 188.24**

We wish to point out that the valuation date (date of the planned shareholders’ meeting) is after the date on which we submitted our report. As a result, it is possible that events could occur between these two dates that could affect the value.

Munich, 25 October 2018

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

*convenience translation, not signed*

*convenience translation, not signed*

# 8

## Appendices

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<b>A</b>	actual figures	<b>DCF</b>	discounted cash flow
<b>adj.</b>	adjusted	<b>EBIT</b>	earnings before interest and taxes
<b>AG</b>	Aktiengesellschaft [German stock corporation]	<b>EBITDA</b>	earnings before interest, taxes, depreciation and amortization
<b>AktG</b>	Aktengesetz [German Stock Corporation Act]	<b>e.g.</b>	exemplum gratia (for example)
<b>approx.</b>	approximately	<b>EMEA</b>	Europe, Middle East and Africa
<b>arithm.</b>	arithmetic	<b>etc.</b>	et cetera (and so forth)
<b>B</b>	budget	<b>et seq.</b>	et sequentes (and the following)
<b>BaFin</b>	Bundesanstalt für Finanzdienstleistungsaufsicht [German Federal Financial Supervisory Authority]	<b>EU</b>	European Union
<b>BGH</b>	Bundesgerichtshof	<b>EUR</b>	Euro (currency)
<b>BIP</b>	Bruttoinlandsprodukt [gross domestic product]	<b>EURIBOR</b>	Euro Interbank Offered Rate
<b>BVerfG</b>	Bundesverfassungsgericht [German Federal Constitutional Court]	<b>EURbn</b>	EUR billions
<b>CAGR</b>	compound annual growth rate	<b>EURm</b>	EUR millions
<b>CAPM</b>	Capital Asset Pricing Model	<b>EV</b>	Enterprise value
<b>Capex</b>	capital expenditure	<b>excl.</b>	excluding
<b>CDAX</b>	Composite DAX	<b>EY</b>	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
<b>cf.</b>	confer	<b>F</b>	forecast
<b>COGS</b>	cost of goods sold	<b>FAUB</b>	Fachausschuss für Unternehmensbewertung und Betriebswirtschaft [IDW's Technical Committee for Business Valuation and Business Administration]
<b>Corp.</b>	corporation	<b>FY</b>	fiscal year
<b>c.p.</b>	ceteris paribus		
<b>CPI</b>	Consumer Price Index		
<b>DAX</b>	Deutscher Aktienindex [German stock index]		
<b>DB</b>	Der Betrieb [German technical literature]		



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<b>GBP</b>	Great British Pound	<b>Linde group or Linde</b>	Linde AG, Munich with subsidiaries
<b>GDP</b>	Gross Domestic Product	<b>Linde Intermediate</b>	Linde Intermediate Holding AG, Munich
<b>geom.</b>	geometric	<b>Linde plc</b>	Linde Public Limited Company, Dublin/Ireland
<b>GmbH</b>	Gesellschaft mit beschränkter Haftung [German limited liability company]	<b>Ltd.</b>	limited company
<b>HGB</b>	Handelsgesetzbuch [German Commercial Code]	<b>LLC</b>	limited liability company
<b>HRB</b>	Handelsregisterblatt [German commercial register sheet]	<b>LTM</b>	last twelve months
<b>IAS</b>	International Accounting Standards	<b>M&amp;A</b>	Mergers & Acquisitions
<b>IDW</b>	Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany], Düsseldorf	<b>max</b>	maximum
<b>IDW S 1</b>	IDW Standard: Principles for the Performance of Business Valuations (IDW S 1)	<b>MDax</b>	Mid-Cap-DAX (stock index)
<b>i.e.</b>	id est (that is)	<b>min</b>	minimum
<b>IFRS</b>	International Financial Reporting Standards	<b>MRP</b>	market risk premium
<b>Inc.</b>	incorporated	<b>n/a</b>	not applicable
<b>incl.</b>	including	<b>n.m.</b>	not meaningful
<b>IP</b>	Industrial Production	<b>no.</b>	number
<b>ISIN</b>	International Securities Identification Number	<b>OP</b>	operating profit
<b>IT</b>	information technology	<b>P</b>	plan figures
<b>Jun18A</b>	June 2018 (actual figures)	<b>p.</b>	page
<b>JV</b>	joint venture	<b>p.a.</b>	per annum
<b>Kap.</b>	Kapitel [chapter]	<b>pers.</b>	personal
<b>KPI</b>	key performance indicator	<b>PGP</b>	Packaged Gas Products
		<b>plc</b>	public limited company
		<b>PPI</b>	Producer Price Index



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<b>Praxair</b>	Praxair, Inc., Danbury/USA	<b>USA</b>	United States of America
<b>RAS</b>	Region Americas	<b>USD</b>	US dollars (currency)
<b>RAU</b>	Region Africa and UK	<b>USDbn</b>	USD billions
<b>RBU</b>	regional business unit	<b>USDm</b>	USD millions
<b>R&amp;D</b>	research and development	<b>vs.</b>	versus
<b>REA</b>	Region East Asia	<b>WPg</b>	Die Wirtschaftsprüfung [German technical literature]
<b>REC</b>	Region Europe Central	<b>WpÜG-AngVO</b>	Angebotsverordnung zum Wertpapiererwerbs- und Übernahmegesetz [Offer Regulation to the Securities Acquisition and Takeover Act]
<b>REN</b>	Region Europe North		
<b>RES</b>	Region Europe South	<b>β</b>	Beta factor
<b>R<sub>F</sub></b>	base interest rate		
<b>R<sub>M</sub></b>	market return		
<b>RME</b>	Region Middle East & Eastern Europe		
<b>RSE</b>	Region South Asia & ASEAN		
<b>RSP</b>	Region South Pacific		
<b>S.A.</b>	Société Anonyme		
<b>sec.</b>	section		
<b>SG&amp;A</b>	Selling, general and administrative expenses		
<b>TBRC</b>	The Business Research Company (market research provider)		
<b>TLG</b>	Total Linde Group		
<b>TV</b>	terminal value		
<b>UK</b>	United Kingdom		
<b>UmwG</b>	Umwandlungsgesetz [German Transformation Act]		



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Company	Country	Market capitalization per Sept'18 (in EURm)	Revenues per Sept'18 LTM (in EURm)	Description
<b>L'Air Liquide S.A.</b>	France	46,958	20,219	L'Air Liquide S.A. operates as an international gas and engineering company. It offers gases mainly for the energy, metal, chemical and refining sectors. Additionally L'Air Liquide sells equipment for the use in the gas industry as well as therapeutical and pain relieving gases and medical equipment for the medical sector. The engineering segment designs, develops and builds industrial gas production plants for third parties. Founded in 1902 the company is headquartered in Paris, France.
<b>Taiyo Nippon Sanso Corporation</b>	Japan	5,631	5,057	Taiyo Nippon Sanso Corp. produces and sells gases mainly in Japan, USA, Asia and Oceania. It operates through four segments: Japan, USA, Asia and Oceania as well as Thermos and other Businesses. The Gases segments offer various gases and related services. The Thermos and other Businesses segment manufactures and sells housewares and conducts real-estate rental and other businesses. Founded in 1910 the company is headquartered in Tokyo, Japan.
<b>Air Products and Chemicals, Inc.</b>	USA	31,616	7,572	Air Products and Chemicals, Inc. offers various gases and related services, materials and equipment worldwide. It produces equipment for the production and the processing of gases. Founded in 1940 the company is headquartered in Allentown, Pennsylvania.
<b>Praxair, Inc.</b>	USA	40,036	10,229	Praxair, Inc. operates through five segments: North America, Europe, South America, Asia and the Surface Technologies segment. It offers a variety of gases and supplies wear-resistant and high-temperature corrosion-resistant coatings to several different industries including aircraft or the energy sector. Founded in 1907 the company is headquartered in Danbury, Connecticut.

Source: Capital IQ



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Company	Country	Market capitalization per Sept'18 (in EURm)	Revenues per Sept'18 LTM (in EURm)	Description
<b>JGC Corporation</b>	Japan	4,762	5,538	JGC Corporation provides engineering, procurement and construction services for various plants and facilities. Additionally, it is involved in the design, construction, consulting, planning, operation and maintenance services of machinery and plants for oil and gases. It invests in oil and gas field development projects and utility businesses. The company is mainly active in Europe, Asia, the Middle East, South and North America, Africa and Oceania. Founded in 1928 the company is headquartered in Yokohama, Japan.
<b>Chiyoda Corporation</b>	Japan	1,732	3,763	Chiyoda Corp. operates as an international engineering and construction company. It offers designing, consulting, planning, engineering, procurement, construction, maintenance and management services. It focuses on the gas, electricity, chemical, pharmaceutical and environment sector. Founded in 1948 the company is headquartered in Yokohame, Japan.
<b>KBR, Inc.</b>	USA	2,532	3,665	KBR Inc. Provides worldwide services and technologies across the asset and program life-cycle within the government services and hydrocarbons industries. It operates through three segments: Government Services, Technology & Consulting and Engineering & Construction. The Government Services offers solutions to defense, space, aviation and other programs and missions for government agencies in the US, UK and Australia. The Technology & Consulting segment provides technology that focuses on the monetization of gases and related processes. The Engineering & Construction segment offers engineering, procurement and construction solutions for oil and gas. Founded in 1901 the company is headquartered in Houston, Texas.
<b>Maire Tecnimont S.p.A.</b>	Italy	1,282	3,676	Maire Tecnimont S.p.A provides engineering services on a worldwide basis. It designs and constructs plants along the value creation chain of the gas sector. Additionally, the company designs and constructs motorways, rail lines and various other infrastructural projects. It also offers related maintenance services as well as environmental services. Founded in 1973 the company is headquartered in Milan, Italy.
<b>Técnicas Reunidas, S.A.</b>	Spain	1,466	4,699	Técnicas Reunidas, S.A. provides worldwide engineering, design and construction services mainly in the oil, gas, infrastructure and energy sector. The company designs and constructs basic refining, conversions and processing units. It provides services in the energy sector as well, mainly for electricity generating plants. Founded in 1960 the company is headquartered in Madrid, Spain.
<b>Toyo Engineering Corporation</b>	Japan	249	2,529	Toyo Engineering Corp. Engineers and constructs industrial facilities in Japan, Malaysia, USA and Thailand with a focus on the oil, gas, chemical, energy, pharmaceutical and environmental sector. In addition, the company offers various services such as research and development support and design, procurement and technical assistance of industrial facilities. Founded in 1961 the company is headquartered in Narashino, Japan.

Source: Capital IQ





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Company	Country	Market capitalization per Sept'18 (in EURm)	Revenues per Sept'18 LTM (in EURm)	Description
<b>Hill-Rom Holdings, Inc.</b>	USA	5,153	2,423	Hill-Rom Holdings, Inc. operates as a worldwide medical technology company. It provides special medical beds and non-invasive therapeutic products and surfaces, and communications technologies and software solutions. The company also provides surgical solutions products and accessory products for care facilities and home use. Founded in 1969 the company is headquartered in Chicago, Illinois.
<b>Amedisys, Inc.</b>	USA	3,284	1,354	Amedisys, Inc. provides healthcare services in the US. It operates through three segments: Home Health, Hospice and Personal Care. The Home Health segment offers a range of services in the homes of individuals for the recovery of patients from surgery or medical treatments. The Hospice segment provides care designed to help patients dealing with terminal illness. The Personal Care segment provides assistance for patients with the activities of daily living. Founded in 1982 the company is headquartered in Baton Rouge, Louisiana.
<b>LHC Group, Inc.</b>	USA	2,681	1,160	LHC Group, Inc. is a healthcare provider specialized in the post-acute continuum of care primarily for Medicare beneficiaries in the US. The company operates through four segments. The Home Health Services segment offers home nursing services. The Hospice Services segment provides pain and symptom management as well as medical, emotional and spiritual support and care. The Community-Based Services segment offers a range of services, such as medication reminders, light housekeeping, cleaning and similar tasks. The Facility-Based Services segment serves patients with serious medical issues, in their facilities. Founded in 1994 the company is headquartered in Lafayette, Louisiana.
<b>ResMed Inc.</b>	USA	13,812	2,006	ResMed Inc. develops, manufactures, distributes, and markets medical devices and cloud based software applications that diagnose, treat, and manage respiratory disorders comprising sleep disordered breathing, chronic obstructive pulmonary disease, neuromuscular disease, and other chronic diseases. It markets its products to sleep clinics, home healthcare dealers, patients, hospitals, physicians, and third-party payers through a network of distributors and direct sales force in approximately 120 countries. Founded in 1989 the company is headquartered in San Diego, California.

Source: Capital IQ



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Company	Country	Market capitalization per Sept'18 (in EURm)	Revenues per Sept'18 LTM (in EURm)	Description
<b>Invacare Corporation</b>	USA	403	844	Invacare Corporation designs, manufactures, distributes, and exports medical equipment for use in home health care, retail, and extended care markets worldwide. It operates through four segments: North America/Home Medical Equipment, Institutional Products Group, Europe, and Asia/Pacific. It offers mobility, seating and positioning products. It also offers lifestyle products, respiratory therapy products and healthcare furnishings. The company sells primarily to home and medical equipment providers through retail and e-commerce channels to residential care operators, distributors and government health through its sales force. Founded in 1885 the company is headquartered in Elyria, Ohio.
<b>CVS Health Corporation</b>	USA	68,050	160,249	CVS Health Corporation provides integrated pharmacy health care services. It operates through two segments: Pharmacy Services and Retail/LTC services. Pharmacy Services offers pharmacy benefit management solutions. As of 2017 it had 23 retail specialty pharmacy stores, 18 specialty mail order pharmacies and 4 mail order dispensing pharmacies and 83 branches for infusion and eternal services. Retail/LTC segment sells prescription and non-prescription drugs, beauty products, personal care as well as seasonal merchandise. It has 9,803 retail stores in the US and South America and 37 on site pharmacy stores. Founded in 1892 the company is headquartered in Woonsocket, Rhode Island.
<b>Walgreens Boots Alliance, Inc.</b>	USA	60,826	109,995	Walgreens Boots Alliance, Inc. operates as a pharmacy-led health and wellbeing company. It operates through three segments: Retail Pharmacy USA, Retail Pharmacy International, and Pharmaceutical Wholesale. Retail USA operates aprox. 8,100 retail, 7 speciality pharmacies and 400 in-store clinic locations. Retail Pharmacy operates 4,722 retail stores and 637 optical practices including 178 on a franchise basis. Pharmaceutical Wholesale engages in distribution of speciality and generic pharmaceuticals and health & beauty products as well as providing related services to pharmacies and other healthcare providers. Founded in 1901 the company is headquartered in Deerfield, Illinois.
<b>Fisher &amp; Paykel Healthcare Corporation Limited</b>	New Zealand	4,948	576	Fisher & Paykel healthcare Corporation Limited designs, manufactures and markets medical device products and systems worldwide. It operates through four segments: New Zealand, North America, Europe and Asia-Pacific. The company offers products for use in respiratory, acute care, surgery and treatment of obstructive sleep apnea (OSA). It markets and sells its products through its distribution subsidiaries, third party distributors, and original equipment manufacturers. Founded in 1925 the company is headquartered in Auckland, New Zealand.

Source: Capital IQ



## 8 Appendices

### B: Comparable quoted companies - GIST

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Company	Country	Market capitalization per Sept'18 (in EURm)	Revenues per Sept'18 LTM (in EURm)	Description
<b>Wincanton plc</b>	UK	306	1,335	Wincanton plc offers logistics and supply chain solutions in the UK and Ireland. It operates through two segments: Retail & Consumer and Industrial & Transport Segments. The company provides contract logistics services. It also provides transportation services including road, sea, warehousing, packaging, returns management and fleet services. Furthermore services include health and safety, IT and people transition. Founded in 1925 the company is headquartered in Chippenham in the UK.
<b>MARR S.p.A.</b>	Italy	1,688	1,600	MARR S.p.A. is an international food service logistics company. It commercializes and distributes fresh, dried and frozen food products including meat, sea, grocery and dairy products. The company also serves non-food products such as tablecloths, kitchen and cleaning products. Customers include restaurants, resorts, caterers and others. These are served through 34 distribution centers with 5 cash and carry stores, 4 agents with warehouses, and approximately 700 vehicles. Founded in 1972 the company is headquartered in Rimini, Italy.
<b>ID Logistics Group SA</b>	France	864	1,351	ID Logistics Group SA is an international contract logistics service provider. It operates through two segments: France and International. The company offers warehousing and value added, supply chain, turnkey project delivery, and e-commerce solutions. Customers range from retail, FMCG, cosmetics, fashion to high tech. Founded in 2001 the company is headquartered in Cavaillon, France.
<b>Kuehne + Nagel International AG</b>	Switzerland	15,976	17,120	Kuehne + Nagel International AG is a worldwide integrated logistics services provider. It operates through four segments: Sea freight, Airfreight, Overland, and Contract Logistics. Including documentation, management and tracking services the company serves aerospace, automotive, FMCG, high-tech, oil and gas, pharma and healthcare, retail, industrial, foodservices, insurance, and other sectors. It can provide door to door logistics and handle full and less than container sized loads. Founded in 1890 the company is headquartered in Schindellegi, Switzerland.
<b>DSV A/S</b>	Denmark	14,184	10,149	DSV A/S is an international transport and logistics services company. It operates through three divisions: Air&Sea, Road, and Solutions. DSV offers a broad portfolio of logistics solutions ranging from heavy loads to specialized healthcare or high-tech transportation. In addition to handling all the paperwork, warehousing and inventory management DSV also offers value added services including purchase and order management, cargo insurance, packaging and handling returns. DSV A/S was founded in 1976 and is headquartered in Hedehusene, Denmark.

Source: Capital IQ



## 8 Appendices

### C: Trading Multiples

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### Overview of trading multiples of comparable companies

Peer group companies	EV/EBITDA			EV/EBIT		
	2017	2018	2019	2017	2018	2019
<b>Gase (Revenue FY18B 70%)</b>						
L'Air Liquide S.A.	12.1x	11.4x	10.4x	18.8x	17.1x	15.4x
Taiyo Nippon Sanso Corporation	9.5x	9.8x	8.4x	16.5x	17.0x	14.8x
Air Products and Chemicals, Inc.	13.5x	11.2x	10.1x	20.4x	17.1x	15.3x
Praxair, Inc.	14.7x	13.4x	12.6x	21.6x	19.6x	18.2x
<b>Average</b>	<b>12.4x</b>	<b>11.4x</b>	<b>10.4x</b>	<b>19.3x</b>	<b>17.7x</b>	<b>15.9x</b>
<b>Median</b>	<b>12.8x</b>	<b>11.3x</b>	<b>10.3x</b>	<b>19.6x</b>	<b>17.1x</b>	<b>15.3x</b>
<b>Engineering (Revenues GJ18B 14%)</b>						
JGC Corporation	17.8x	14.6x	12.1x	27.5x	19.3x	15.4x
Chiyoda Corporation	n.m.	n.m.	12.7x	n.m.	27.3x	14.5x
KBR, Inc.	13.3x	9.0x	9.1x	16.6x	9.5x	10.4x
Maire Tecnimont S.p.A.	7.0x	6.0x	5.8x	7.2x	6.3x	6.1x
Técnicas Reunidas, S.A.	9.9x	11.3x	6.6x	11.8x	13.9x	7.5x
Toyo Engineering Corporation	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
<b>Average</b>	<b>12.0x</b>	<b>10.2x</b>	<b>9.3x</b>	<b>15.8x</b>	<b>15.3x</b>	<b>10.8x</b>
<b>Median</b>	<b>11.6x</b>	<b>10.1x</b>	<b>9.1x</b>	<b>14.2x</b>	<b>13.9x</b>	<b>10.4x</b>
<b>Homecare (Revenue GJ18B 12%)</b>						
Hill-Rom Holdings, Inc.	13.7x	13.0x	11.9x	20.3x	16.1x	14.5x
Amedisys, Inc.	14.0x	20.6x	18.4x	16.1x	22.9x	20.2x
LHC Group, Inc.	14.9x	18.8x	14.2x	17.5x	20.3x	15.0x
ResMed Inc.	18.7x	20.2x	17.9x	23.1x	24.9x	22.0x
Invacare Corporation	n.m.	n.m.	17.2x	n.m.	n.m.	n.m.
CVS Health Corporation	7.9x	7.7x	7.5x	9.8x	9.7x	9.5x
Walgreens Boots Alliance, Inc.	10.3x	9.8x	9.4x	12.3x	11.2x	10.8x
Fisher & Paykel Healthcare Corporation Limited	n.m.	23.5x	20.6x	n.m.	27.3x	23.8x
<b>Average</b>	<b>13.2x</b>	<b>16.2x</b>	<b>14.6x</b>	<b>16.5x</b>	<b>18.9x</b>	<b>16.5x</b>
<b>Median</b>	<b>13.8x</b>	<b>18.8x</b>	<b>15.7x</b>	<b>16.8x</b>	<b>20.3x</b>	<b>15.0x</b>
<b>GIST (Revenue GJ18B 3%)</b>						
Wincanton plc	5.8x	5.0x	4.9x	7.2x	6.1x	5.9x
MARR S.p.A.	15.6x	14.3x	13.6x	16.6x	16.7x	15.8x
ID Logistics Group SA	13.7x	11.3x	9.4x	23.3x	18.1x	14.9x
Kuehne + Nagel International AG	17.8x	13.2x	12.4x	21.8x	16.1x	14.8x
DSV A/S	17.9x	16.6x	15.5x	19.9x	18.8x	17.4x
<b>Average</b>	<b>14.2x</b>	<b>12.1x</b>	<b>11.1x</b>	<b>17.8x</b>	<b>15.2x</b>	<b>13.8x</b>
<b>Median</b>	<b>15.6x</b>	<b>13.2x</b>	<b>12.4x</b>	<b>19.9x</b>	<b>16.7x</b>	<b>14.9x</b>
<b>Revenue-weighted average</b>	<b>12.6x</b>	<b>12.1x</b>	<b>11.0x</b>	<b>18.4x</b>	<b>17.5x</b>	<b>15.3x</b>
<b>Revenue-weighted median</b>	<b>12.9x</b>	<b>12.4x</b>	<b>11.1x</b>	<b>18.5x</b>	<b>17.2x</b>	<b>14.6x</b>

Source: Capital IQ, data as of 19 October 2018



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### C: Transaction Multiples

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### Overview of multiples of past company transactions – industrial gases and gas plant construction

Date	Target	Buyer	Percentage sought	EV/EBITDA	EV/EBIT
31.07.2018	Specialized Medical Services, Inc.	Lincare Holdings Inc	100	n.a.	n.a.
06.12.2017	Linde Pakistan Limited (nka:Pakistan Oxygen Limited)	Hilton Pharma (Pvt) Ltd.; Alkaram Textile Mills Pvt. Ltd.; Soorty Enterprises (Pvt.) Ltd.	20	10.4x	18.4x
04.05.2017	Yingde Gases Group Company Limited	PAG Asia Capital	99	7.3x	10.8x
24.03.2017	Daesung Industrial Gases Co., Ltd.	MBK Partners	100	8.5x	14.8x
17.08.2016	JSW Praxair Oxygen Private Limited (nka:JSW Industrial Gases Private Limited)	JSW Steel Limited	74	3.7x	5.8x
01.06.2016	Yara Praxair Holding AS	Praxair, Inc.	34	7.9x	n.a.
01.06.2016	Yara International ASA, European CO2 Business	Praxair, Inc.	100	10.1x	n.a.
23.05.2016	Airgas, Inc.	L'Air Liquide S.A.	100	13.7x	21.1x
04.04.2016	SKC Airgas Co., Ltd.	SK Materials Co., Ltd.	80	n.a.	n.a.
02.02.2016	American HomePatient Inc	Linde AG	100	n.a.	n.a.
04.08.2015	Wison (Nanjing) Clean Energy Co. Ltd. (nka:Nanjing Chengzhi Clean Energy)	Beijing Qingkong Jinxin Investment Co Ltd.	53	n.a.	8.8x
30.07.2015	Indura S.A.	Air Products and Chemicals, Inc.	31	15.7x	24.6x
05.11.2014	Taiyo Nippon Sanso Corporation	Mitsubishi Chemical Holdings Corporation	24	9.1x	19.0x
29.08.2014	Daesung Industrial Gases Co., Ltd.	Atinum Partners; Broad Street Principal Investments, L.L.C.	60	9.8x	38.6x
01.07.2014	Cng Materials Co., Ltd.	JT Corporation	49	n.a.	n.a.
20.05.2014	Daesung Industrial Gases Co., Ltd.	Daesung Group Partners Co., Ltd.	44	10.9x	42.8x
01.03.2014	Ghani Gases Limited	-	0	n.a.	n.a.
23.09.2013	Ellenbarrie Industrial Gases Ltd.	Air Water Inc.	51	16.7x	29.3x
30.06.2013	Indura S.A.	Air Products and Chemicals, Inc.	67	12.2x	16.9x
07.08.2012	Lincare Holdings Inc.	Linde Aktiengesellschaft	100	9.2x	12.8x
02.05.2012	Air Products & Chemicals Inc. (Continental-European homecare business)	Linde AG	100	n.a.	n.a.
14.04.2010	Terra Industries Inc.	CF Industries Holdings, Inc.	100	6.7x	7.7x
n.a.	Linde Pakistan Limited (nka:Pakistan Oxygen Limited)	Hilton Pharma (Pvt) Ltd.; Alkaram Textile Mills Pvt. Ltd.; Soorty Enterprises (Pvt.) Ltd.	60	11.4x	21.2x
n.a.	Linde Aktiengesellschaft	Praxair, Inc.	100	10.3x	19.9x
<b>Average</b>				<b>10.2x</b>	<b>19.5x</b>
<b>Median</b>				<b>10.1x</b>	<b>18.7x</b>

Source: Capital IQ, Mergermarket, EY Analyse; public capital market information



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### D: General Terms and Conditions

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# GENERAL TERMS AND CONDITIONS

## Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

as of September 2017

This is an English translation of the German text (please refer to <http://www.ey.com/DE/DE/Home> and click on "AAB" at the bottom of the website, please refer to the section "Non-Assurance Dienstleistungen"), the German text being the sole authoritative version

### Our Relationship with You

1. We will perform the Services<sup>1</sup> in accordance with the German Principles of Proper Professional Conduct ("*Grundsätze ordnungsmäßiger Berufsausübung*") for the sole benefit of you, our Client.
2. We are a member of the global network of Ernst & Young firms ("**EY Firms**"), each of which is a separate legal entity.
3. We will provide the Services to you as an independent contractor and not as your employee, agent, partner or joint venturer. Neither you nor we have any right, power or authority to bind the other.
4. We may subcontract portions of the Services to other EY Firms, as well as to other service providers, who may deal with you directly. Nevertheless, we alone will be responsible to you for the Reports (as defined in Section 11), the performance of the Services, and our other obligations under this Agreement.
5. We will not assume any management responsibilities in connection with the Services. We will not be responsible for the use or implementation of the output of the Services.

### Your Responsibilities

6. You shall assign a qualified person to oversee the Services. You are responsible for all management decisions relating to the Services, the use or implementation of the output of the Services and for determining whether the Services are appropriate for your purposes.
7. You shall provide (or cause others to provide) to us, promptly, the information, resources and assistance (including access to records, systems, premises and people) that we reasonably require to perform the Services. This also applies to those supporting documents and records, events and circumstances which first become known during our work.
8. All information provided by you or on your behalf ("**Client Information**") shall be accurate and complete. The provision of Client Information to us will not infringe any copyright or other third-party rights.
9. We may rely on Client Information made available to us and, unless we expressly agree otherwise, will have no responsibility to evaluate or verify it.
10. You shall be responsible for your personnel's compliance with your obligations under this Agreement.

### Our Reports

11. Any information, advice, recommendations or other content of any reports, presentations or other communications we provide under this Agreement ("**Reports**"), other than Client Information, are for your internal use only (consistent with the purpose of the Services).
12. You may not disclose a Report (or any portion or summary of a Report) externally (including to your affiliates), or refer

to us or to any other EY Firm in connection with the Services, except:

- (a) to your lawyers subject to these disclosure restrictions who may review it only in connection with advice relating to the Services,
- (b) to the extent, and for the purposes, required by applicable law and you will promptly notify us of such legal requirement to the extent you are permitted to do so,
- (c) to other persons (including your affiliates) with our prior written consent, who have executed an access letter and who may use it only as we have specified in our consent, or
- (d) to the extent it contains Tax Advice, as set forth in Section 13.

If you are permitted to disclose a Report (or a portion thereof), you shall not alter, edit or modify it from the form we provided.

13. You may disclose to anyone a Report (or any portion thereof) solely to the extent that it relates to tax matters, including tax advice, tax opinions, tax returns, or the tax treatment or tax structure of any transaction to which the Services relate ("**Tax Advice**"). With the exception of tax authorities, you shall inform those to whom you disclose Tax Advice that they may not rely on it for any purpose without our prior written consent.
14. You may incorporate into documents that you intend to use our summaries, calculations or tables based on Client Information contained in a Report, but not our recommendations, conclusions or findings. You must assume sole responsibility for the contents of those documents and you must not externally - directly or indirectly - refer to us or any other EY Firm in connection with them.
15. If we are required to present work output in writing as part of the work in executing the engagement, only that written output is authoritative.

You may not rely on any draft Reports (which are non-binding), but only on final written Reports. Draft Reports only serve our internal purposes and/or the coordination with you and, therefore, only constitute preliminary stages of Reports and are neither final nor binding and are subject to further review. We shall not be required to update any final Report for circumstances of which we become aware, or events occurring, after the cut-off date indicated in the Report or, in absence of such date, the delivery date of the Report, unless otherwise agreed or we are obliged to do so with regard to the Services provided by us.

### Limitations of Our Liability

16. (a) Our liability for claims for damages of any kind, except for damages resulting from injury to life, body or health, as well as for damages that constitute a duty of replacement by a producer pursuant to Section 1 ProdHaftG<sup>2</sup>, for an individual case of damages caused

<sup>1</sup> Terms which are not defined in these General Terms and Conditions are defined in the Cover Letter.

<sup>2</sup> "Produkthaftungsgesetz" (German Product Liability Act)



by negligence is limited to EUR 4 million pursuant to Section 54a para. 1 No. 2 WPO<sup>3</sup>.

(b) An individual case of damages within the meaning of paragraph a) also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against us is limited to EUR 5 million.

17. If you consider the liability limit stipulated in Section 16 and the amount our liability is limited to where Section 16 applies (“**Maximum Liability Amount**”) as inappropriate, please inform us of the extension of our liability you would like to be agreed on instead. In this case we will endeavor to obtain additional insurance for such increased amount (“**Increased Amount**”). Provided that you are furthermore prepared to bear the additional costs arising from the additional insurance covering the Increased Amount, we are prepared to agree with you on a corresponding extension of our liability. We emphasize that an increase of Maximum Liability Amount only applies if agreed on in writing.

18. If legitimate claims falling within our limitation of liability are brought against us by you and/or one or more third parties who are entitled to invoke this Agreement, the Maximum Liability Amount will be – in accordance with Section 428 BGB<sup>4</sup> – available only once to all – including all future – claimants collectively. Hence, any payment by us to you has discharging effect towards all claimants. In case the sum of all claims (including future claims) to which our limitation-of-liability-provisions apply exceed the Maximum Liability Amount, the allocation of this Maximum Liability Amount amongst all claimants (including you) is entirely a matter for discussion amongst all claimants.

19. The claim expires if legal action is not filed within six months subsequent to the written refusal of acceptance of the indemnity and you were informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body, health as well as for damages that constitute a liability for replacement by a producer pursuant to Section 1 ProdHaftG. The right to invoke a plea of the statute limitations remains unaffected.

20. **Third parties may derive claims from contracts between us and you only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties. We are entitled to invoke demurs and defenses based on the contractual relationship with you also towards third parties. Section 334 BGB shall apply.**

21. You may not make a contractual claim or bring proceedings arising from the provision of the Services or otherwise based on this Agreement against any other EY Firm or our or its subcontractors, members, shareholders, directors, officers, partners, principals or employees (“**EY Persons**”). You shall

make any contractual claim or bring such proceedings only against us.

#### **Indemnity**

22. You shall indemnify us, the other EY Firms and the EY Persons against all claims by third parties (including your affiliates and lawyers) and resulting liabilities, losses, damages, costs and expenses (including reasonable external legal costs) arising out of the third party's use of or reliance on any Report (including Tax Advice) disclosed to it by or through you or at your request. You shall have no obligation hereunder to the extent that we have specifically authorized, in writing, the third party's reliance on the Report.

#### **Intellectual Property Rights**

23. We may use data, software, designs, utilities, tools, models, systems and other methodologies and know-how (“**Materials**”) that we own in performing the Services. Notwithstanding the delivery of any Reports, we retain all intellectual property rights in the Materials (including any improvements or knowledge developed while performing the Services), and in any working papers compiled in connection with the Services (but not Client Information reflected in them).

#### **Confidentiality**

24. We are bound by the strict professional confidentiality obligations as stipulated in Section 43 WPO and Section 57 StBerG<sup>5</sup> and, except as otherwise permitted by this Agreement, neither of us may disclose to third parties the contents of this Agreement or any information (other than Tax Advice) provided by or on behalf of the other that ought reasonably to be treated as confidential and/or proprietary.

25. Notwithstanding any superseding legal professional secrecy obligation, either of us may, however, disclose such information to the extent that it:

- (a) is or becomes public other than through a breach of this Agreement,
- (b) is subsequently received by the recipient from a third party who, to the recipient's knowledge, owes no obligation of confidentiality to the disclosing party with respect to that information,
- (c) was known to the recipient at the time of disclosure or is thereafter created independently,
- (d) is disclosed as necessary to enforce the recipient's rights under this Agreement, or
- (e) must be disclosed under applicable law or professional regulations.

26. Either of us may use electronic media to correspond or transmit information and such use will not in itself constitute a breach of any confidentiality obligations under this Agreement and acknowledge that sending information and documents in electronic form (in particular by e-mail) entails risks.

27. Subject to applicable law, we may provide Client Information to other EY Firms, EY Persons and external service providers of us, other EY Firms, or EY Persons (“**Service Providers**”) who may collect, use, transfer, store or

<sup>3</sup> “Wirtschaftsprüferordnung” (Public Accountant Act)

<sup>4</sup> “Bürgerliches Gesetzbuch” (German Civil Code)

<sup>5</sup> “Steuerberatungsgesetz” (Tax Advisory Act)



otherwise process it (collectively "**Process**") in various jurisdictions in which they operate (office locations of EY Firms are listed at [www.ey.com](http://www.ey.com)) for purposes related to:

- (a) the provision of the Services,
  - (b) complying with regulatory, and legal obligations to which we are subject,
  - (c) conflict checking,
  - (d) for risk management and quality reviews, and for
  - (e) our internal financial accounting, information technology and other administrative support services.
- (lit. (a)-(e) collectively "**Processing Purposes**")

We shall be responsible for maintaining the confidentiality of Client Information regardless of by whom such Information is Processed on our behalf. The more detailed Client Consent for such purposes is attached to this Agreement for signature.

28. With respect to any Services if U.S. Securities and Exchange Commission auditor independence regulations apply to the relationship between you or any of your associated entities and any EY Firm, you represent, to the best of your knowledge, as of the date of this Agreement, that neither you nor any of your affiliates has agreed, either orally or in writing, with any other advisor to restrict your ability to disclose to anyone the tax treatment or tax structure of any transaction to which the Services relate. An agreement of this kind could impair an EY Firm's independence as to your audit or that of any of your affiliates, or require specific tax disclosures as to those restrictions. Accordingly, you agree that the impact of any such agreement is your responsibility.

#### **Data Protection**

29. For the Processing Purposes referred to in Section 27 above, we and other EY Firms, EY Persons and Service Providers may Process Client Information relating to identified or identifiable natural persons ("**Personal Data**") in various jurisdictions in which they operate. The transfer of Personal Data within the EY network is subject to EY Binding Corporate Rules policies (listed at [www.ey.com/bcrl](http://www.ey.com/bcrl)). We will Process the Personal Data in accordance with data protection requirements under applicable law and professional regulations, including national (BDSG)<sup>6</sup> and European legal provisions on data protection. We will require any Service Provider that Processes Personal Data on our behalf to adhere to such requirements.

30. You warrant that you have the authority to provide the Personal Data to us in connection with the performance of the Services and that the Personal Data provided to us has been processed in accordance with applicable law.

#### **Fees and Expenses Generally**

31. You shall pay our professional fees and specific expenses in connection with the Services as detailed in the applicable Statement of Work or any of its appendices. You shall also reimburse us for other reasonable expenses incurred in performing the Services. Our fees are exclusive of taxes or similar charges, as well as customs, duties or tariffs imposed in respect of the Services, all of which you shall pay (other than taxes imposed on our income generally). We may claim

appropriate advances on remuneration and reimbursement of expenses and may make the delivery of our Services dependent upon complete satisfaction of our claims. Unless otherwise set forth in the applicable Statement of Work or Agreement on Fees, payment is immediately due following receipt of each of our invoices.

32. We may charge additional professional fees if events beyond our control (including your acts or omissions) affect our ability to perform the Services as originally planned or if you ask us to perform additional tasks.

33. If we are required by applicable law, legal process or government action to produce information or personnel as witnesses with respect to the Services or this Agreement, you shall reimburse us for any professional time and expenses (including reasonable external legal costs) incurred to respond to the request, unless we are a party to the proceeding or the subject of the investigation or unless we do get fully reimbursed by public authorities.

34. *-Intentionally left blank-*

#### **Force Majeure**

35. Neither you nor we shall be liable for breach of this Agreement (other than payment obligations) caused by circumstances beyond your or our reasonable control.

#### **Term and Termination**

36. This Agreement applies to the Services whenever performed (including before the date of this Agreement).

37. This Agreement shall terminate on the completion of the Services. Either of us may terminate it, or any particular Services, earlier upon 90 days' prior written notice to the other. In addition, we may terminate this Agreement, or any particular Services, immediately upon written notice to you if we reasonably determine that we can no longer provide the Services in accordance with applicable law or professional obligations. Sections 626 and 627 BGB shall remain unaffected.

38. You shall pay us for all work-in-progress, Services already performed, and expenses incurred by us up to and including the effective date of the termination of this Agreement.

39. Our respective confidentiality obligations under this Agreement, as well as other provisions of this Agreement that give either of us rights or obligations beyond its termination, shall continue indefinitely following the termination of this Agreement.

#### **Governing Law and Jurisdiction**

40. This Agreement, and any non-contractual matters or obligations arising out of this Agreement or the Services, shall be governed by, and construed in accordance with, the laws of Germany.

41. Any dispute relating to this Agreement or the Services shall be subject to the exclusive jurisdiction of the courts of Stuttgart, Germany, to which each of us agrees to submit for these purposes, or, at our discretion, (i) the court located where our office that conducted the main part of the work is registered or (ii) the courts located where you are registered.

<sup>6</sup> "Bundesdatenschutzgesetz" (German Data Protection Act)

We are not prepared to participate in dispute settlement procedures before a consumer arbitration board<sup>7</sup> within the meaning of Section 2 VSBG<sup>8</sup>.

#### **Miscellaneous**

42. Upon our request, you shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by us.
43. You shall refrain from anything that endangers the independence of our staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on one's own behalf.
44. In case there are any deficiencies, you are entitled to specific subsequent performance by us. You may reduce the fees or cancel the contract for failure of such subsequent performance, subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the Agreement was not commissioned by a consumer, you may only cancel the Agreement due to a deficiency if the Service rendered is not relevant to you due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. Section 16 through 21 applies to the extent that further claims for damages exist.
45. You must assert a claim for the rectification of deficiencies in writing (Textform)<sup>9</sup> without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.
- Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a Report may be corrected also versus third parties - by us at any time. Misstatement which may call into question the results contained in our Reports entitle us to withdraw – such statement – also versus third parties. In such cases we should first hear you, if practicable.
46. Unless you qualify as a consumer in the meaning of section 13 BGB, a set off against our claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.
47. This Agreement constitutes the entire agreement between us as to the Services and the other matters it covers, and supersedes all prior agreements, understandings and representations with respect thereto, including any confidentiality agreements previously delivered.
48. This Agreement and/or any Statement of Work hereunder (and modifications to them) must be executed in written form in the sense of Section 126 para. 1 BGB. Each of us may sign a different copy of the same document.
49. Each of us represents that the person signing this Agreement and/or any Statement of Work hereunder on its behalf is also authorized to execute it and to bind each of us to its terms.
49. You represent that your affiliates and any others for whom Services are performed shall be bound by the Terms of this Agreement and the applicable Statement of Work.
50. You agree that we and the other EY Firms may, subject to professional obligations, act for other clients, including your competitors.
51. Neither of us may assign any of our rights, obligations or claims under this Agreement.
52. If any provision of this Agreement (in whole or part) is held to be illegal, invalid or otherwise unenforceable, the other provisions shall remain in full force and effect.
53. If there is any inconsistency between provisions in different parts of this Agreement, those parts shall have precedence as follows (unless expressly agreed otherwise): (a) the Cover Letter, (b) the applicable Statement of Work (including – as the case may be – the Agreement on Fees), (c) the Client Consent, (d) these General Terms and Conditions, and (e) other annexes to this Agreement.
54. Neither of us may use or reference the other's name, logos or trademarks without its prior written consent. Once we have obtained your prior consent by the attached Client Consent, we are allowed to use your name publically to identify you as a client in connection with specific Services or otherwise.
55. The limitations in Sections 16 to 21 and the provisions of Sections 22, 27, 29 and 49 are intended to benefit the other EY Firms and all EY Persons, who shall be entitled to enforce them.

<sup>7</sup> "Verbraucherschlichtungsstelle"

<sup>8</sup> "Verbrauchstreitbeilegungsgesetz" (German Act on Consumer Dispute Settlement)

<sup>9</sup> Translators Note: The German term, "Textform" means in written form, but without requiring a genuine signature.

**Annex 7**  
to the Share Transfer Report

Guarantee of UniCredit Bank AG according to Sec. 62 para. 5 sentence 8 German Transformation Act in conjunction with Sec. 327a para. 1 sentence 1 German Stock Corporation Act dated October 31, 2018

Linde Intermediate Holding AG  
Vorstand  
Klosterhofstr. 1  
80331 München

UniCredit Bank AG  
TF Service München Garantien  
Arabellastr. 14  
81925 München  
Telefon: +49 89/378-0  
Telefax: +49-89-3783325798  
SWIFT: HYVEDEMMXXX  
E-Mail: 00031134@unicredit.de

Ihr Gesprächspartner  
Anna Mitrovic

Telefon  
+49 89 378 41760

Datum  
31.10.2018

zur Übermittlung an den Vorstand der Linde Aktiengesellschaft, München

**Gewährleistungserklärung für die Barabfindungsverpflichtung der Hauptaktionärin  
gem. § 62 Abs. 5 S. 8 UmwG i.V.m. § 327b Abs. 3 AktG**

Die Linde Intermediate Holding AG mit Sitz in München und Geschäftsanschrift Klosterhofstr. 1, 80331 München, eingetragen im Handelsregister des Amtsgerichts München unter HRB 234880 (nachfolgend „Linde Holding“), hat uns davon unterrichtet, dass

(i) sie und die Linde Aktiengesellschaft mit Sitz in München und Geschäftsanschrift Klosterhofstr. 1, 80331 München, eingetragen im Handelsregister des Amtsgerichts München unter HRB 169850, (nachfolgend „Linde AG“) voraussichtlich am 1. November 2018 einen Verschmelzungsvertrag schließen werden, mit welchem die Linde AG als übertragende Gesellschaft ihr Vermögen als Ganzes mit allen Rechten und Pflichten unter Auflösung ohne Abwicklung nach §§ 2 Nr. 1, 60 ff. UmwG auf die Linde Holding als übernehmende Gesellschaft überträgt (Verschmelzung durch Aufnahme);

(ii) ihr per 31. Oktober 2018 unmittelbar 170.874.958 der insgesamt 185.733.180 auf den Inhaber lautenden Stückaktien der Linde AG (ISIN DE0006483001) gehören. Dies entspricht ca. 92 Prozent des Grundkapitals der Linde AG (unter Absetzung der Zahl der eigenen Aktien gem. § 62 Abs. 1 S. 2 UmwG). Da sich damit Aktien in Höhe von mehr als neun Zehntel des Grundkapitals der Linde AG unmittelbar in der Hand der Linde Holding befinden, ist die Linde Holding als übernehmende Gesellschaft im Rahmen dieser Verschmelzung zugleich Hauptaktionärin der Linde AG als übertragender Gesellschaft im Sinne von § 62 Abs. 5 S. 1 UmwG;

(iii) der Verschmelzungsvertrag gem. § 62 Abs. 5 S. 2 UmwG die Angabe enthält, dass im Zusammenhang mit der Verschmelzung ein Ausschluss der übrigen Aktionäre der Linde AG (nachfolgend „Minderheitsaktionäre“) als übertragender Gesellschaft erfolgen soll.

Auf Verlangen der Linde Holding soll in einer außerordentlichen Hauptversammlung der Linde AG, voraussichtlich am 12. Dezember 2018, gem. § 62 Abs. 5 UmwG i.V.m. § 327a Abs. 1 AktG über die Übertragung der Aktien der Minderheitsaktionäre auf die Linde Holding gegen Gewährung einer von der

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Vorstandsmitglieder:  
Dr. Michael Diederich (Sprecher des Vorstands),  
Sandra Belocchi Drwenski, Dr. Emanuele Buttà,  
Ljiljana Corlan, Jan Kupfer, Robert Schindler,  
Guglielmo Zedra

Vorsitzender des Aufsichtsrats:  
Gianni Franco Papa

UniCredit Bank AG

Rechtsform: Aktiengesellschaft  
Sitz: München  
Registergericht: München HR B 42148  
Steuer-Nr.: 143/107/72500  
USt-IdNr.: DE 129 2/3 380

www.hypovereinsbank.de



Linde Holding zu zahlenden angemessenen Barabfindung in Höhe von EUR 188,24 (in Worten: Euro einhundertachtundachtzig 24/100) je auf den Inhaber lautende Stückaktie der Linde AG beschlossen werden.

Mit dem Wirksamwerden des Übertragungsbeschlusses gehen kraft Gesetzes alle auf den Inhaber lautenden Stückaktien der Minderheitsaktionäre der Linde AG auf die Linde Holding als Hauptaktionärin über und die Minderheitsaktionäre erhalten im Gegenzug den Anspruch gegen die Linde Holding auf unverzügliche Zahlung der festgelegten Barabfindung.

Gem. § 62 Abs. 5 S. 8 UmwG i.V.m. § 327b Abs. 3 AktG hat die Linde Holding als Hauptaktionärin dem Vorstand der übertragenden Gesellschaft vor Einberufung der Hauptversammlung, die über die Übertragung der Aktien der Minderheitsaktionäre auf die Hauptaktionärin beschließt, die Erklärung eines im Geltungsbereich des Aktiengesetzes zum Geschäftsbetrieb befugten Kreditinstituts zu übermitteln, durch die das Kreditinstitut die Gewährleistung für die Erfüllung der Verpflichtung der Hauptaktionärin übernimmt, den Minderheitsaktionären unverzüglich die festgelegte Barabfindung für die übergegangenen Stückaktien zu zahlen, nachdem sowohl (i) der Übertragungsbeschluss im Handelsregister der Linde AG als auch (ii) die Verschmelzung im Handelsregister der Linde Holding eingetragen sind und damit der Übertragungsbeschluss wirksam geworden ist (§ 62 Abs. 5 S. 7 und S. 8 UmwG i.V.m. § 327e Abs. 3 S. 1 AktG).


Dies vorausgeschickt übernehmen wir, die UniCredit Bank AG mit Sitz in München, eingetragen im Handelsregister des Amtsgerichts München unter HRB 42148, als im Geltungsbereich des Aktiengesetzes zum Geschäftsbetrieb befugtes Kreditinstitut hiermit nach § 62 Abs. 5 S. 8 UmwG i.V.m. § 327b Abs. 3 AktG gegenüber jedem Minderheitsaktionär der Linde AG unbeding und unwiderruflich die Gewährleistung für die Erfüllung der Verpflichtung der Linde Holding als Hauptaktionärin der Linde AG, den Minderheitsaktionären der Linde AG unverzüglich die festgelegte Barabfindung in Höhe von EUR 188,24 (in Worten: Euro einhundertachtundachtzig 24/100) je auf die Linde Holding übergegangener auf den Inhaber lautender Stückaktie der Linde AG zu zahlen, nachdem sowohl (i) der Übertragungsbeschluss der Hauptversammlung der Linde AG gem. § 327a Abs. 1 AktG im Handelsregister der Linde AG als auch (ii) die vorstehend beschriebene Verschmelzung der Linde AG auf die Linde Holding im Handelsregister der Linde Holding eingetragen sind und damit der Übertragungsbeschluss wirksam geworden ist (§ 62 Abs. 5 S. 7 und 8 UmwG i.V.m. § 327e Abs. 3 S. 1 AktG). Wir übernehmen darüber hinaus die Gewährleistung für die Verpflichtung der Linde Holding, den Minderheitsaktionären Zinsen gem. § 62 Abs. 5 S. 8 UmwG i.V.m. § 327b Abs. 2 AktG auf die festgelegte Barabfindung i.H.v. 5 Prozentpunkten über dem jeweiligen Basiszinssatz gem. § 247 BGB p.a. zu zahlen.

Diese Gewährleistungserklärung wird als selbständiges Garantieverprechen abgegeben und stellt einen echten Vertrag zugunsten Dritter gem. § 328 Abs. 1 BGB dar, aus dem jedem Minderheitsaktionär der Linde AG ein unmittelbarer und unaufhebbarer Zahlungsanspruch uns gegenüber zusteht. Der Anspruch eines Minderheitsaktionärs uns gegenüber aus dieser Gewährleistungserklärung wird mit dem Abfindungsanspruch fällig und erlischt, wenn sein Anspruch auf die Barabfindung wegfällt. Im Verhältnis zu jedem Minderheitsaktionär sind Einwendungen und Einreden aus unserem Verhältnis zur Linde Holding ausgeschlossen.

Die Erklärung unterliegt ausschließlich dem Recht der Bundesrepublik Deutschland.

UniCredit Bank AG

ppa.   
Dr. Peter Stopfer

ppa.   
JAN HESSELE

Bis zu einem Gegenwert von EUR 500.000,00 genügt die Unterschrift eines Zeichnungsberechtigten.

[Letterhead of UniCredit Bank AG]

To:  
Linde Intermediate Holding AG  
Executive Board  
Klosterhofstr. 1  
80331 Munich

To be transferred to the Executive Board of Linde Aktiengesellschaft, Munich

**Guarantee statement regarding the obligation for payment of cash compensation by the majority shareholder pursuant to section 62(5) sentence 8 German Transformation Act (UmwG) in conjunction with section 327b(3) German Stock Corporation Act (AktG)**

Linde Intermediate Holding AG with its seat in Munich and its registered address at Klosterhofstr. 1, 80331 Munich, registered with the commercial register of the local court (*Amtsgericht*) of Munich under HRB 234880, (“Linde Holding”) has informed us that:

(i) Linde Holding and Linde Aktiengesellschaft with its seat in Munich and its registered address at Klosterhofstr. 1, 80331 Munich, registered with the commercial register of the local court (*Amtsgericht*) of Munich under HRB 169850, (“Linde AG”) envisage to execute a merger agreement on 1 November 2018 pursuant to which Linde AG, as transferring entity, will transfer its assets as a whole and all rights and obligations by way of dissolution without liquidation according to section 2 no. 1, sections 60 *et seqq.* UmwG to Linde Holding as absorbing entity (merger by way of absorption);

(ii) as per 31 October 2018 it directly holds 170,874,958 of the total 185,733,180 no-par value bearer shares in Linde AG (ISIN DE0006483001). This corresponds to approx. 92% of the nominal share capital of Linde AG (after deduction of the treasury shares held by Linde AG in accordance with section 62(1) sentence 2 UmwG). Since, therefore, more than 90% of the nominal share capital of Linde AG are directly held by Linde Holding, Linde Holding as the absorbing entity is at the same time the majority shareholder pursuant to section 62(5) sentence 1 UmwG of Linde AG as the transferring entity;

(iii) the merger agreement contains the statement pursuant to section 62(5) sentence 2 UmwG that, in the context of the merger, a squeeze-out of the remaining shareholders of Linde AG (“Minority Shareholders”) shall take place.

Upon request by Linde Holding, an extraordinary shareholders' meeting of Linde AG shall be convened, which is expected to take place on 12 December 2018 and which, pursuant to sections 62(5) UmwG in conjunction with section 327a(1) AktG shall resolve on the transfer of the shares of the Minority Shareholders to Linde Holding against adequate cash compensation in the amount of EUR 188.24 (in words: Euro one hundred eighty-eight 24/100) per no-par value bearer share of Linde AG to be paid by Linde Holding.

Upon effectiveness of the transfer resolution, all no-par value bearer shares of the Minority Shareholders of Linde AG will be transferred by operation of law to Linde Holding as majority shareholder and the Minority Shareholders will receive, as consideration, a claim against Linde Holding to payment without delay of the determined cash compensation.

In accordance with section 62(5) sentence 8 UmwG in conjunction with section 327b(3) AktG, Linde Holding as majority shareholder has to provide to the executive board of the transferring entity, prior to convening the shareholders' meeting which shall resolve on the transfer of the shares of the Minority Shareholders to the majority shareholder, the statement of a bank institute which is authorized to operate within the scope of the German Stock Corporation Act pursuant to which the bank institute guarantees for the fulfillment of the obligation of the majority shareholder to pay to the Minority Shareholders without delay the determined cash compensation for the transferred no-par value bearer shares after (i) the transfer resolution has been registered with the commercial register of Linde AG as well as (ii) the merger has been registered with the commercial register of Linde Holding and, therefore, the transfer resolution has become effective (section 62(5) sentence 7 and sentence 8 UmwG in conjunction with section 327e(3) sentence 1 AktG)

Against this background, we, UniCredit Bank AG with its seat in Munich, registered with the commercial register of the local court (*Amtsgericht*) of Munich under HRB 42148, being a bank institute which is authorized to operate within the scope of the German Stock Corporation Act, hereby guarantee, in accordance with section 62(5) sentence 8 UmwG in conjunction with section 327b(3) AktG, to each Minority Shareholder of Linde AG unconditionally and irrevocably the fulfillment of the obligations of Linde Holding as majority shareholder to pay to the Minority Shareholders without delay the determined cash compensation in the amount of EUR 188.24 (in words: Euro one hundred eighty-eight 24/100) for each no-par value bearer share of Linde AG which has been transferred to Linde Holding following that (i) the transfer resolution of the shareholders' meeting of Linde AG pursuant to section 327a(1) AktG has been registered with the commercial register of Linde AG as well as (ii) the merger of Linde AG with and into Linde Holding as described above has been registered with the commercial register of Linde Holding and, therefore, the transfer resolution has become effective (section 62(5) sentence 7 and sentence 8 UmwG in conjunction with section 327e(3) sentence 1 AktG). Furthermore, we guarantee for the obligation of Linde Holding to make interest payments to the

Minority Shareholders pursuant to section 62(5) sentence 8 UmwG in conjunction with section 327b(2) AktG with respect to the determined cash compensation in the amount of 5 percentage points above the respective interest base rate per annum in accordance with section 247 German Civil Code (BGB).

This guarantee statement is provided in the form of an independent guarantee (*selbständiges Garantieverprechen*) and constitutes a real contract to the benefit of a third party (*echter Vertrag zugunsten Dritter*) which provides each Minority Shareholder of Linde AG with a direct and irrevocable payment claim against us. The claim by each Minority Shareholder against us deriving from this guarantee statement will be due (*fällig*) upon the maturity of the claim to cash compensation and expires once his/her claim to receive cash compensation expires. Any defenses or objections deriving from our legal relationship with Linde Holding may not be invoked vis-à-vis any Minority Shareholder.

This guarantee statement is governed exclusively by the laws of the Federal Republic of Germany.

UniCredit Bank AG

[signatories]



**Annex 8**  
to the Share Transfer Report

Draft of the transfer resolution to be made by the general meeting of Linde Aktiengesellschaft

**Draft of the transfer resolution to be made by the general meeting of Linde Aktiengesellschaft:**

„ The no-par value bearer shares of the remaining shareholders of Linde Aktiengesellschaft (minority shareholders) are transferred, in accordance with section 62 para. 5 German Transformation Act in conjunction with sections 327a et seqq. German Stock Corporation Act, to Linde Intermediate Holding AG, with its registered office in Munich (majority shareholder), in exchange for an adequate cash compensation in the amount of EUR 188.24 for each no-par value bearer share of Linde Aktiengesellschaft to be paid by the majority shareholder.“