

2005

Trend-setting. The Linde Annual.

LeadIng.

The Linde logo is written in a classic, elegant script font.

2005

Linde Financial Highlights

in € million	2005	2004 ¹	Change
Share			
Closing price	€ 65.77	46.06	42.8 %
Year high	€ 66.42	49.10	35.3 %
Year low	€ 47.73	40.50	17.9 %
Market capitalization	7,883	5,496	43.4 %
Per share			
Earnings	€ 4.19	3.19	31.3 %
Dividend	€ 1.40	1.25	12.0 %
Cash flow from operating activities	€ 12.00	10.52	14.1 %
Number of shares (in 000s)	119,864	119,327	0.5 %
Group			
Sales	9,501	8,856	7.3 %
Incoming orders	11,008	8,917	23.4 %
EBITA	913	774	18.0 %
Earnings before taxes on income (EBT)	789	622	26.8 %
Net income after minority interests	501	380	31.8 %
Return on capital employed (ROCE)	12.5 %	10.8 %	n/a
EBITA margin	9.6 %	8.7 %	n/a
Capital expenditure (excluding financial assets)	851	718	18.5 %
Cash flow from operating activities	1,435	1,255	14.3 %
Equity	4,413	3,946	11.8 %
Total assets	12,526	11,635	7.7 %
Number of employees at December 31	42,229	41,383	2.0 %

¹ Excluding Refrigeration and amortization of goodwill as well as adjustments arising from amendments to accounting standards.

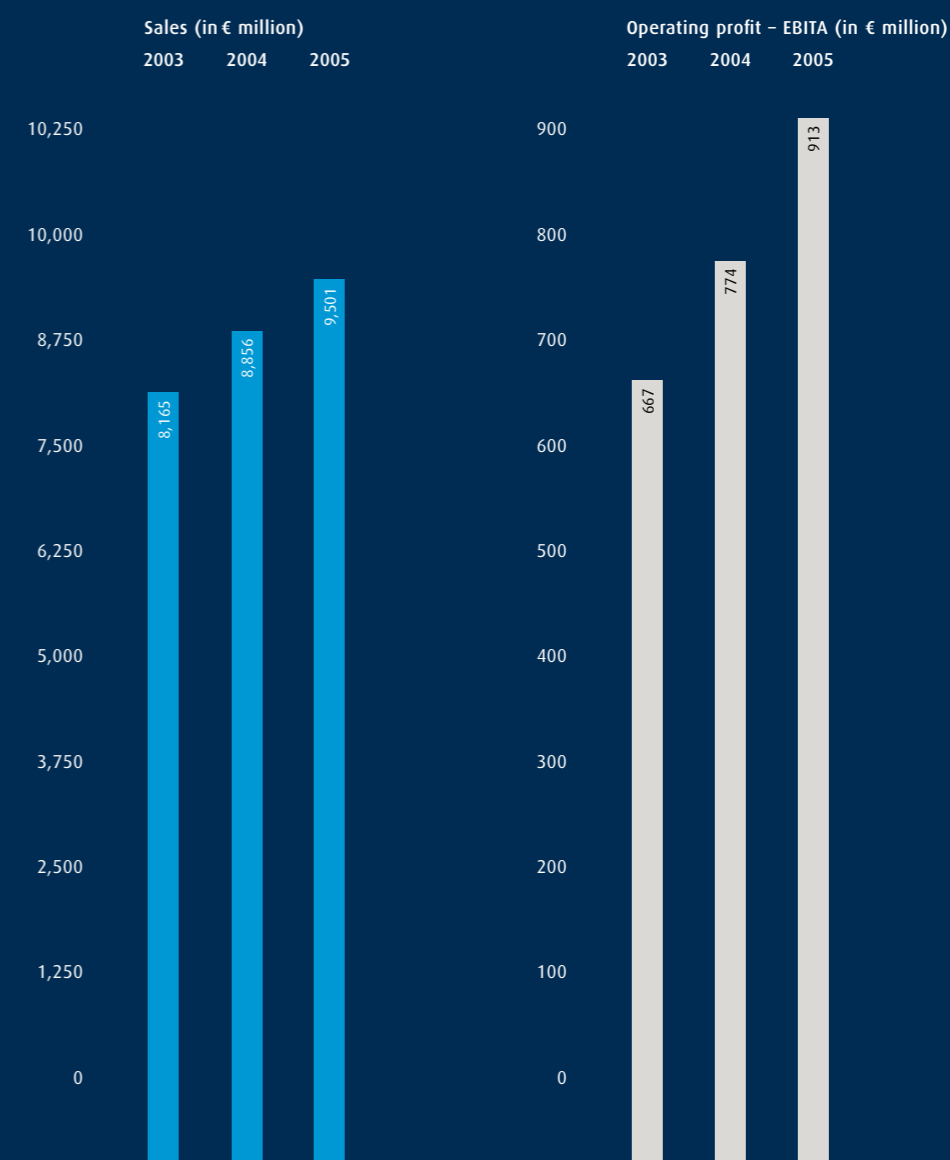
Business segments 2005

in € million	Sales	Incoming Orders	EBITA	Capital expenditure ²	Number of employees
Gas and Engineering	5,831	7,179	783	635	22,191
Linde Gas	4,438	4,455	721	658	17,783
Linde Engineering	1,623	2,913	89	23	4,408
Material Handling	3,628	3,787	223	191	19,323

² Excluding financial assets.

Sales and earnings trends

Group sales and Group EBITA



Trend-setting

Only those who take the lead can determine the direction in which to go // This is why innovation has been inextricably linked with the Linde Group for more than 125 years. Every day, in a huge variety of locations across the world, innovative applications are being developed from unusual ideas, which take us on new paths and open new horizons for us and our customers. This is how we have set technological standards, developed new markets and defended our mission to be a leading company in the international arena. As in the past, we will only be satisfied with the best solution to each problem.

Foreword

Dear Stakeholders,

You have before you now the new Linde Annual, which complements our redesigned financial report. The two publications together form our annual report. For the first time, we have split our report on the past fiscal year into two self-contained booklets in order to provide you with more targeted information about the Linde Group in a more compact format.

If you would like to obtain the usual information about our performance in the individual business segments, to find out about prospective business trends or to make a detailed study of our financial statements, then please turn to our 2005 Financial Report.

In the Linde Annual, on the other hand, we want to give you an understanding of the world of Linde hidden behind the data and the facts and figures, and to provide you with answers to all the questions you always wanted to ask in order to learn more about Linde.

In which business areas is Linde active?

Which external research projects does Linde support and into which technologies of the future are we conducting our own intensive research?

What were the key issues for the Group in fiscal 2005?

Which products manufactured using Linde technologies and processes do you use every day without thinking?

We will show you our commitment to the development of hydrogen technology, because we are convinced that hydrogen will make a significant contribution to future energy supplies.

You will discover which innovative research projects have been made possible by the use of helium.

We will show you how you benefit from our gases on a daily basis when you open your fridge and how you come into contact with Linde many times every day without even realizing it.

Last, but not least, we will show you what Linde stands for, what drives us forward. The fact that Linde has been a successful international technology company for more than 125 years is only possible because we have always upheld our values: technical competence, a passion for research, a global orientation and a keen focus on customers, based on our mandatory corporate policy. We have a clear objective in mind, which can be seen from the motto of this publication. We want our company to point the way forward. We are a company that ventures down new paths, without losing sight of what has already been shown to work. We want to be a top technology company, exemplary in every way, and to continue to fulfill our mission as a "Leading." company. The Linde Annual covers this too.



Prof. Dr. Wolfgang Reitzle
President of the Executive Board
of Linde AG

Contents

04-05

[Group Profile](#)

04 Group Profile // 04 Linde Group //
05 Gas and Engineering // 05 Material Handling

06-19

[Linde Gas](#)

09 Hydrogen – the fuel of the future // 09 Hydrogen becomes suitable for everyday use // 10 Setting up a European Hydrogen Highway // 10 Specialty gases business significantly strengthened // 13 Innovative applications for gases in various fields // 14 Linde technology in environmental research // 14 Strong customer focus – Improved range of services // 16 On-site business: Cost-effective direct supply to industrial customers // 16 Healthcare – Solutions to the challenges presented by demographic trends // 17 Respiratory Homecare: Expansion and growth // 18 Institutional: Transformed from a traditional supplier into a flexible specialist

20-29

[Linde Engineering](#)

23 The olefin plant growth market: Linde Engineering benefits from its technological leadership // 24 Natural gas plants: A milestone is reached in the Hammerfest project // 24 Reinforcing our leading position in specialized fittings // 26 Hydrogen and synthesis gas plants: Major order from Asia // 28 Air separation plants: A high level of competence since the early days of cryotechnology

30-41

[Material Handling](#)

33 Different brands to meet individual customer requirements in all world markets // 33 iPEP: Accelerating the market-readiness of innovations // 34 Second brand strengthens our position in the growth market of China // 34 Linde Hydraulics: Global supplier of mobile hydraulics // 36 Linde: Modular warehouse equipment // 39 STILL: Accurate tracking of goods creates value added // 39 OM: Innovations reduce costs // 40 Better performance leads to greater productivity

42-49

[Linde Group](#)

45 "Leading.": Our mission // 45 Balanced Scorecard: Identifying variances at an early stage and taking appropriate countermeasures // 46 Corporate responsibility: Focusing on the environment, our employees, society and the capital market // 46 Global Human Resources Management // 46 Expanding personnel and graduate recruitment and making it more international // 47 A variety of training opportunities for different target groups // 47 Linde University: Management development in line with Group strategy // 48 Leadership appraisals completed, assessment skills developed // 48 Leadership Excellence Initiative launched

50-51 Review of the year

52-53 Executive Board and Supervisory Board

54-55 Glossary

56 Imprint

Group Profile

Linde is an international technology group which has a leading market position in both its business segments, Gas and Engineering and Material Handling. We achieved sales in fiscal 2005 of €9.501 billion with around 42,000 employees worldwide. Our strategy, which is geared towards earnings-based growth, focuses on the expansion of our international business with forward-looking products and services. We are concentrating not only on Germany and Europe, our core markets, but also on continuing to improve our position in the fast-growing regions of Asia, the United States and Eastern Europe.

Gas and Engineering

In the Gas and Engineering business segment, we have bundled our activities into two areas, industrial and medical gases and plant construction. Both these areas benefit from mutual exchanges of competence and expertise on ambitious projects in all regions of the world. An example of this is our on-site business, where Linde Gas and Linde Engineering work together to supply major industrial customers with industrial gases from plants installed directly on the customer's own site.

The Linde Gas division is one of the leading suppliers of industrial gases in the world. We are also focusing on expanding our fast-growing Healthcare segment, our medical and therapeutic gases business. Moreover, we are a world leader in the development of environmentally-friendly hydrogen technology.

Linde Engineering, with its focus on promising market segments such as the construction of hydrogen, oxygen and olefin plants, is successful throughout the world. In contrast to virtually all our competitors, we have extensive process engineering know-how in the planning, project development and building of turnkey industrial plants.

Material Handling

With its three brands, Linde, STILL and OM Pimespo, as well as our strategic partner Komatsu, our Material Handling business segment is one of the biggest manufacturers of industrial trucks in the world. In contrast to most of our competitors, we offer a complete range of products: engine-powered forklift trucks, electric trucks and warehouse equipment. Our business success in this segment is based on products at the cutting edge of technology and an extensive range of service options from financing to full fleet management, and we are strengthening our position as a leading service-provider in all areas of intralogistics.



Linde Gas

“Hydrogen is the fuel of the future. In the long term, hydrogen will free us from dependence on fossil fuels, the use of which continues to damage the environment. Linde is developing the appropriate technology today for us to enter the hydrogen age tomorrow.”

Dr. Joachim Wolf, Executive Director Hydrogen Solutions, Linde Gas



Innovation

Linde Gas

Innovation is the key to growth and to sustainable economic success. At Linde Gas, we are constantly working on new technologies and innovative applications, such as the development of the environmentally friendly fuel hydrogen. During fiscal 2005, we also took major strategic decisions in our on-site business, our cylinder and bulk businesses and in the Healthcare segment. These will form the basis for the consolidation of our strong international position. Linde Gas places special emphasis on the growth markets in Asia, Eastern Europe and South America.

Hydrogen – the fuel of the future

Stocks of fossil fuels such as oil are finite and their use causes damage to the environment. At the same time, the energy requirements of the ever-growing world population continue to rise. Hydrogen, an environmentally friendly fuel, will have a significant role to play in resolving this tension. As a leading global supplier of industrial gases and hydrogen plants, Linde will be in a prime position when it comes to harnessing the fuel hydrogen in specific applications. We are working closely together with car manufacturers and oil and energy supply companies to make further progress in developing hydrogen technology and we see ourselves as the forerunner of the hydrogen society. We already have at our fingertips all the technology required for a functioning hydrogen value-added chain, from hydrogen production to hydrogen applications.

Hydrogen becomes suitable for everyday use

As an energy storage medium, hydrogen has many benefits. When it is used to fuel motor vehicles, for example, the only emission is steam, which does not have a negative impact on the environment. Moreover, due to its particular properties, hydrogen is the ideal storage medium for electricity from renewable sources. Therefore, it is the most important link in a completely emission-free value-added energy chain.

The possibility of using hydrogen not only directly as a fuel but also to generate electricity means that it is ideal for mobile applications in the transport sector. Linde Gas participated in numerous projects in this area in fiscal 2005 with international industrial partners to promote new developments. One of the results of this work was an innovative

cooling system for liquefied hydrogen tanks. This system allows the maximum amount of time that hydrogen vehicles remain completely stationary to be extended from three days to two weeks with almost no losses due to evaporation.

The newly-developed Hydrogen Fuel Injection (HyFI) compressor technology also improves the storage in the vehicle of hydrogen liquefied at low temperatures, while at the same time increasing engine performance. We have also developed the technology for filling hydrogen-powered vehicles. Thanks to our improved cryo clutch technology, filling the tanks of vehicles at hydrogen filling stations will only take two or three minutes, whether the hydrogen is in liquid or gaseous form. This is equivalent to the time taken at diesel and gasoline pumps. A third of the hydrogen filling stations in the world are currently using Linde technology.

We have demonstrated our competence in the hydrogen field in numerous German and international partnerships, such as the hydrogen project joint venture at Munich Airport, the Clean Energy Partnership (CEP), the EU-funded Clean Urban Transport for Europe (CUTE) project and Zero Regio. We have also built the biggest hydrogen filling station in the world in the city of Berlin, a CEP demonstration project funded by the German Federal Government. What is remarkable here is that for the first time the hydrogen infrastructure has been integrated into the everyday operations of a conventional filling station. Under the CUTE project, Linde is also equipping the filling stations for fuel cell buses in Amsterdam, Barcelona and Porto.

Setting up a European Hydrogen Highway

At the International Hydrogen Day held by Linde in February 2005, we presented the European Hydrogen Highway initiative, which will enable us to test the use of hydrogen more extensively under real conditions. The first phase will involve the construction of a network for hydrogen-powered vehicles by setting up a hydrogen infrastructure radiating from the conurbations in Germany, to be followed by a second and third phase which will include Germany's European neighbors.

A feasibility study commissioned by Linde estimates the cost of setting up a Europe-wide hydrogen infrastructure for motor traffic by 2020 at €3.5 billion. This investment would ensure a local supply of hydrogen to around 120 million people, i.e. one-third of the total population of the European Union.

The suitability of hydrogen as a fuel was clearly demonstrated at the first Fuel Cell and Hybrid Monte Carlo Rally in April 2005. At this event, 17 well-known car manufacturers put the efficiency of vehicles powered by hydrogen and fuel cells to the test. Linde Gas was responsible for filling the vehicles with hydrogen.

Specialty gases business significantly strengthened

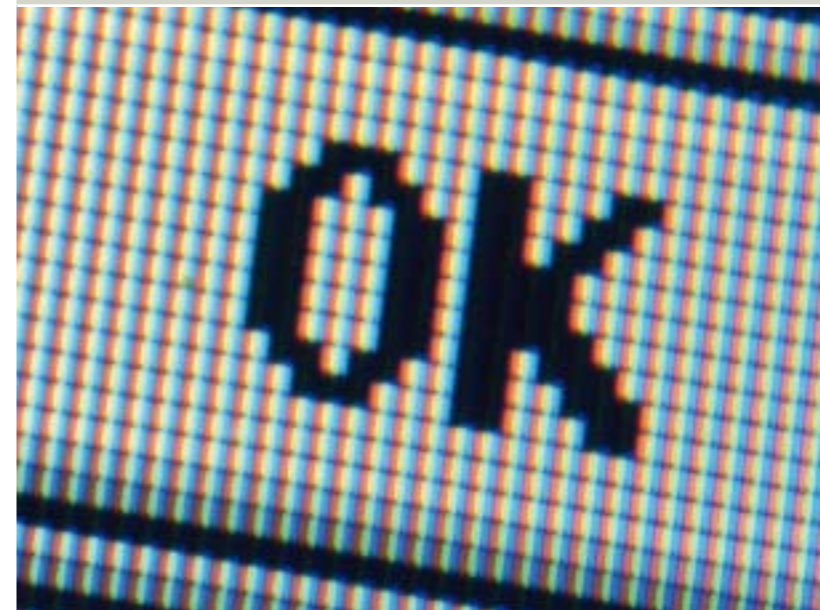
As well as the traditional industrial gases, the bulk and cylinder businesses include our specialty gases. What distinguishes specialty gases from Linde Gas is their high level of purity. They are used in a variety of areas such as the production of semi-conductors, research in the pharmaceutical industry and environmental protection. Our activities in this segment are brought together in the Specialty Gases business unit. In fiscal 2005, we concentrated in this area particularly on expanding our production capacity of specialty gases for the semi-conductor and electronics industries, which are two of the world's growth markets. Semi-conductors are used in computers, cell phones and in display screens, so many people use these components on a daily basis without realizing it.

The acquisition of the US specialty gases company Spectra Gases, Inc., New Jersey, subject to the approval of the antitrust authorities, will enable us to develop extensive specialist know-how in segments and regions in which until now Linde Gas has been less strongly represented. Spectra Gases produces high-purity specialty gases and chemicals which are used in manufacturing and research as well as for analysis purposes. The company also produces specialty gas mixtures, e.g. for the semi-conductor industry and for laser treatment.

At the end of fiscal 2004, we had already expanded our specialty gases business by entering into a joint venture with a Japanese producer. Since then, under our joint name Linde Nippon Sanso GmbH & Co KG, we have strengthened our position in Europe as a supplier to the rapidly-growing electrical engineering market.



Environmentally friendly dry-cleaning with carbon dioxide // Linde offers an environmentally friendly alternative to conventional dry-cleaning methods under the brand name Fred Butler. Instead of using the chlorinated hydrocarbon perchloroethylene (PER), which damages the environment and is dangerous to health, we use carbon dioxide liquefied under pressure together with special detergents. The carbon dioxide required for this is a by-product of processes in the chemical industry and does not need to be produced specially. Another bonus is that 98 percent of the carbon dioxide used in our process can be re-used many times.



Specialty gases: The basis of semi-conductor production // The production processes in the semi-conductor industry call for the use of numerous specialty gases. Semi-conductors are required for example in computers and monitors, in cell phones and in modern TV sets – and are therefore part of everyday life. Specialty gases are also used in the following areas:

- pharmaceutical industry
- laser therapy
- electronics industry
- environmental protection
- solar cell industry



Welding shielding gases: Crucial for shipbuilding // Welding and cutting are among the most important jobs in shipbuilding. As a result of the competence we have developed over decades, we are able to offer a wealth of technical solutions for the production of the individual components which ultimately make up a ship. Linde also has a wide-ranging portfolio of welding shielding gases for other areas of application. In welding, it is the material that determines the process. Linde offers gases for all types of materials process, including arc, plasma, autogenous and laser welding.

Innovative applications for gases in various fields

In fiscal 2005, we introduced a number of innovative developments for gases applications in various industrial fields. Among these were the new LIC (or liquid carbon dioxide) compressor station, which makes it possible for us not only to store large quantities of liquefied carbon dioxide safely in tanks at low pressure, but also to supply them for high pressure applications, particularly for our customers in the plastics industry. The carbon dioxide is used here in foaming plastics.

We succeeded in making an important improvement to the prilling process in the fine chemicals industry by developing the LINPRILL™ plant. The principle of the plant is based on the rapid solidification of droplets of a molten product. The substance is cooled down as the droplets fall a short distance using a cryogenic nitrogen gas flow. This process makes it possible to manufacture spherical products with similarly-sized particles. Now that the development phase has been completed, we have entered into a long-term cooperation agreement with a customer in Bitterfeld in Germany in order to test the process.

The enrichment of air with oxygen can significantly increase plant capacity in certain refining processes in the fine chemicals industry as well as in other oxidation processes. We have developed an innovative solution in this field with the OXYMIX™ oxygen injector. With the injector, the mixture of air and oxygen can be regulated extremely precisely, so as to ensure the optimal operation of the plant. As well as increasing plant capacity, this innovation can also improve product yield and selectivity. We have enhanced the efficiency of the OXYMIX™ oxygen injector by developing special simulation and calculation programs. The OXYMIX™ oxygen injector is already being used in more than ten plants worldwide.

In the food sector, following intensive research and development, we launched a new model of tunnel freezer, CRYOLINE® MT, which sets high standards in terms of efficiency, ergonomics and hygiene. Shock freezing, using cryogenic gases such as liquefied nitrogen

(-196 °C) and carbon dioxide (-78.5 °C) as refrigerants, is a simple but very effective solution to the problem of improving the preservation of food without compromising on quality.

With our MAPAX® technology, we also offer the possibility of shielding food from germs within a protective atmosphere (Modified Atmosphere Packaging, or MAP), allowing for a longer shelf-life. The gases used to protect the food, nitrogen, carbon dioxide and, in particular cases, oxygen, prevent or delay the deterioration of the food.

The superconductor growth market: Significant increase in demand

// The market for superconductors has grown by over 70 percent in the past year. In a superconductor, electricity can flow without any resistance or loss of power. To make coils superconductive, they first need to be cooled down to -269 °C using helium. Linde offers an innovative method of extracting the noble gas helium by low-temperature air separation.

Business area (in € million)	2004	2005
Research and technical development	600	815
Magnetic resonance tomography	2,950	4,620
New major applications	35	495
New electronics applications	65	315
Total market	3,650	6,245
of which low-temperature superconductors	3,610	5,630
of which high-temperature superconductors	40	615

Source: Technology Review, No. 1, January 2006

Linde technology in environmental research

As a technology company, we collaborate with universities and research institutions across the world. An example of this international exchange of ideas is the research mission on the flight from Sweden over the northern Arctic of Europe's biggest ever helium balloon, commissioned by NASA. The aim of the mission was to collect data to analyze astronomical phenomena such as stars, galaxies and star clusters using a special telescope. On board was 5,000 cubic meters of helium produced by Linde, which was used to lift the balloon up into the stratosphere.

We also enabled the GSF Research Center for Environment and Health in Neuherberg near Munich to take a significant step in the field of environmental research. With the help of the new Linde Liquefied Helium Container Concept, the first 12 tesla FTICR mass spectrometer (see glossary) in Europe came into operation. Our experts were involved in cooling down the core of the research instrument, the high-performance magnet, to nearly -269 °C using helium. At this temperature, the coils of the magnet become superconductive. In other words, current can flow without resistance, so none is lost. One of the main focuses of the research with this highly sensitive mass spectrometer is the analysis of environmental processes on human health.

Helium is one of the most important noble gases and is used in a variety of industrial applications. As a result, global demand for helium is rising by around 5 percent a year.

Strong customer focus – Improved range of services

So that we can provide the best possible service to those of our specialty gases customers who require only small amounts of gas, we developed our own product line, EcoCyl™. Under this system, which was given the Gases and Technology Magazine Product Innovation Award in 2004, we supply gases for the calibration of environmental control equipment in small multi-use cylinders which are particularly light and extremely safe.

We also improved the range of services in our cylinder and bulk businesses. To enhance product transparency and the selection process for our customers, we will in future be offering two product lines under our welding shielding program, Competence and Performance Line. In both product ranges, there are high-quality welding shielding gases with varying capabilities for a number of different material/process combinations. Welding shielding gases are a versatile tool in the most varied production processes, being used for example in the joining of steel in shipbuilding or in the manufacture of cars.

Moreover, under an initiative launched in 2005, we drafted a new distribution channel concept in our cylinder business. The concept is based on a new segmentation of customers by their individual requirements and is currently being developed in the Czech Republic, France and the Netherlands. The launch is planned for 2006.



Food gases // With the BIOGON® product family, we offer a range of pure gases and gas mixtures specially developed for the food and drinks industry. Dairy products for example are frothed up with nitrogen, nitrous oxide or synthetic air, so that they preserve their loose structure and full-bodied taste. With our MAPAX® technology, we are able to increase the length of time food can be kept. Food is shielded from germs within a protective atmosphere (Modified Atmosphere Packaging, or MAP) using nitrogen, carbon dioxide and, in some cases, oxygen, thus increasing its shelf-life.

Edible for longer: With MAPAX® food stays fresh longer

	Typical storage time in air	Typical storage time with MAPAX®
Raw fish	2-3 days	5-8 days
Bread	a few days	2 weeks
Fresh pasta	1-2 weeks	3-4 weeks
Sausages	2-4 days	2-5 weeks
Hard cheese	2-3 weeks	4-10 weeks
Cake	a few weeks	up to one year

On-site business: Cost-effective direct supply to industrial customers

In our on-site business, we supply industrial gases to major companies worldwide from plants installed directly on the customer's own site. In this area, Linde Gas is able to benefit greatly from the close cooperation with the Linde Engineering division and from its competence and technological leadership in both air separation plants and hydrogen plants.

Generally, Linde Engineering supplies the appropriate plant for our on-site business and Linde Gas acts as the plant operator. The customer, therefore, does not need to concern himself with the operation of the plant. Due to the relatively high capital outlay, the term of the supply contract is similar to the technical operating life of the on-site plant, i.e. approximately 15 years. As clients with on-site solutions do not generally require gases in liquefied form, no costs are incurred for liquefaction or for transportation by heavy goods vehicle. Our clients also have no personnel costs, so they do not need to incur any capital expenditure outside their own core business. This makes on-site plants a cost-effective solution for our customers, who come from a variety of industries: the chemical, petrochemical and metal-processing industries, the food and semi-conductor industries, as well as metallurgy (see glossary) and recycling.

In this segment in fiscal 2005, we won many orders and converted them to sales. We have expanded our business in Eastern Europe in particular, with plants coming on stream in Russia, Hungary, the Ukraine and Romania. We also secured some major orders in Western Europe, Scandinavia and Asia.

During the year, we developed a particularly innovative application in the on-site segment in the Netherlands. Improved insulation in hot-houses meant that the carbon dioxide required by the plants for photosynthesis and necessary for a high crop yield was no longer penetrating the greenhouses in sufficient quantities.

In a joint venture with the construction company VolkerWessels, Hoek Loos, the Dutch subsidiary of Linde Gas, found a solution which was both simple and sensible. Carbon dioxide waste gases produced by the Shell Pernis refinery about 80 kilometers away are led along an existing and little-used 1960s pipeline to the hothouses, ensuring an efficient supply to around 350 greenhouse operators. This useful recycling of carbon dioxide is also a positive contribution to the protection of the environment.

Healthcare – Solutions to the challenges presented by demographic trends

Within Linde Gas Therapeutics, we make a clear distinction between three areas: medical gases and equipment for hospitals (Institutional), care at home for patients with respiratory diseases (Respiratory Home-care) and the treatment of term and near-term neonates with respiratory failure (INO Therapeutics).

Medical gases produced by Linde have been used for over a hundred years in the health service, for example as medication to treat respiratory ailments, as anesthetics, as pain relief and to calibrate measuring instruments. The Healthcare segment has been growing in importance, particularly in the past few decades.

As a result of this development, the role of the Institutional segment has been transformed from that of a supplier of medical gases to hospitals into that of a partner in the development, improvement and sale of pharmaceutical gas therapies.

As people are living longer, the risk of becoming dependent on medical care is rising, due to chronic diseases. At the same time, health systems are under enormous cost pressure. Against this background, there is an increasing demand for treatments which do not have to be administered in hospital. Therefore, Linde Gas Therapeutics offers treatment to chronically ill patients who require oxygen therapy which can be used in nursing homes or in the patient's own home. Potential new treatments are also currently being developed for inpatients.

In 2003, we set up the GEMI (Gas enabled medical innovation) Fund – jointly with Harvard Medical International, Boston, USA, part of Harvard University medical faculty, and the Karolinska Institute, Stockholm, Sweden – to support research into gas enabled medical solutions. This fund is forging links between science and industry and strengthening our leading position among producers of medical gases. This network keeps us abreast of any new development involving a gas and gives us an early opportunity to evaluate each case. In 2005, nine scientists from the United States, Germany, Italy and Portugal received a total of US\$1 million from the GEMI Fund to carry out their research.

Respiratory Homecare: Expansion and growth

Respiratory Homecare offers patients with chronic diseases the possibility of receiving treatment without having to stay in hospital. We aim to give patients as much mobility as possible. In the US and Europe, the homecare market is growing at an annual rate of 6–8 percent, while in Latin America it is increasing at 15–20 percent per annum.

The most important operating area within the Homecare segment is oxygen therapy. Most of the clients in this area are patients with chronic respiratory failure. We provide all the available types of oxygen therapy, to ensure that these patients have the greatest possible mobility and best possible quality of life. With OXYTRAVEL®, we have developed an innovative solution which enables patients who are dependent on oxygen therapy to travel. With a 24-hour hotline, we also ensure the availability of the necessary organizational and administrative services and guarantee the oxygen supply all over the world.

Another operating area in the Homecare segment is aerosol therapy, which we provide in order to treat patients with asthma and chronic respiratory failure. A nebulizer (aerosol) is used to turn the medication into a mist of droplets which is introduced directly into the pulmonary system, the most efficient way of treating a lung infection.

We also provide therapies for the growing group of patients who have sleep apnea. If this illness is not treated, the patient may not only require a hospital stay, he or she may suffer irreversible damage. So that we can respond to the particular requirements of each patient, we have a wide selection of products available.

Another growth area in the Homecare segment is assisted respiration for patients. A few years ago, this treatment could only be provided in a hospital intensive care unit. Now, it is possible to treat the patient in his or her own home environment as a result of new technology, even if the procedures are invasive and the patient is kept breathing artificially only by bypassing the normal nose and throat area.

In this field, we not only supply and maintain the necessary equipment, but also provide individual care for the patients through specially-trained staff, whether in the form of single visits, several hours of treatment or 24-hour care.

For patients who cannot be cared for at home, yet do not need to be treated in an intensive care unit, we provide an assisted respiration center. The round-the-clock care provided there is more cost-effective than a stay in an intensive care unit. Therefore, not only does the patient benefit from appropriate treatment, but the financial burden on the medical insurance companies is also greatly eased. The annual cost for a patient who requires this respiratory treatment may be more than €100,000 less than if the patient was treated in hospital.

In the Homecare segment, we are independent and we can therefore offer our patients tailor-made solutions based on the latest equipment, as well as training by our well-qualified staff to ensure that the equipment is properly used. Our service package also includes controlling the treatment and supporting the monitoring of patients by the doctor.

Currently, we provide these services in more than 30 countries worldwide. As well as achieving growth in existing markets (either organically or as a result of acquisitions), Homecare is also expanding into new markets. In 2005, we signed a five-year contract with the National Health Service in the United Kingdom. Under this contract, we guarantee the supply of oxygen to homes throughout the north-east of England.

Institutional: Transformed from a traditional supplier into a flexible specialist

In recent years, the Institutional segment has undergone a significant transformation, partly as a result of external influences such as changes in legislation. Not only established medical gases, such as oxygen and nitrogen, but also gases which have only recently been authorized for hospital use are increasingly being classified as approved pharmaceuticals. To ensure that our products obtain the necessary Marketing Authorization for use as medical and therapeutic gases, we have introduced two new programs to guarantee high quality standards in manufacture and distribution: Good Manufacturing Practice (GMP) and Good Distribution Practice (GDP). We have, for example, set up new filling plants in Brazil, Latvia, the Netherlands and Sweden which comply with the latest requirements. We have also developed a special service in the United States for hospitals and homecare operators. As part of this program, new filling points have also been established there.



Linde Gas Therapeutics: Prepared for increasing healthcare needs // Medical gases are used on a daily basis throughout the world to treat respiratory failure or as anesthetics. We have bundled our global activities in this field under the Linde Gas Therapeutics heading. In addition to medical gases, we also offer the corresponding support services, innovative technologies and a range of other services. This means that we are prepared for increasing healthcare needs.



Competence



Linde Engineering

“The construction of a major technical plant requires know-how, competence and experience. We are one of the few suppliers who can undertake the construction of industrial plants from the project development to the delivery of a turnkey plant based on our own technologies. Anywhere in the world.”

Sohan Bir Singh, Vice President Projects, Linde Engineering

Linde Engineering

Linde Engineering's competence in the project development, planning and construction of turnkey plants is clearly demonstrated by the fact that there are more than 3,700 plants across the world built by Linde. In our areas of core competence, olefin, natural gas and hydrogen plants, synthesis gas and air separation plants, Linde is a world leader. Our specific know-how in process engineering makes us the ideal partner in the most diverse industry sectors, including the petrochemical and steel-processing industries. It does not matter whether we are transporting a processing plant across the sea, building plants in India, China or the Arabian desert, making it possible to extract crude oil from oil sand or increasing the oil production of our customers by injecting nitrogen into the ground.

The olefin plant growth market: Linde Engineering benefits from its technological leadership

Olefin plants are used to extract ethylene, propylene, acetylene, butadiene and gasoline from feedstock such as ethane, liquefied gas, naphtha, gas oil, hydrocracker residues, natural gas condensates and refinery gases. In addition to these plants which transform petrochemical raw materials into primary products, Linde also builds plants for the production of downstream products, such as the plastics polyethylene and polypropylene, or for the manufacture of linear alpha olefins (see glossary). These materials are used to make such diverse products as shopping bags, detergents and lubricants.

An important development in the market for olefin plants from which we have benefited in fiscal 2005 is the building of new production facilities in regions with low-cost gaseous raw materials or above-average growth potential, e.g. in Saudi Arabia, Iran and China. In the course of 2005, we obtained a number of important orders in these regions.

We are also constructing olefin plants in Europe, such as the BASF AG ethylene plant in Antwerp in Belgium. Right at the beginning of the 1990s, we built a naphtha steam cracker (see glossary) for BASF there. Due to rising demand for ethylene and propylene, this plant will be extended by 2007 to create one of the largest liquid crackers in the world. Linde will increase the production capacity of this plant by about 30 percent. The value of the order for the extension of the plant is around €180 million. Included in the extension will be a new cracking furnace (see glossary), which will be supplied by Linde and will boast Linde-specific technological features. This ambitious project emphasizes our leading position in olefin plant construction. Another significant project is the supply of five large cracking furnaces on a turnkey basis for BP in Gelsenkirchen. These new, highly energy-efficient furnaces are replacing several smaller uneconomic installations. The value of the order is around €130 million.

Natural gas plants: A milestone is reached in the Hammerfest project

The market for liquefied natural gas (LNG, see glossary) is growing at an annual rate of around 8 percent. Depending on the purpose for which it is used, natural gas must first be purified, conditioned, liquefied, stored, transported and re-vaporized. In the north of Norway off the Hammerfest coast, we are currently building the largest natural gas liquefaction plant in Europe, commissioned by the Norwegian oil and gas group Statoil ASA. As the main contractor, we are responsible for all the engineering and procurement and for monitoring the assembly.

In July 2005, we reached a milestone in this project, a project which is ambitious in every respect. The processing plant, which forms the centerpiece of the plant and includes heat exchangers, refrigerant compressors and its own generating plant, was fully assembled in the Spanish shipyard of Cadiz and then towed across the sea for 2,700 nautical miles to Hammerfest, where it arrived on schedule. Assembling the plant on site, around 600 kilometers north of the Arctic Circle, would have entailed inordinately high costs, due to the extreme climatic conditions and the lack of infrastructure. The biggest bulk cargo ship in the world, the Blue Marlin, carried the 36,000-tonne barge, bigger than a football field, with its technical superstructure. After a journey of around ten days at an average cruising speed of ten knots, the barge simply docked at its destination, and was lowered into a designated basin and connected to the existing installations. The plant on the island of Melkøya off Hammerfest should come into operation in June 2007 and will have a production capacity of 4.3 million tonnes of liquefied natural gas per annum from the Barents Sea. The total contract value for Linde is over €800 million.

Reinforcing our leading position in specialized fittings

Our position as an innovative leader in this industry sector was strengthened when we were awarded the contract to supply low-temperature high-performance butterfly valves for the Laffan natural gas liquefaction plant in Qatar. This contract was a particular challenge because of the high technical, safety and reliability requirements for the butterfly valves, which only our specialists at the Horgau site in Bavaria were able to meet. As a result, we are assuming a leading role in the supply of butterfly valves and control butterfly valves for use at temperatures as low as -164°C in LNG plants worldwide. This has boosted our German production site. The Qatar order acts as a reference. Immediately following the successful completion of the contract, we secured several orders for LNG projects put out to international tender. Further plants requiring our specialized equipment are in the planning stages across the world.



Natural gas plant transported by ship to Norway // It weighs 35,000 tonnes and is bigger than a football field. The centerpiece of the largest natural gas liquefaction plant in Europe on its way from Cadiz in Spain to its destination, Hammerfest in Norway. On the biggest bulk cargo ship in the world, the Blue Marlin, the plant covered around 2,700 nautical miles in ten days.

Hydrogen and synthesis gas plants: Major order from Asia

Linde has years of experience in the planning, design, delivery and construction of complete plants for the production of hydrogen, carbon monoxide and mixtures of these two gases (synthesis gas) such as ammonia and methanol. We also have competence in the use of all feedstock, from natural gas, liquefied gas, naphtha and tail oil to coal.

The feedstock is generally converted into a raw synthesis gas comprising hydrogen and carbon monoxide. This is then reprocessed, depending on the desired end-products. Where pure hydrogen is the main product, the process includes for example the catalytic conversion of the carbon monoxide and a pressure swing adsorption plant in which all the impurities are removed. The pressure swing adsorption process, in which Linde is also a technological leader, allows hydrogen to be recovered at almost any level of purity, e.g. for applications in the semi-conductor industry.

In fiscal 2005, we were able to continue to reinforce our leading position in the fast-growing world market for hydrogen and synthesis gas plants. Here, we benefit from the fact that we have the competence to cover all the stages in hydrogen and synthesis gas production with our own technology.

Global demand for hydrogen continued to rise in 2005. This is due in part to increased legal requirements regarding the purity of fuels, which are desulfurized using hydrogen. Against this background, in fiscal 2005 Linde Engineering acquired several orders with a plant capacity totaling 800,000 cubic meters of hydrogen per hour and delivered four turnkey plants to customers in Germany, France, Hungary and Finland.

Asia is one of the regions on which we are focusing our activities in this segment. At the end of the 1990s, we built two hydrogen plants for the biggest refinery operator in India, Reliance Industries. These are used for the desulfurization of crude oil. During the reporting year, we received an order from Reliance to build five hydrogen plants on the Jamnagar site. The value of the order is around €145 million. The first of the new plants will come into operation in the first quarter of 2007. Taking into account the two existing units, local production will increase to a total of almost 600,000 standard cubic meters of hydrogen per hour. Jamnagar will therefore become one of the largest production sites in the world for high-purity hydrogen.

In Canada, a particularly innovative application has been found for hydrogen we supply. The hydrogen from one of our plants in the province of Alberta is being used to extract crude oil from oil sand. This is not only evidence of our competence in the promising field of hydrogen technology, but also demonstrates that there are alternative methods of fuel extraction.

In Taiwan, we built a plant for the production of hydrogen and carbon monoxide from naphtha for FBPC, a joint venture of the Formosa Group with BP Chemicals, which came on stream in fiscal 2005. The process is based on the partial oxidation of hydrocarbons to carbon monoxide using oxygen (POX process) and comprises the largest reactor in the world so far for naphtha operations.



High demand for oxygen in steel production // Demand for steel is high. The Chinese steel industry for example is booming, and demand for steel products for petrochemical projects in the Middle East is continuing to rise. The amount of energy required to heat up the steel and then to roll it and forge it is substantial. The Linde REBOX® oxy-fuel system ensures that the amount of fuel required is significantly reduced, due to the precise input of pure oxygen. It also prevents the production of nitrogen oxides, which cause environmental pollution.



Helium enables us to look into space // The noble gas helium, one of the products extracted by Linde in low-temperature air separation plants, plays an important part in space exploration. It is used, for example, in the KUEYEN giant telescope of the European Southern Observatory (ESO) in Chile. For this telescope to provide sharp and undistorted images, the infra-red instruments on the telescope have to be cooled down to -269°C , which is only possible with the use of helium.

Air separation plants: A high level of competence since the early days of cryotechnology

In 1895, the founder of our company, Dr. Carl von Linde, developed the process of liquefying air and other gases, thereby launching the cryotechnical industry. Today, Linde Engineering builds plants in which oxygen, nitrogen and various noble gases are extracted from the air. To date, around 2,700 air separation plants throughout the world have been planned, built and brought on stream using Linde know-how.

In Saudi Arabia, for example, we have already constructed the largest air separation plant in the region and have secured an order from Saudi Basic Industries Corp. (SABIC) to build three further air separation plants. SABIC is a market leader in Saudi Arabia and is seeking to become a world leader in the production of ethylene glycol. The

production of ethylene glycol, which is used in the manufacture of polyester, depends on a reliable supply of oxygen, which is guaranteed by Linde. The capacity of the plants, which are scheduled for completion in April 2008, is 3,000 to 3,600 tonnes of oxygen per day for each plant.

Central and South America are increasingly important markets for air separation plants, and we have already demonstrated our competence in this region with the construction of the biggest air separation plant in the world for the state-owned Mexican mineral oil group PEMEX (Petroleos Mexicanos) in Cantarell. In fiscal 2005, we received a follow-up order from PEMEX to extend the complex by adding a fifth section. High pressure is used to force the nitrogen which the plant produces into an oilfield, a safe way to increase output.



Great potential in Saudi Arabia // The industrial gas oxygen plays an important role in the petrochemical industry. As a result, Saudi Arabia is one of Linde's growth markets, because it is an oil-producing and oil-processing region. We have secured our biggest individual order for air separation plants ever from Saudi Arabia. The customer for the two pure oxygen production plants is the biggest industrial gases company in the Middle East, a subsidiary of the partly state-owned Saudi Basic Industrial Corp. (SABIC).

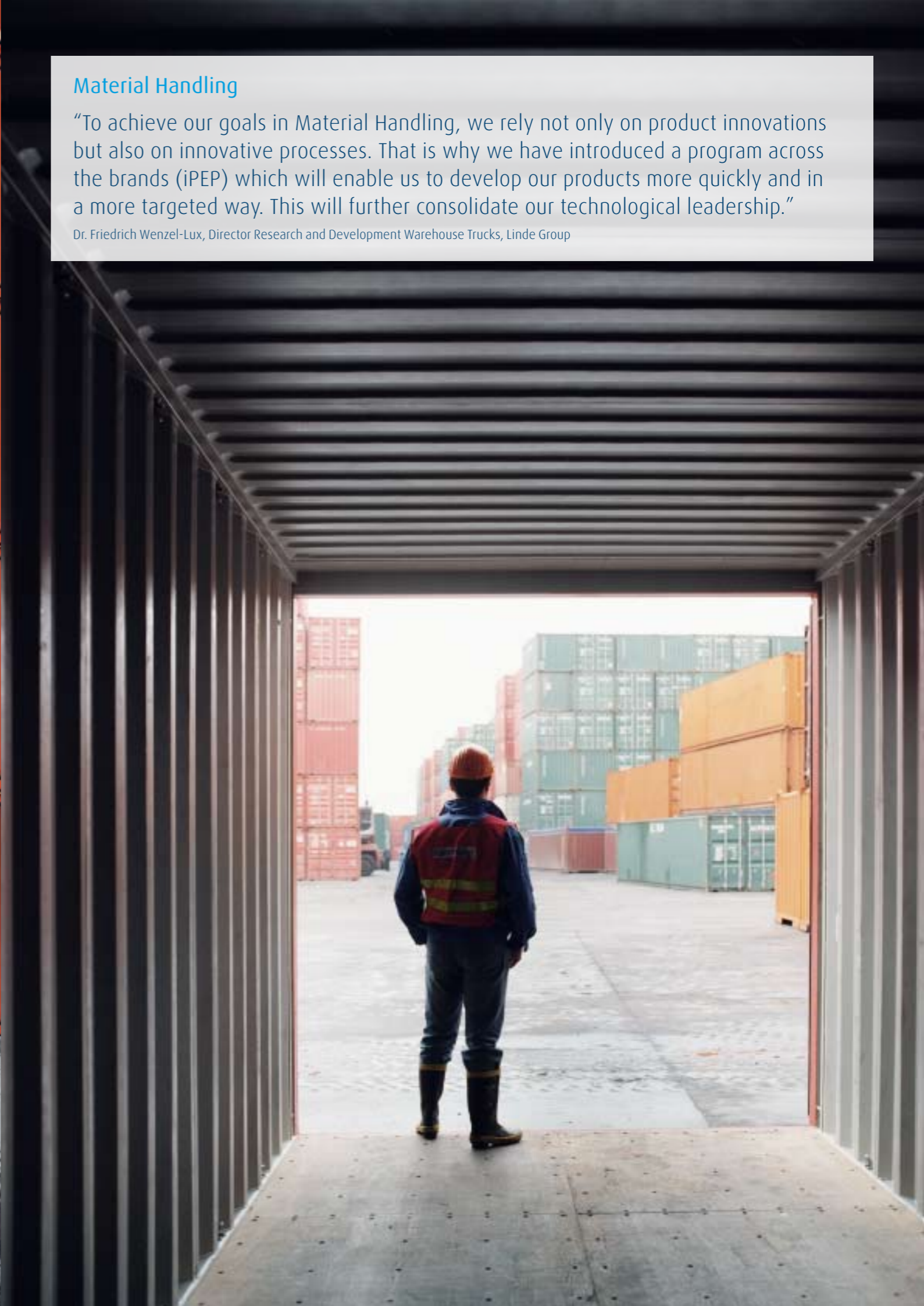


Efficiency

Material Handling

“To achieve our goals in Material Handling, we rely not only on product innovations but also on innovative processes. That is why we have introduced a program across the brands (iPEP) which will enable us to develop our products more quickly and in a more targeted way. This will further consolidate our technological leadership.”

Dr. Friedrich Wenzel-Lux, Director Research and Development Warehouse Trucks, Linde Group



Material Handling

Three brands, one solution: Linde, STILL and OM Pimespo all stand for the efficient management of the most diverse logistics processes. By employing rigorous product development processes, we are able to strengthen the good competitive position of each of our brands. In the Material Handling business segment, we offer a total service, which involves organizing, implementing and continually improving internal material flows for industrial and trading companies and for public institutions. Under the iPEP (innovative Products & Evolutionary Processes) program, we are currently optimizing the complex process of product development. We aim to reduce the time taken for development and combine this with lower costs and higher quality. On the international side, we are taking an even broader view. With the launch of OM Pimespo as a second brand in China, we intend to increase our share of the growth market in Asia.

Different brands to meet individual customer requirements in all world markets

The Linde brand, with its innovative vehicles and services, offers solutions which are technically demanding and value for money, as well as expert competence on the service side. We have a clear goal, which is to become the leading provider of products and services worldwide, while taking account of regional requirements and opportunities for growth. With the Linde brand, we intend to concentrate to an even greater extent in the coming years on growth markets such as the US and Asia. The aim is to establish Linde even more strongly as a global brand.

The STILL brand is positioned as a leading service-oriented provider for the management of intralogistics (see glossary) and ensures an efficient internal flow of goods and materials for our customers, especially with its new electric truck program.

The product range of OM Pimespo, the market leader in Italy, includes forklift trucks and warehouse equipment which represent value for money, and which complement the ranges of the other two brands.

Each of the three Group brands presented its latest products and services at the biggest trade fair in the world for intralogistics, CEMAT in Hanover, in fall 2005.

iPEP: Accelerating the market-readiness of innovations

Companies must continually increase the speed at which they bring new products to market, so that they can react to rapid changes in world markets. However, this requires rigorous and efficient product development processes. Against this background, we launched the iPEP (innovative Products & Evolutionary Processes) program in the Material Handling business segment. During the reporting year, this program has been further developed.

The aim of iPEP is to reduce the time it takes to develop new models and to streamline the development processes. Furthermore, iPEP will minimize the risks of product launches, improve cost transparency during the whole process and ensure the achievement of precise objectives from the moment the series is launched.

Therefore, we have defined the following action areas in iPEP: innovation, processes, organization and methods/tools.

Second brand strengthens our position in the growth market of China

In July 2005, our Material Handling business segment launched a second brand in China – OM. The Linde brand has been established there since the middle of the 1990s.

In the past few years, the Chinese market for forklift trucks and warehouse equipment has increased at around 30 percent per annum. Experts are anticipating clear double-digit growth over the next few years. Diesel forklifts comprise the highest proportion of the market, at 79 percent of the total. Electric trucks account for 13 percent and warehouse equipment for 8 percent of the market. With the launch of OM, we are expanding our local customer base and will be in an even better position to benefit from above-average market growth in China.

To ensure the competitiveness of the OM brand in China, future production will be located not only at OM Carrelli Elevatori in Italy, but also locally at our factory in Xiamen. The product program will also include electric trucks and warehouse equipment. Initially, however, only the XD 25–30 diesel forklift with a load capacity of between 2.5 and 3.0 tonnes will be produced locally. We have already received around 400 orders for this forklift truck.

Local distribution of products will be crucial to the success of OM in China. We have therefore set up the sales organization OM China, which will ensure an efficient distribution process using a dealer network. The dealers, who operate mainly in the industrialized coastal region, will cover around 80 percent of the market potential. Using local dealers to distribute our products has one big advantage. It means that we will be able to react much more quickly and more flexibly to the different markets and mentalities in China. At the same time, our own organization will remain relatively streamlined.

Linde Hydraulics: Global supplier of mobile hydraulics

There has been substantial growth in our hydrostatic drive systems business since the development of the Hydrocar in 1955. The 1,700 employees at the Gldner works achieved sales back then of the equivalent of around €30 million per annum building tractors and diesel engines. Nowadays, we achieve sales of around €370 million. In the Linde Hydraulics segment, we have brought together all ten components factories in the Material Handling business segment located in Germany and the Czech Republic. With six subsidiaries in Europe, the United States and China, Linde Hydraulics is an important partner for manufacturers of construction, agricultural, forestry and municipal machinery. Our product developments focus mainly on continual improvements in vehicle performance while reducing operating costs, more precise steering, dynamic handling characteristics, saving space and lower emissions. Linde Hydraulics offers its customers, including the three Linde Group brands, solutions for all the phases in the product development cycle, from the configuration of the hydraulic system via the prototype phase to bringing the vehicle into operation and employee training.

50 years of hydro cars ... // Fifty years ago, engineers at the Gldner works in Aschaffenburg, owned by the Linde Group, developed the Hydrocar. This was the first mass-produced vehicle in the world with hydrostatic drive which dispensed with a clutch, manual transmission and a foot-brake. Equipped only with a lever, the oil pressure in the hydrostatic drive was used to steer the vehicle and to accelerate smoothly. The new type of vehicle was very successful due to its numerous potential applications. It was quickly adopted as a versatile transporter in industrial buildings, at airports, on the railways, in municipal works departments and in agriculture and forestry. Only a few years after this development, Linde presented its first forklift truck with hydrostatic drive, the Linde Hubtrac, at the Hanover trade fair. This laid the foundations for the growth of the Material Handling business segment. Those employees at the Gldner works who developed the Hydrocar had created the forerunner of the high-tech forklifts in today's Linde 39X series. In 2005, we extended the use of the hydrostatic drive for the first time to large diesel forklifts with load capacities of 10.0 to 18.0 tonnes. The launch onto the market of the 391 series is planned for the end of fiscal 2006.

... and 50 years of reach trucks // Fifty years after its invention, development personnel at Linde Material Handling in the United Kingdom made significant technical improvements to the reach truck. They developed a new vehicle concept, where the battery is located under the operator's seat. In the new models R14X to R17X with load capacities of 1.4 to 1.7 tonnes at the fork reach, the whole mast is no longer moved to and fro along the straddle. Instead, the mast is in a fixed position and a mobile fork carriage assumes both the reaching and tilting functions. This represents a major development for reach trucks. In comparison with conventional models, the new forklift offers an increase of up to 15 percent in warehouse turnaround and a reduction of up to 73 percent in reach travel. The driver also sits up high between the mast profiles, which are set far apart, with an unrestricted view over the floor and the load. This design concept puts us in a unique position in the market.

Linde: Modular warehouse equipment

The Linde brand is focusing on ensuring a high level of flexibility while retaining high quality. Using the matrix concept, we are pursuing a strategy of developing an assortment of warehouse models from standardized components. By using the same sub-assemblies, such as engines, gearboxes and traction electronics, we are able to speed up production processes significantly, whilst at the same time ensuring the usual high level of availability. Eight models in total have already been developed using the matrix concept and were launched in fiscal 2005. The first new vehicle is the T20 SP/T20 AP stand on electric pallet truck. In July 2005, the T20 AP won one of the most coveted design prizes in the world from the North Rhine-Westphalia Design Center in the Machinery, Technical Equipment and Components category – the “red dot best of the best” award.

Under the matrix concept, this outstanding model was followed by the T30 pallet truck, the N20/N24, N20L and N20 Li order pickers (see glossary), the P30 and P50 tow-tractor and the L16 AS straddle stacker (see glossary).

Complete and ready-to-install multifunctional units are used for all the warehouse equipment in this construction system. The advantage of the modular principle is that our experts can build an order picker or a tow-tractor or a pallet truck from the various sub-assemblies, depending on the customer’s requirements, or can devise solutions specific to the customer.

The Linde brand has the best reputation among logistics managers in Germany // On the basis of a survey of 300 logistics managers in Germany, conducted by the Bielefeld EMNID market research institute, the Linde Material Handling brand was declared the overall winner in the “2005 Image Rankings” of the German trade journal “Logistik inside”. According to the respondents, the Linde brand had the best reputation among the 99 selected suppliers of logistics products, in terms of performance factors such as product quality, customer focus, value for money and the quality of its management and communications. Linde was given 767 out of a possible 1,000 image points. The journal “Logistik inside” has been investigating the image of the leading brands in the logistics sector since 2002.



Linde: Global leadership in products and services within our sights // Innovative vehicles, sophisticated and more cost-effective solutions and extensive service competence – the Linde brand offers a broad portfolio. Our aim is to become a global leader in products and services, after allowing for varying requirements and potential for growth in different regions.



STILL: One of the leading suppliers of intralogistics // The STILL brand is one of the leading service-based suppliers of intralogistics management. With its new electric forklift program in particular, STILL ensures the efficient internal flow of goods and materials for our customers.

STILL: Accurate tracking of goods creates value added

To work efficiently and cost-effectively, it is not sufficient to move goods from A to B. A prerequisite of intelligent intralogistics management is that it must be possible to track the position of all goods at any time. In fiscal 2005, STILL developed an innovative system for this, which it presented at CEMAT, the largest trade fair in the world, the STILL RFID system. With this technology, we will be able to make logistics processes even more efficient.

Using transponders (see glossary), which are placed at regular intervals on the ground, the system can locate and navigate suitably equipped vehicles and thereby improve operational flows.

Vehicle communications using RFID (see glossary) will contribute towards the development of new operating areas. The new technology complements existing tools such as warehouse management systems and forklift routing systems (LVS and SLS) by providing precise information, for example, about the position of the vehicle relative to the racking and its location on the factory floor. The RFID locator can also recognize pallets which are stacked on top of each other using the forklift's integrated height measurement system. In future, the STILL CAN-Bus system will exploit the full potential of this position locator. This is how we will convey information about height, load, speed, hydraulic systems and other vehicle data.

At CEMAT 2005, STILL also presented an innovation in the field of intralogistics, the STILL LASER NAVIGATOR, which makes it possible for forklifts to be operated automatically. The system, modeled by the FM14i reach truck, is also available for the MX-X combi-forklift. It offers the possibility of operating a forklift truck completely automatically, without a driver. The advantage of the STILL LASER NAVIGATOR over conventional systems of this type is that it is extremely flexible. A forklift which has been equipped with this system requires no warehouse-based routing systems, which means that it is not necessary to install any additional equipment in the warehouse to provide navigational information to the forklift. The STILL LASER NAVIGATOR is also innovative because, for the first time, lasers are being used for navigation and load handling. In 2006, in addition to the FM14i, other models will be equipped with the system and then tested.

OM: Innovations reduce costs

The new developments in OM are also designed to achieve greater cost-effectiveness. Using various measures, we have increased vehicle efficiency, introduced additional safety improvements and boosted the environmental friendliness of our vehicles. A significant contribution was made here when a new material for vehicle frames was developed, an alternative to steel which uses a lot of energy. The vehicle frame we have designed is not only exceptionally stable, but also highly malleable and particularly environmentally friendly. The frame can be fully recycled.

Reducing the effect on the environment was also a concern for OM XD 40-100 front loaders. By using IVECO AIFO engines, which minimize fuel consumption, we are already meeting the third phase of the requirements of the EU emissions directive. With these forklifts, we have also mounted the operator compartment on rubber elements so as to deaden any impact completely. This forklift series was developed by the renowned Milan design studio Zagato, which has also designed cars for famous marques such as Alfa Romeo.

OM has again improved vehicle safety, with eABS, a system to improve brake control, and further developments in IntelliDrive giving rise to two new patents. Both of these improvements have been incorporated into the new XLOGO horizontal order picker.

Better performance leads to greater productivity

The battery situated beneath the operator's seat frees up the new reach truck in a variety of ways. The operator sits up high between the mast profiles which are set far apart, in a compartment which is almost double the normal size, with an uninterrupted view over the floor surface and the load. This design concept puts us in a unique position in the market. In comparison with conventional models, the new forklift offers an increase of up to 15 percent in warehouse turn-around and a reduction of up to 73 percent in reach travel.

The logistics sector continues to grow // With 2.6 million workers and sales of around €150 billion, a quarter of the European logistics market, including the flourishing container shipping industry, is concentrated in Germany. Our Material Handling business segment is benefiting from this growth market – as forklift trucks are crucial to many logistics processes in container ports across the world.

The largest container ports in the world

Cargo handled in 1,000 TEU ¹			
1	Hong Kong	China	21,932
2	Singapore	Singapore	21,310
3	Shanghai	China	14,557
4	Shenzhen	China	13,615
5	Pusan	South Korea	11,430
6	Kaohsiung	Taiwan	9,710
7	Rotterdam	Netherlands	8,270
8	Los Angeles	USA	7,321
9	Hamburg	Germany	7,003
10	Dubai	UAE	6,429
11	Antwerp	Belgium	6,064
12	Long Beach	USA	5,780
13	Port Kolang	Malaysia	5,224
14	Qingdao	China	5,140
15	New York	USA	4,478
16	Tanjung Pelepas	Malaysia	4,020
17	Ningbo	China	4,006
18	Tanjin	China	3,814
19	Laem Chabang	Thailand	3,624
20	Bremerhaven	Germany	3,540

¹ TEU=Twenty feet Equivalent Units; container size.



Exploiting potential in China // High quality and short delivery times are two of the key criteria for success in China. The establishment of efficient logistics processes and extensive transport chains will therefore play an important role in the continuing growth of the dynamic Chinese economy. In 2005, Linde took further steps towards expanding our economic success in China, by launching OM as a second forklift brand alongside Linde.

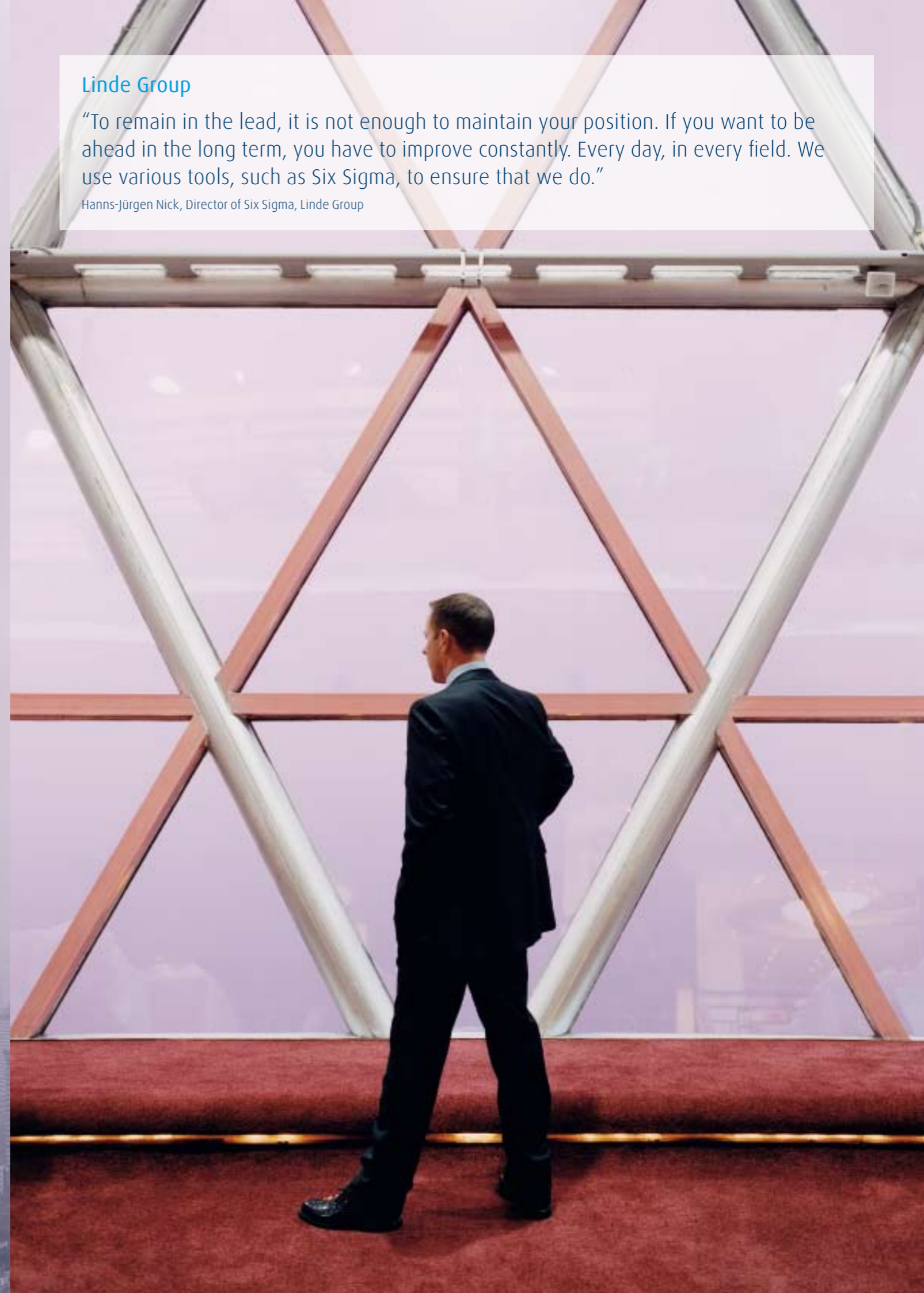
Leading.



Linde Group

"To remain in the lead, it is not enough to maintain your position. If you want to be ahead in the long term, you have to improve constantly. Every day, in every field. We use various tools, such as Six Sigma, to ensure that we do."

Hanns-Jürgen Nick, Director of Six Sigma, Linde Group



Linde Group

“Leading.” is our vision of a company which is exemplary in every respect, which enjoys the confidence not only of its investors but also of its employees. We stand for technological competence, global orientation, a clear focus on customers and a high degree of reliability. We are driven by an enthusiasm for research, a thirst for new discoveries and the idea that every technical problem has a solution. Our aim is clear. In all the business areas in which we are active, we want to have a leading role worldwide.

“Leading.”: Our mission

So that we can continue to fulfill our mission to be a “Leading.” company, we must never be satisfied with what we have already achieved, but must continually do better. We have introduced various tools in the Linde Group to help us accomplish our ambitious goals. One of these is Six Sigma (see the information box). This tried and tested tool for sustainable improvements in operations and processes ensures that we continue to develop our corporate culture in line with the “Leading.” philosophy.

Six Sigma // Six Sigma is a tool for lasting improvements in operations and processes. According to the basic idea of Six Sigma, it is only possible to improve that which can be measured in figures. Therefore, the first step is to arrive at a precise definition of the processes and the opportunities for improvements in those processes. Since all processes – whether they be technical processes or business processes relating to administration or sales – are subject to deviation, the average values of the process variables are analyzed. The aim of the Six Sigma approach is to reduce process deviation to an absolute minimum. As the Greek letter Sigma is used in statistics for the range of deviation on both sides of an average value – in process optimization in particular, it stands for an almost complete lack of errors. Six Sigma means a rate of only 3.4 errors out of a possible million – or, to put it another way: 99.99966 percent quality.

Under the Six Sigma program, certain employees from all the divisions in the company are trained as project leaders. They then lead teams which continually identify and implement potential improvements in products and processes, paying particular attention to individual customer requirements. Therefore, we see Six Sigma not only as a proven methodology for improving processes, but also as a personnel development tool and an investment in our employees.

We have trained more than 100 full-time project leaders and around 550 part-time project leaders so far and handled more than 150 full-time projects. And this is just the beginning. In the current fiscal year, we are launching Six Sigma in other European countries, in the United States and in the growth market of China. By the end of 2008, we will have set up local Six Sigma Teams in all the divisions of the company worldwide, which will ensure constant improvements in our business processes.

Balanced Scorecard: Identifying variances at an early stage and taking appropriate countermeasures

Just as Six Sigma is based on the fact that it is only possible to improve that which is measurable, the Balanced Scorecard (see glossary) management tool depends on the concept that only that which is measurable can be managed. With the Balanced Scorecard, which we introduced in the Group in 2003, the existing systems for financial and management data have been significantly extended and standardized. The individual operational measures in each business segment are now even more closely linked with the strategic targets of the Group.

The Balanced Scorecard provides a permanent overview of the commercial situation in the business segments and in the Group as a whole. Early warning systems make it possible to identify, right at the beginning of a process, any variances from the targets set and to take appropriate countermeasures. This enables us to manage all our corporate processes better and more efficiently.

Corporate responsibility: Focusing on the environment, our employees, society and the capital market

Both our business strategy and our corporate responsibility strategy are based on the "Leading" vision. Here, we concentrate on four areas: the environment, our employees, society and the capital market. We include these four points in all our corporate strategy decisions and intend to transform Linde gradually to one of the leading companies in the world in these areas as well.

One of the first key steps in our corporate responsibility strategy was the adoption of a corporate responsibility policy in August 2005, which is central to our corporate responsibility strategy. This declaration of commitment is mandatory for all the business segments. In it, we set out our aspiration to recognize our values as the basis for improving our competitiveness and for rooting our company in society, and our wish to implement these values in daily business life.

In December 2005, we also signed up to the Global Compact, a United Nations initiative. The Global Compact represents a global alliance of organizations, who have made a commitment, in collaboration with more than 2,000 companies in the private sector worldwide, to respect human rights, to comply with labor standards, to promote environmental protection and to fight corruption. Linde AG expressly supports the ten principles in the Global Compact. The common objective of all the members is to discharge their social responsibility and their duty to protect the environment while they are earning profits, and therefore contribute to sustainable globalization.

Global Human Resources Management

Integrated personnel management and a general personnel policy with the same transparent standards in each division are essential requirements for the lasting success of our company's business.

Whereas in previous years we have introduced tools and established processes such as mandatory agreements on targets and effective succession planning throughout the Group, the focus in 2005 was on further improvements to Group-wide personnel management. International project teams across the divisions have, for example, taken measures to set up a common communication and information platform for personnel managers and to improve support for senior executives. We will continue with these initiatives on the basis of regular global personnel conferences.

Expanding personnel and graduate recruitment and making it more international

To make Linde even more attractive as an employer and strengthen our position in the competition for talented junior managers, we have again stepped up our personnel and graduate recruitment activities during the year. Specifically, we have strengthened our presence at various German and international recruitment functions, university lectures and information events for students.

In 2005, we also launched an internship program across the business segments. We want to maintain contact with our best interns once their period of internship has finished and to encourage them to come and work for Linde at a later date.

Our aim is to fill 80 percent of vacant positions for university graduates with former interns, students taking diplomas and working students.

A variety of training opportunities for different target groups

Linde has always placed great emphasis on the continuing professional development of its employees. In the course of 2005, we offered opportunities not only in the form of individual technical training but in the form of established programs for particular target groups. For example, we have continued to run our national and international junior management programs in the Linde Gas and Linde Engineering divisions, which have been successful for years.

During the year, the Linde Material Handling (LMH) business segment launched the International Trainee Program to foster those with potential in a number of different countries. The aim of this program is to spot talented junior managers right at the beginning of their career and to raise their awareness of Linde's corporate culture.

With START and INLINE, LMH has also launched two further programs specifically directed at young graduates, who spend a maximum of one year (START) or two to four years (INLINE) with Linde.

The participants in the newly-introduced "First Leading" qualification scheme in our subsidiary STILL have gone one step further. This program provides useful information to employees who have assumed or are due to assume management responsibility.

With the establishment of the "Justin" Learning Management System for all Linde Gas employees, we want to continue to promote the positive learning culture in the Group. To do this, we are using the most up-to-date educational tools.

Linde University: Management development in line with Group strategy

The training of our management personnel is conducted by Linde University. In partnership with leading international business schools, Linde University offers programs and schemes which relate to the whole Group and which are specific to the business segments.

At Group level, we draw a distinction between three programs which are directed at those with potential at varying levels of seniority: the Global Leadership Program (for senior executives), the Global Leadership Development Circle (for senior management) and the Global Talent Circle (for junior management).

All the programs involve international professors and high-level company representatives, who impart their management expertise, and encompass the handling and implementation of projects relevant to the business, which are presided over by the Executive Board and senior management. The results of these projects have a gradual influence on the operations and processes of the individual business segments. In 2005, we reorganized innovation management in Linde Gas in this way and identified the main opportunities for improvement in personnel management across the Group.

The main general aim of all the programs is effective support for Linde's strategy of sustainable earnings-based growth.

In 2005, we launched the Global Leadership Program for the second time (in partnership with the renowned business school INSEAD, based in Fontainebleau in France) for 28 selected top executives.

The Global Leadership Development Circle, which is being implemented in collaboration with Duke University in North Carolina in the United States, was offered during the year for the first time to 40 senior executives. The development circle, in three modules in the US, China and Germany, focused on the themes of internationalization, growth and improvements in performance.

At the end of 2005, in collaboration with professors from the London Business School, Babson College and INSEAD, we launched the Global Talent Circle for selected top junior managers, thus rounding off our management development programs.

Leadership appraisals completed, assessment skills developed

During the year, we successfully conducted leadership appraisals (see glossary) throughout the Group of more than 700 executive personnel. The reports on the results will form the basis of targeted improvements to our management of talent and potential and will identify opportunities for personal continuing professional development.

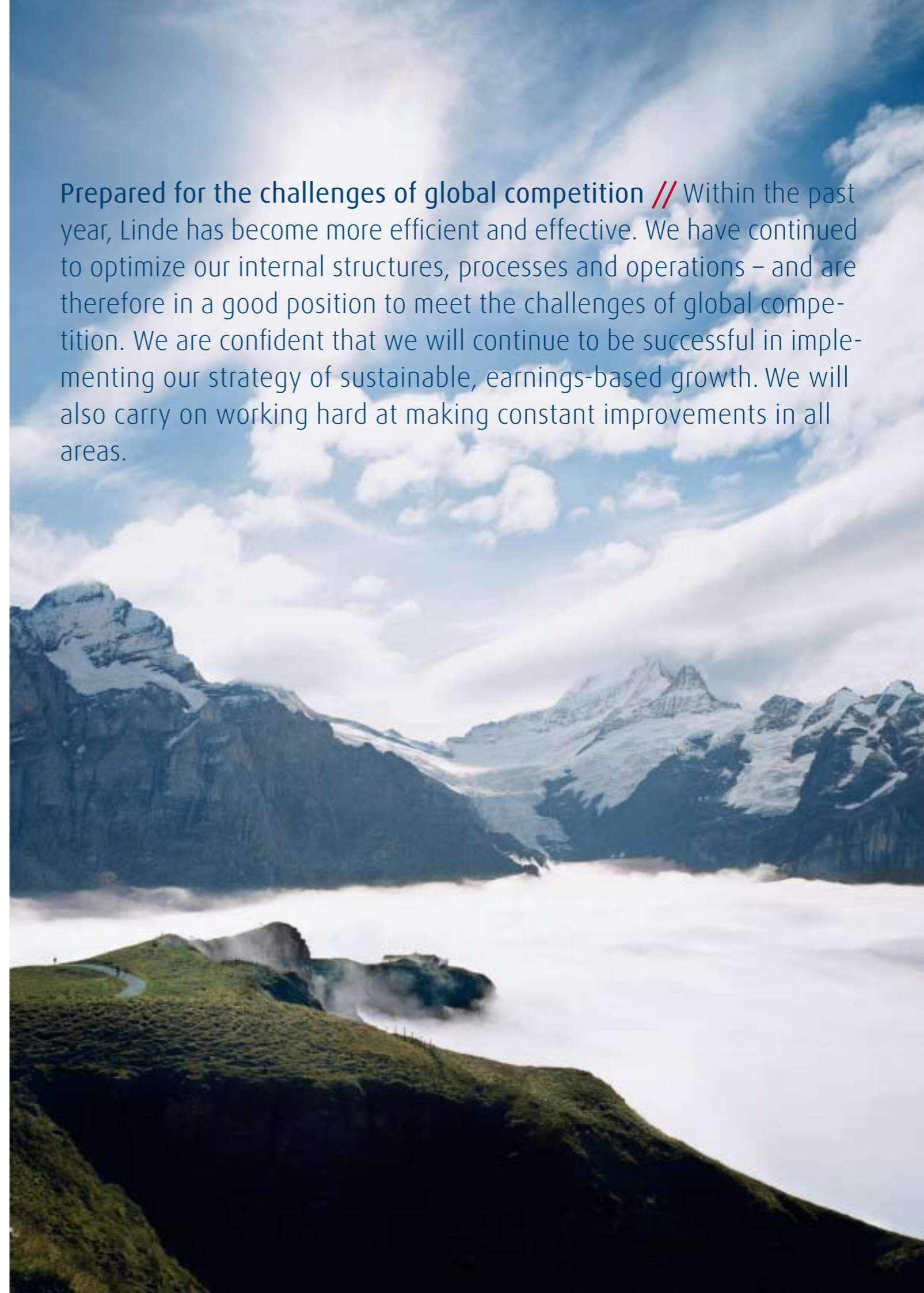
So that in future we will not need to rely on external consultants to assess our managers, we are currently offering a two-day training course to selected executive personnel so that they can qualify as leadership appraisers with particular skills in employee assessment. During the project, we were able to build on any initial competence in this area.

Leadership Excellence Initiative launched

On the basis of the results of the leadership appraisals, Linde launched the Group-wide Linde Leadership Excellence initiative during the year. This program concentrates on the following themes: Strategy (understanding and implementing strategy), Leadership, Business (entrepreneurial thinking and action) and Change (the management of change). This type of professional development ensures that the theoretical dissemination of knowledge by various professors will be linked with the relevant real-life issues in Linde.

The general program structure which applies to all the divisions is supplemented by particular schemes in the individual divisions, tailored to their specific requirements. Examples of this are the Linde Gas University and the OM Academy.

Prepared for the challenges of global competition // Within the past year, Linde has become more efficient and effective. We have continued to optimize our internal structures, processes and operations – and are therefore in a good position to meet the challenges of global competition. We are confident that we will continue to be successful in implementing our strategy of sustainable, earnings-based growth. We will also carry on working hard at making constant improvements in all areas.



Review of the year

January

After the tsunami in South-east Asia, Linde makes a donation of over 350,000 US dollars to the "We want to help – A heart for children" campaign for the victims of the natural disaster. The company also provides medical gases to hospitals and logistics equipment to the "Luftfahrt ohne Grenzen" relief organization (the German partner organization of Aviation sans Frontières).

February

With the order to supply an air separation plant to the Baosteel Group, the biggest steel production company in China, Linde is strengthening its position as a leading supplier of air separation plants in the growth market of China. The plant will produce 60,000 cubic meters of oxygen per day.

Linde hosts the International Hydrogen Day in Berlin, where around 200 senior delegates from politics, the media, industry, science and research discussed topics including the future of a hydrogen infrastructure. Among the participants are the German Minister for Economic Affairs, Wolfgang Clement (SPD), and speakers from the European Commission, the Japanese Ministry of Economics, Technology and Industry, the US Department of Energy and the International Energy Agency.

March

At the press conference of Linde AG on the annual results, the President of the Executive Board, Professor Dr. Wolfgang Reitzle, gives a positive summary of the 2004 fiscal year and the first two months of 2005. Following the sale of the Refrigeration business segment, the company is concentrating on the Gas and Engineering and Material Handling business segments and is pursuing an earnings-based growth course. The Executive Board defines its objective for the year 2005 – to continue to grow Group sales and Group earnings.

April

The first Monte Carlo rally for fuel cell and hybrid vehicles demonstrates the potential of hydrogen as an environmentally friendly means of powering cars. The race, over a total distance of 416 kilometers, went from the Swiss town of Lugano through Italy and France to Monaco.

During the six-hour journey, Linde Gas supplies the fuel cell vehicles with liquefied and gaseous hydrogen using two mobile filling stations.

May

The ethylene plant built by Linde in Bandar Imam in Iran, which has a capacity of 500,000 tonnes per year, comes on stream. The liquefied gas cracker was commissioned by AKPC, a subsidiary of the state-owned petrochemical company.

June

Linde is commended for its outstanding technology management in the Material Handling business segment. The Fraunhofer Institute of Production Technology (IPT), together with an industrial panel, identified the five leading companies in this field. The survey looked at the variety and development of technologies in 280 companies and at the organization of their risk management and management of know-how.

July

The future centerpiece of Europe's biggest natural gas liquefaction plant covers 2,700 nautical miles on its long journey from Spain to Northern Norway. Linde constructs the plant on the island of Melkøya off Hammerfest. This ambitious technological project was commissioned by the Norwegian company, Statoil ASA, on behalf of the international Snøhvit joint venture. Linde is responsible for the design, procurement and supervision of the installation. The total value of the contract to Linde is more than €800 million.

Linde is strengthening its position in Asia with two important major contracts. The company is building two ethylene plants for the Iranian Bakhtar Petrochemical Company. The value of the contract to Linde, within the consortium carrying out the work, is €400 million. The company is also building an ethylene plant together with Samsung Engineering Co. in Al-Jubail, Saudi Arabia, for a private consortium. The value of the contract to Linde is around €300 million.

August

The Linde Group made a mandatory declaration of commitment, to document its objective of combining profit-based trading with environmental protection and social involvement. This corporate responsibility policy emphasizes the responsibility, commitment and future competence of the company.

September

BASF awards Linde the contract to expand the capacity of its naphtha steam cracker in the Belgian town of Antwerp. This will create the biggest plant of its type in the world. The contract value is around €180 million.

Linde builds Germany's second hydrogen liquefaction plant at the Leuna chemical site. The project will be completed by the middle of 2007, directly adjacent to the hydrogen production plants also operated by Linde.

PetroChina International awards Linde the contract to build China's biggest ethylene plant in Dushanzi in the north-west of the country. The mega-cracker with an annual production capacity of one million tonnes of ethylene and 500,000 tonnes of propylene should be finished in the second half of 2008.

October

Linde publishes its first corporate responsibility report. In it, the company reports on the commitment of the whole Group to the four strategic action areas: the environment, employees, society and the capital market. From now on, the corporate responsibility report will be a permanent feature of our annual reporting process, together with the quarterly reports and the annual report.

With the commencement of the construction of a new production center for semi-conductor gases, Linde is strengthening the high-tech site of Unterschleissheim near Munich. The high-purity specialty gases are produced mainly for the electronics industry, including for example companies in the semi-conductor industry and in nanotechnology.

November

Linde is awarded its biggest ever individual contract for air separation plants from the Saudi Basic Industrial Corporation (SABIC) in Saudi Arabia. The contract is to engineer, supply, construct and bring on stream two oxygen production plants, each with a capacity of 3,000 to 3,600 tonnes of oxygen per day. Completion is scheduled for April 2008. The value of the contract is more than €300 million.

December

Linde signs up to the Global Compact, a United Nations initiative. The Global Compact represents a global alliance of organizations, who have made a commitment, in collaboration with more than 2000 companies in the private sector worldwide, to respect human rights, to comply with labor standards, to promote environmental protection and to fight corruption. Linde AG expressly supports the ten principles in the Global Compact.

To expand its specialty gases business, Linde acquires the US company Spectra Gases, Inc. from the founder's family, Alvin and Andrew Dietz. The transaction is subject to the approval of the relevant anti-trust authorities. With this acquisition, Linde is strengthening its business in a market with above-average growth. Spectra Gases produces specialty gases, which are used for example in the semi-conductor industry and for laser therapy in eye operations. The company has annual sales of around €50 million.

Executive Board and Supervisory Board

Members of the Executive Board

Professor Dr. Wolfgang Reitzle
born in 1949
Doctorate in Engineering Science (Dr.-Ing.)
President of the Executive Board and
Chief Executive Officer
Member of the Executive Board since 2002

Dr. Aldo Belloni
born in 1950
Doctorate in Engineering Science (Dr.-Ing.)
Gas and Engineering business segment
Member of the Executive Board since 2000

Dr. Peter Diesch
born in 1954
Doctorate in Economics (Dr. rer. pol.),
Degree in Economics (Dipl.-Volkswirt)
Finance, Labor Director
Member of the Executive Board since 2004

Hubertus Krossa
born in 1947
Degree in Business (Dipl.-Kaufmann)
Material Handling business segment
Member of the Executive Board since 2000

Members of the Supervisory Board

Dr. Manfred Schneider
Chairman
Chairman of the Board of Bayer AG

Hans-Dieter Katte*
Deputy Chairman
Chairman of the Works Council,
Linde Engineering Division, Linde AG,
Höllriegelskreuth

Michael Diekmann
Second Deputy Chairman
Chairman of the Executive Board of
Allianz AG

Dr. Josef Ackermann
Chairman of the Executive Board and Chair-
man of the Group Executive Committee of
Deutsche Bank AG

Dr. Karl-Hermann Baumann
Former Chairman of the Supervisory Board of
Siemens AG

Dr. Gerhard Beiten
Attorney-at-Law
Member of the Executive Board of
Landesverband Bayern der
Deutschen Schutzvereinigung für
Wertpapierbesitz e.V. (DSW)

Siegfried FriebeI*
Chairman of the Works Council of
Linde-KCA-Dresden GmbH

Gerhard Full
Former Chairman of the Executive Board of
Linde AG

Gernot Hahl*
Chairman of the Works Council,
Linde Gas Division, Linde AG, Worms

Joachim Hartig*
Chairman of the Works Council,
Linde Material Handling, Linde AG,
Aschaffenburg

Thilo Kämmerer*
Trade Union Secretary on the
Executive Board of IG Metall Frankfurt

Klaus-Peter Müller
Spokesman for the Executive Board of
Commerzbank AG

Kay Pietsch*
Chairman of the Works Council,
Still GmbH, Hamburg

Professor Dr. Jürgen Strube
Chairman of the Supervisory Board of
BASF Aktiengesellschaft

Wilfried Woller*
Member of the Managerial Board
responsible for management sector 5,
IG Bergbau, Chemie, Energie

Frank Zukauski*
Director, Center of Competence Cylinder,
STILL GmbH

Supervisory Board committees

Standing Committee:
Dr. Manfred Schneider
(Chairman)

Hans-Dieter Katte*
Michael Diekmann
Gerhard Full
Joachim Hartig*

Audit Committee:
Dr. Karl-Hermann Baumann
(Chairman)

Gerhard Full
Joachim Hartig*
Hans-Dieter Katte*
Dr. Manfred Schneider

**Mediation Committee in accordance with
§ 27 (3) German Codetermination Law:**
Dr. Manfred Schneider
(Chairman)

Hans-Dieter Katte*
Michael Diekmann
Joachim Hartig*

*Employees' representative.

Glossary

Balanced Scorecard

Strategy-based management information system which offers an integrated approach for a balanced presentation of all significant financial and management data.

Cracking furnace

The most important component of a steam reformer, in which steam and heat are used to crack liquid or gaseous hydrocarbons into olefins such as ethylene and propylene.

Intralogistics

Name of an industry sector. Comprises the entire organization, implementation and optimization of internal material flows in industrial and trading companies and in public institutions, using technical systems such as forklift trucks and warehouse equipment, as well as services.

iPEP

Innovative Processes and Evolutionary Products. The name of an initiative in the research and development department of Linde Material Handling.

Leadership appraisals

Appraisal interviews where a manager's performance, competence and potential are evaluated. The strengths and development needs of the individual set out in the performance report are crucial in establishing well-targeted personnel development programs. The results of the appraisals enable us to identify managers with potential in the context of our succession planning and ensure that we prepare them to accept increasing responsibility. They also create a high level of transparency about management potential in the Linde Group.

Linear alpha olefins

The building blocks of polyethylene. Linear alpha olefins are used, for example, in the manufacture of lubricants, softeners and detergents.

LNG

Liquefied Natural Gas, regarded as a fuel with a promising future, due to its high energy density, constant combustion value and high level of purity.

Metallurgy

The production and processing of metals and alloys, including the extraction of the metals from their ores, removing impurities from the metals and modifying the composition of alloys.

Naphtha steam cracker

Plant used for cracking naphtha, a long hydrocarbon, into shorter molecules.

Order picker

Here, warehouse equipment used to select goods and transport them within the warehouse. Depending on the height of the shelves where the goods are stored, horizontal or vertical order pickers may be used.

RFID

Radio Frequency Identification Device. A method which permits data to be read by radio and stored.

Straddle stacker

This pallet stacker differs from conventional models in that it has loading legs which are outside the vehicle and it is used to transport closed pallets. In this way, it is possible to avoid damaging the pallet when the fork is lifted up while the loading legs remain below.

Transponder

A control device, often wireless, which receives and responds to signals. The name transponder derives from transmitter and responder.

12-Tesla-FTICR mass spectrometer

Fourier Transform Ion Cyclotron mass spectrometer. Device to investigate materials which are split into their atoms for analysis. The SI unit Tesla stands for the magnetic flux density, named after Nicola Tesla (1856–1943), a Serbian-American engineer and scientist.

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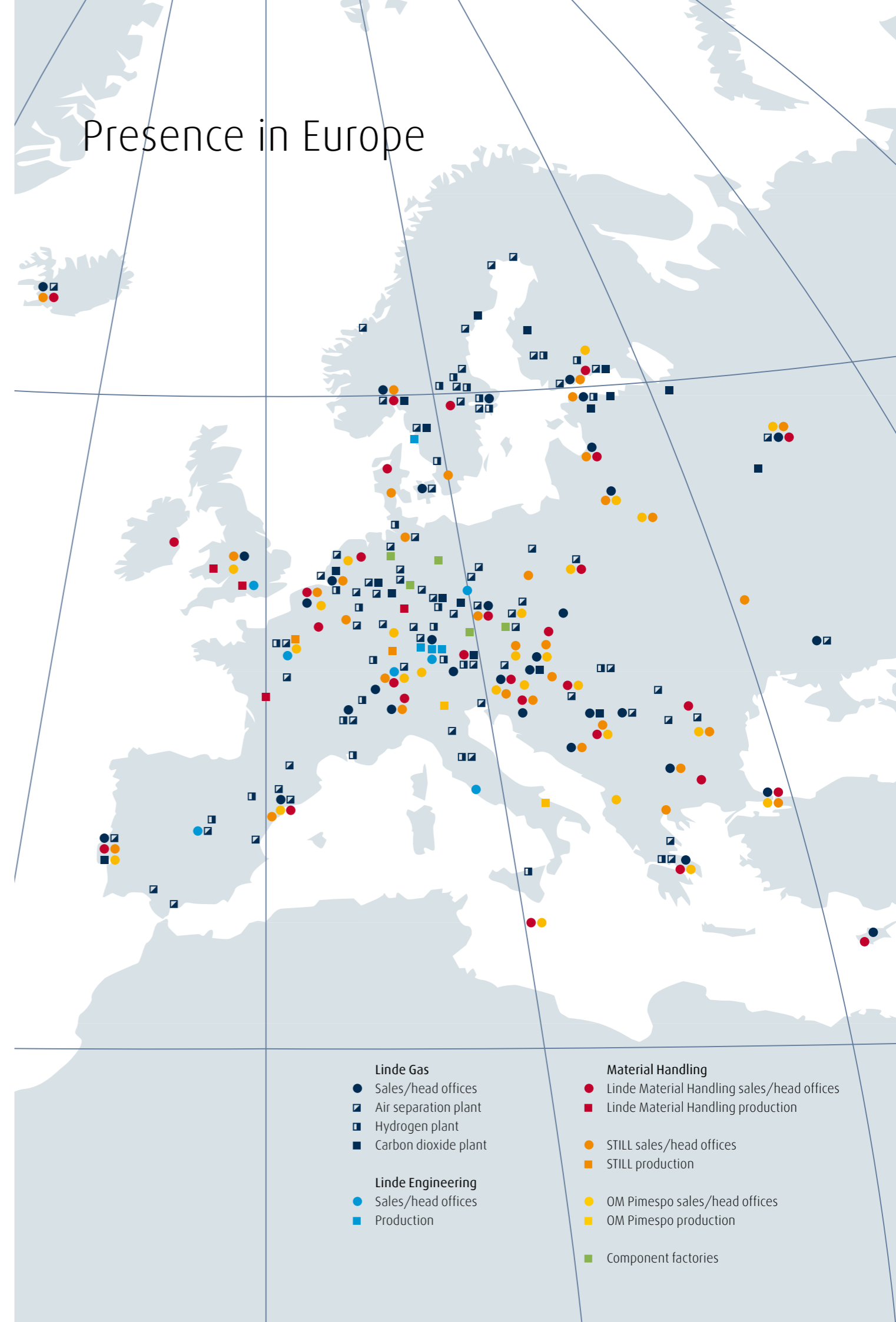
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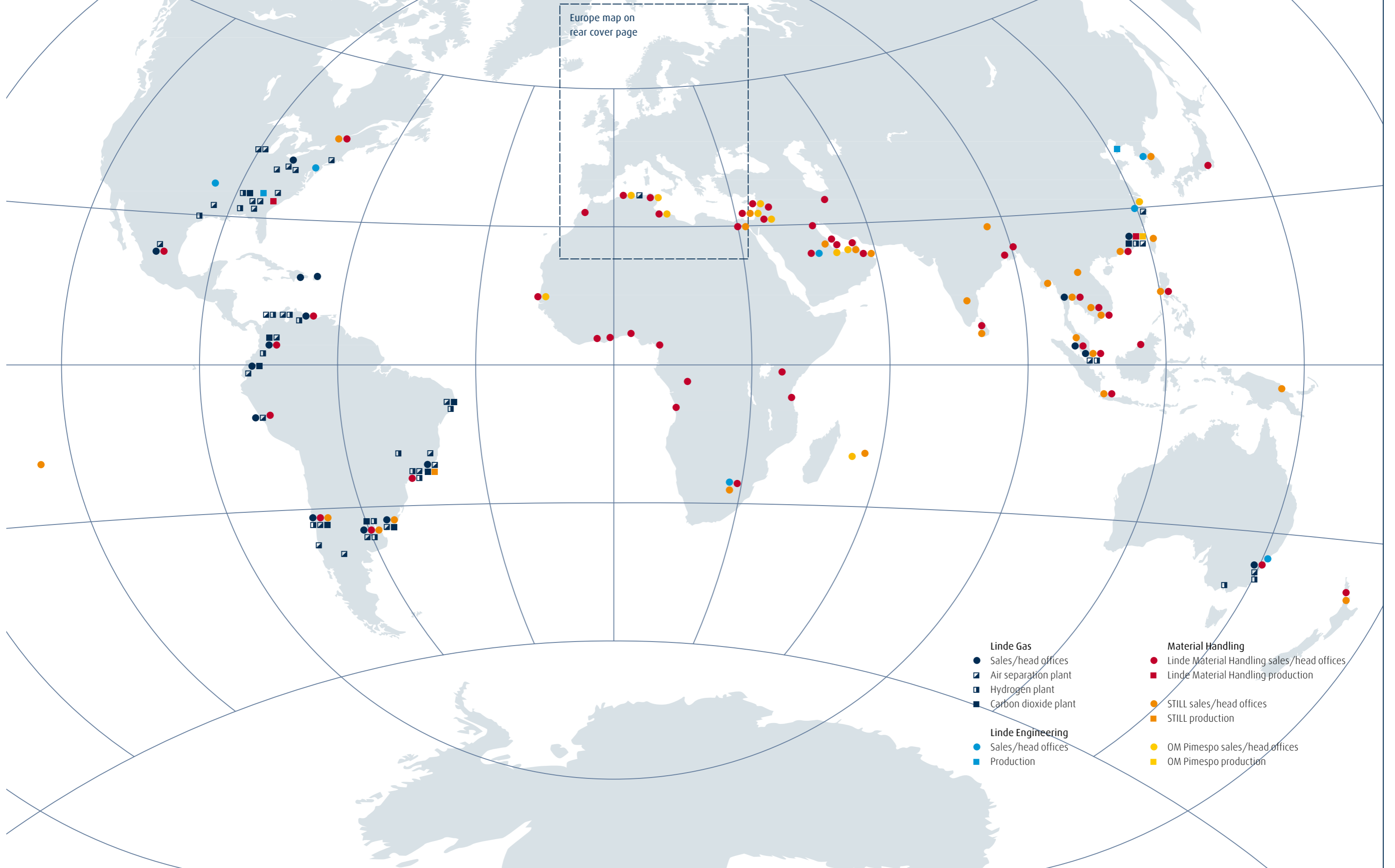
The Linde Annual and the Financial Report of the Linde Group are available in both German and English and can be downloaded from our website at www.linde.com. An interactive on-line version of the Annual Report, comprising the Linde Annual and the Financial Report of the Linde Group, is also available at this address.

Additional information about the Linde Group can be obtained from us free of charge.

Presence in Europe



Worldwide presence of the Linde Group



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