THE LINDE GROUP

Mr Hans Hoogervorst
Chairman of the
International Accounting Standards Board
30 Cannon Street

London EX4M 6XH
United Kingdom

Phone	Fax	E-mail	Date
+49.89.35757-1587	+49.89.35757-1555	hans-dieter.fladung@linde.com	October 20, 2011

Re: IASB Exposure Draft ED / 2011 / 3 Mandatory Effective Date of IFRS 9

Comment Letter of The Linde Group

Dear Hans,

The Linde Group is a world-leading gases and engineering company with approximately 48,500 employees working in more than 100 countries worldwide. In the 2010 financial year it achieved sales of EUR 12.9 billion. We offer a wide range of compressed and liquefied gases as well as chemicals and we are therefore an important and reliable partner for a huge variety of industries. Our engineering division is successful throughout the world, with its focus on promising market segments such as olefin plants, natural gas plants and air separation plants, as well as hydrogen and synthesis gas plants.

The Linde Group is listed in the leading German share index (DAX) and prepares its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. We therefore appreciate the opportunity to comment on the Exposure Draft ED / 2011 / 3 Mandatory Effective Date of IFRS 9 from an industrial company perspective.

The Linde Group strongly supports the Board's acknowledgement of the importance of allowing entities to apply the requirements of all of the phases of the project to replace IAS 39 at the same time.

We therefore agree with the proposal to postpone the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015.

Despite our general support for the disclosure of restated comparative financial information, we would recommend the Board to consider amendments to the proposed transition provisions in order to increase the decision usefulness of the financial information provided.

If you have any questions or remarks, please do not hesitate to contact us. We would be happy to discuss any of our comments with you at your convenience.

Yours sincerely,

Björn Schneider
Head of Group Accounting & Reporting

Dr Hans-Dieter Fladung
Head of IFRS Competence Center

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<u>Appendix: Answers to the questions raised in the ED</u>

Question 1:
The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

We agree with the Board's deferral of the mandatory effective date of IFRS 9 to periods commencing on or after 1 January 2015 in order to allow entities to apply the requirements of all phases of the IAS 39 replacement project at the same time. We believe this deferral is necessary to ensure the Board is given sufficient time to complete the remaining phases of the project to replace IAS 39 in a high quality.

Question 2:
The Board proposes not to change the requirements in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree? Why or why not? If not, what alternative do you propose?

We agree with the general requirement to restate comparatives according to the method of full retrospective application (as stated in IAS 8). However, we have some concerns regarding the proposed transition provisions.

According to paragraph 8.2.1 of IFRS 9 (2010), IFRS 9 shall not be applied to items that have already been derecognized at the date of initial application. Hence, IAS 39 must be applied to items that have been derecognised between the beginning of the comparative period and the date of initial application. This will result in comparative information containing a mixture of IFRS 9 and IAS 39 information, which will not be distinguishable for users of financial statements. In our view, applying both IFRS 9 and IAS 39 during the comparative period is neither conceptually sound nor practicable and does not provide decision useful information to the user of financial statements.

Therefore, we suggest that the Board shall allow entities to apply IFRS 9 also to items that have been derecognised during the comparative period. We believe that this would result in more consistent financial information and would increase the decision usefulness.