

Q1

LINDE INTERIM REPORT
JANUARY TO MARCH 2016



LINDE FINANCIAL HIGHLIGHTS

[Q1 - JANUARY TO MARCH 2016]

| <i>Linde financial highlights</i> | | <i>January to March 2016</i> | <i>January to March 2015</i> | <i>Change</i> |
|---|-----------|----------------------------------|----------------------------------|---------------------|
| <i>Share</i> | | | | |
| Closing price | € | 128.05 | 189.65 | -32.5% |
| Year high | € | 132.95 | 193.85 | -31.4% |
| Year low | € | 115.85 | 149.30 | -22.4% |
| Market capitalisation (at closing price on 31 March 2016) | € million | 23,768 | 35,206 | -32.5% |
| Earnings per share - undiluted | € | 1.65 | 1.62 | 1.9% |
| Earnings per share - undiluted (before non-recurring items) | € | 1.65 | 1.69 | -2.4% |
| Number of shares outstanding at the end of the reporting period | 000s | 185,612 | 185,638 | - |
| <i>Group</i> | | | | |
| Revenue | € million | 4,262 | 4,398 | -3.1% |
| Operating profit ¹ | € million | 991 | 1,010 | -1.9% |
| Operating margin | % | 23.3 | 23.0 | +30 bp ³ |
| EBIT (earnings before interest and tax) | € million | 530 | 523 | 1.3% |
| EBIT (before non-recurring items) | € million | 530 | 543 | -2.4% |
| Profit for the period | € million | 333 | 324 | 2.8% |
| Number of employees ² | | 66,218 | 64,538 | 2.6% |
| <i>Gases Division</i> | | | | |
| Revenue | € million | 3,621 | 3,672 | -1.4% |
| Operating profit ¹ | € million | 1,006 | 1,008 | -0.2% |
| Operating margin | % | 27.8 | 27.5 | +30 bp ³ |
| <i>Engineering Division</i> | | | | |
| Revenue | € million | 568 | 668 | -15.0% |
| Operating profit ¹ | € million | 46 | 57 | -19.3% |
| Operating margin | % | 8.1 | 8.5 | -40 bp ³ |

¹ EBIT (before non-recurring items) adjusted for amortisation of intangible assets and depreciation of tangible assets.

² At 31 March 2016/31 December 2015.

³ Basis points.

LINDE INTERIM REPORT

[Q1 - JANUARY TO MARCH 2016]

JANUARY TO MARCH 2016: STABLE REVENUE AND EARNINGS TRENDS FOR LINDE AFTER ADJUSTING FOR EXCHANGE RATE EFFECTS

- Group revenue: EUR 4.262 bn
(down 0.3 percent after adjusting for exchange rate effects)
- Group operating profit¹: EUR 991 m
(up 0.6 percent after adjusting for exchange rate effects)
- Operating cash flow: EUR 883 m; up 19.3 percent
- Group outlook for 2016 confirmed

¹ EBIT (before non-recurring items) adjusted for the amortisation of intangible assets and the depreciation of tangible assets.

GROUP INTERIM MANAGEMENT REPORT

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General economic environment

Economic experts are expecting global economic trends in the current year to be similar to those seen in 2015. The international forecasting institute Oxford Economics¹ is therefore projecting an increase in global gross domestic product (GDP) for the full year 2016 of 2.3 percent. Growth in 2015 was 2.4 percent. Oxford Economics is forecasting an increase in global industrial production (IP) for the full year 2016 of 1.9 percent (2015: 1.8 percent).

The main factors influencing the global economy are economic trends in the emerging nations of China, Russia and Brazil and movements in the price of oil.

The Chinese government is continuing to support increases in productivity, domestic demand and innovative capacity by pursuing a stable monetary policy and by adopting further macroeconomic regulatory measures. GDP in China is expected to grow by 6.2 percent in 2016 (2015: 6.9 percent). It is anticipated that industrial production there will increase by 5.2 percent in 2016, compared with IP growth of 6.0 percent in 2015.

The forecasts for Russia are significantly worse. The continuing low price of oil remains the driving factor for economic trends in Russia. In addition, sanctions are having an adverse impact there on economic growth. Economic experts are predicting a 2.4 percent decline in the Russian economy in the current year, compared with a fall of 3.7 percent in 2015. Industrial production is expected to drop by 1.0 percent in 2016, compared with a fall of 3.0 percent in 2015.

Brazil is also heavily dependent on movements in the price of oil. Moreover, the current political crisis in that country is having a negative impact on economic growth. Economists are therefore forecasting a fall in GDP in Brazil of 4.0 percent in 2016, compared with a drop of 3.8 percent in 2015. Industrial production is expected to shrink by 7.1 percent, following a fall of 8.2 percent in 2015.

In the EMEA region (Europe, Middle East, Africa), economists are expecting an increase of 1.5 percent in economic output, the same as was achieved in 2015. Industrial production is forecast to grow by 1.3 percent. In 2015, IP increased by 0.9 percent. There is a great deal of variation in the projected trends for individual regions. The

forecasts for Germany and the eurozone might still be relatively cautious, but they are nevertheless slightly above the actual figures for 2015. GDP in the eurozone is projected to rise by 1.6 percent in 2016, compared with an increase in 2015 of 1.5 percent. The forecast for GDP growth in Germany is 1.7 percent, compared with an increase in 2015 of 1.5 percent. In the UK, the economic experts are projecting GDP growth of 2.1 percent (2015: 2.3 percent). Relatively positive trends are also expected in the Middle East, with GDP projected to rise by 1.3 percent. However, the forecast growth there is significantly below the figure for 2015 of 3.1 percent. In Eastern Europe, a slight increase in GDP of 0.4 percent is expected, compared with a fall in 2015 of 0.6 percent. In South Africa, Linde's largest market in Africa, economic output is forecast to rise by 0.7 percent, compared with an increase of 1.3 percent in 2015.

As in previous years, the Asia/Pacific region is expected once again to achieve the highest rates of growth. Oxford Economics is forecasting GDP growth in that region for the full year 2016 of 5.4 percent, compared with the increase of 5.6 percent achieved in 2015. In addition to China, India is one of the main growth drivers in this region. GDP in India is projected to increase by 7.4 percent (2015: 7.3 percent). Industrial production in India is forecast to rise by 4.5 percent, once again exceeding the growth rate set in the previous year. In 2015, IP growth in India was 3.2 percent.

In Australia, the forecasting institute is predicting GDP growth of 2.8 percent (2015: 2.5 percent). This increase will come primarily from the expansion of the service sector, which dominates the Australian economy, generating around 80 percent of the country's GDP. Growth in manufacturing will continue to be adversely affected over the coming years by the decline in investment in the mining industry.

In the Americas region as a whole, economic output is currently expected to rise by 1.3 percent in 2016 (2015: 1.5 percent). The main driver of this trend is the United States, where GDP growth of 2.1 percent is being forecast in 2016 (2015: 2.4 percent). Boosted by expected gradual adjustments to monetary policy and by domestic consumption, economic trends in the United States are expected to be solid. In South America, the decline in growth is expected to continue, with a fall of 2.4 percent in GDP in 2016, following a drop of 2.1 percent in 2015. The main reasons for the decline are the current situation in Brazil and the economic crisis in Venezuela.

Business review of The Linde Group

Revenue fell in the first quarter of 2016 by 3.1 percent to EUR 4.262 bn, when compared with the figure for the first quarter of 2015 of EUR 4.398 bn. Operating profit dropped by 1.9 percent to EUR 991 m (2015: EUR 1.010 bn). The main

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factors leading to this decrease were adverse exchange rate effects and the lower contribution made to revenue and earnings by the Engineering Division in line with expectations. The initial impact of price reductions on revenue in the Healthcare business in North America as a result of government tenders was offset by the consolidation for the first time of American HomePatient. After adjusting for exchange rate effects arising solely on the translation of local currencies into the euro, Group revenue was 0.3 percent below the figure for the prior-year period. After adjusting for exchange rate effects, Group operating profit rose by 0.6 percent, a slight increase on the figure for the first three months of 2015.

The Group operating margin for the first three months of 2016 was 23.3 percent, which was slightly higher than the figure of 23.0 percent for the first three months of 2015.

Cost of sales decreased in the reporting period by EUR 132 m to EUR 2.720 bn (2015: EUR 2.852 bn). Gross profit on sales of EUR 1.542 bn was 0.3 percent lower than the figure for the first quarter of 2015 of EUR 1.546 bn. The gross margin increased to 36.2 percent (2015: 35.2 percent).

EBIT in the three months to 31 March 2016 was EUR 530 m, slightly above the figure for the first quarter of 2015 of EUR 523 m. The net financial expense in the first three months of 2016 was EUR 89 m (2015: EUR 98 m). Linde therefore generated a profit before tax in the first quarter of 2016 of EUR 441 m (2015: EUR 425 m).

The income tax expense was EUR 108 m (2015: EUR 101 m). This gives an income tax rate of 24.5 percent (2015: 23.8 percent). In the first three months of 2016, Linde's profit for the period (after deducting the tax expense) was EUR 333 m (2015: EUR 324 m).

After adjusting for non-controlling interests, profit for the period attributable to Linde AG shareholders was EUR 306 m (2015: EUR 300 m), giving earnings per share of EUR 1.65 (2015: EUR 1.62).

Gases Division

Linde's revenue in the Gases Division in the first three months of 2016 was EUR 3.621 bn, a decrease of 1.4 percent when compared with the figure for the prior-year period of EUR 3.672 bn. After adjusting for exchange rate effects, revenue in the Gases Division increased by 1.8 percent. On a comparable basis (after also adjusting for changes in the price of natural gas), the growth in revenue was 2.9 percent. The contribution to revenue made by American HomePatient had a significant impact here, offsetting the negative effects of the price reductions in the Healthcare sector in North America.

Operating profit was EUR 1.006 bn, similar to the operating profit achieved in the first quarter of 2015 of EUR 1.008 bn. After adjusting for exchange rate effects, operating profit increased by 2.4 percent. The operating margin in the first quarter of 2016 rose to 27.8 percent (2015: 27.5 percent) due partly to lower prices for natural gas.

EMEA (Europe, Middle East, Africa)

In EMEA, Linde's largest sales market, the Group generated revenue of EUR 1.410 bn in the first three months of 2016, which was 4.2 percent below the figure achieved in the first three months of 2015 of EUR 1.472 bn. On a comparable basis, revenue fell by 0.2 percent. Operating profit was EUR 430 m, a decrease of 2.5 percent when compared with the figure for the first quarter of 2015 of EUR 441 m. The operating margin rose to 30.5 percent (2015: 30.0 percent).

Different business trends were to be seen in the product areas of the various sub-regions of the EMEA segment. The on-site business, where Linde supplies gases on site to major customers, was affected in particular by the insolvency of a customer in the UK in the fourth quarter of 2015 which has already been disclosed. In the Middle East & Eastern Europe and in Northern Europe, the Group was able to achieve revenue growth in this product area. Against the prevailing backdrop of modest economic growth in the eurozone, revenue in the liquefied gases business was down on the prior-year period. The cylinder gas product area saw relatively stable trends.

During the reporting period, Linde brought on stream two air separation plants in Russia. The plants provide its customer SIBUR under a long-term gas supply agreement with up to 28,000 normal cubic metres of oxygen per hour at its Dzerzhinsk site. Total investment in the project was around EUR 70 m. SIBUR is the largest petrochemical group in Russia and Eastern Europe.

In the first quarter of 2016, Linde also agreed a Letter of Intent (LoI) with Turkish steel-producer Erdemir Group for the formation of a joint venture company to build an air separation plant in Iskenderun in southern Turkey. From 2017, the new plant (which will be the biggest air separation plant operated by a gas-producer in Turkey) will supply steelworks run by Erdemir's subsidiary Isdemir with up to 1,700 tonnes of oxygen and nitrogen per day.

Asia/Pacific

Linde generated revenue in the Asia/Pacific segment in the three months to 31 March 2016 of EUR 969 m, which was 2.5 percent below the figure for the first three months of 2015 of EUR 994 m. On a comparable basis, revenue increased by 3.5 percent. Operating profit was EUR 254 m, similar to the figure for the prior-year period of EUR 252 m, while the operating margin rose to 26.2 percent (2015: 25.4 percent).

There were positive trends in virtually all the product areas of the Asia/Pacific segment. Volume increases were achieved in particular in the on-site business and in the liquefied gases business. In addition, revenue growth was to be seen in China in the cylinder gas business.

In the South Pacific, the prevailing weak economic environment in manufacturing industry and declining investment in the mining industry had an adverse impact on growth. Appropriate structural and organisational countermeasures have already been implemented as part of the Customer Focus Initiative. These should lead to cost

savings and a higher rate of profitability in the region. The expiry of an on-site contract in the second quarter of 2015 also reduced revenue here.

Two large air separation plants built by Linde for Tata Steel Limited, one of the world's biggest steel companies, at its site in the Kalinganagar industrial complex in Odisha, India, were successfully brought on stream during the first quarter of 2016. The plants were built by Linde's Engineering Division and involved investment of around EUR 80 m. Linde's Gases Division is now operating the plants under a long-term on-site gas supply contract. Each of the two new air separation plants has a production capacity of 1,200 tonnes of air gases per day and supplies gaseous oxygen, nitrogen and argon to Tata Steel's steelworks. Liquefied gases are also produced for the regional market.

Americas

In the Americas segment, revenue increased in the first quarter of 2016 by 2.6 percent to EUR 1.284 bn (2015: EUR 1.252 bn). On a comparable basis, revenue rose by 5.6 percent. When compared with the prior-year period, operating profit increased by 2.2 percent to EUR 322 m (2015: EUR 315 m). The operating margin was 25.1 percent (2015: 25.2 percent).

In the Healthcare business in North America, the effects of the price reductions as a result of government tenders are now starting to be felt. Significant further price cuts are expected to take effect from 1 July 2016.

The acquisition of the company American HomePatient, Inc., which specialises in respiratory therapies, should contribute towards countering the negative impact of the price reductions by increasing the number of patients cared for by Linde. The contribution to revenue made by American

HomePatient in the first quarter of 2016 was EUR 47 m. Linde also continually adapts its cost structures in this area and pursues a policy of organic growth.

Positive trends were again to be seen in the liquefied gases and cylinder gas business in North America, mainly as a result of the market for electronic and specialty gases.

The conditions in the individual countries in South America, especially in Brazil and Venezuela, continued to worsen in the first quarter of 2016. The economic situation in the region is characterised by high inflation and low growth rates. Although the trends in the product areas in South America were positive, the growth achieved is from a relatively low base in the prior-year period. However, solid trends were to be seen in the Healthcare business.

Product areas

Boosted by the acquisition of American HomePatient, Linde increased revenue in its Healthcare business in the first quarter of 2016 on a comparable basis by 8.9 percent to EUR 953 m (2015: EUR 875 m). After adjusting in addition for the contribution to revenue made by American HomePatient, revenue growth in this business was 3.3 percent.

In the on-site product area, revenue fell on a comparable basis by 0.3 percent to EUR 904 m (2015: EUR 907 m). After adjusting for the effects of the expiry of contracts, revenue in this product area was higher than in the first quarter of 2015.

Trends in the liquefied gases business were relatively steady. Revenue here increased slightly by 1.1 percent to EUR 831 m (2015: EUR 822 m). In the cylinder gas business, revenue on a comparable basis was EUR 933 m, which was 2.1 percent above the figure for the first three months of 2015 of EUR 914 m.

1 GASES DIVISION: REVENUE AND OPERATING PROFIT BY SEGMENT

| in € million | January to March 2016 | | | January to March 2015 | | |
|-----------------------|-----------------------|------------------|-----------------------------|-----------------------|------------------|-----------------------------|
| | Revenue | Operating profit | Operating margin in percent | Revenue | Operating profit | Operating margin in percent |
| EMEA | 1,410 | 430 | 30.5 | 1,472 | 441 | 30.0 |
| Asia/Pacific | 969 | 254 | 26.2 | 994 | 252 | 25.4 |
| Americas | 1,284 | 322 | 25.1 | 1,252 | 315 | 25.2 |
| Consolidation | -42 | | | -46 | | |
| GASES DIVISION | 3,621 | 1,006 | 27.8 | 3,672 | 1,008 | 27.5 |

Engineering Division

Revenue in the Engineering Division fell in the first quarter of 2016 by 15.0 percent to EUR 568 m (2015: EUR 668 m). Operating profit here also dropped to EUR 46 m (2015: EUR 57 m). The operating margin was 8.1 percent (2015: 8.5 percent). This continues to be above the industry average and matched the target of around 8 percent Linde has set itself for the current financial year. The order backlog in the Engineering Division at 31 March 2016 remained solid at EUR 4.241 bn (31 December 2015: EUR 4.541 bn).

Due to the persistently low price of oil and the resultant faltering demand in plant construction, order intake in the three months to 31 March 2016 was EUR 310 m (2015: EUR 280 m).

Around 50 percent of new orders related to air separation plants. A large part of these are in-house contracts acquired by the Engineering Division in the reporting period from the Gases Division.

Linde was commissioned by its customer JSC "Grodno Azot" in Belarus to build two air separation plants, each with a capacity of 9,000 normal cubic metres of oxygen per hour. Linde is responsible for the engineering and the procurement. The value of the contract is around EUR 30 m. The plants are due to be completed in the second quarter of 2018.

€2 ENGINEERING DIVISION

| in € million | January to March | |
|--------------------------------|------------------|-------|
| | 2016 | 2015 |
| Revenue | 568 | 668 |
| Order intake | 310 | 280 |
| Order backlog at 31.03./31.12. | 4,241 | 4,541 |
| Operating profit | 46 | 57 |
| Operating margin | 8.1% | 8.5% |

€3 ENGINEERING DIVISION: ORDER INTAKE BY PLANT TYPE

| in € million | January to March | | | |
|-----------------------------------|------------------|--------------|------------|--------------|
| | 2016 | in percent | 2015 | in percent |
| Natural gas plants | 26 | 8.4 | 84 | 30.0 |
| Air separation plants | 151 | 48.7 | 36 | 12.9 |
| Olefin plants | 38 | 12.3 | 38 | 13.6 |
| Hydrogen and synthesis gas plants | 57 | 18.4 | 56 | 20.0 |
| Other | 38 | 12.2 | 66 | 23.5 |
| ENGINEERING DIVISION | 310 | 100.0 | 280 | 100.0 |

Finance

Once again during the period there was a very positive trend in cash flow from operating activities. In the first three months of 2016, it increased by 19.3 percent to EUR 883 m (2015: EUR 740 m). The change in working capital of EUR 24 m (2015: EUR –161 m) made a positive contribution to operating cash flow. This was mainly due to a higher figure for advance payments received from plant construction customers. In addition, income taxes paid fell as a result of tax repayments by EUR 63 m to EUR 36 m (2015: EUR 99 m).

Linde spent a total of EUR 419 m during the reporting period on investments in tangible assets, intangible assets and financial assets, which was below the figure for the first quarter of 2015 of EUR 452 m. Payments made for investments in consolidated companies rose to EUR 180 m (2015: EUR 71 m), most of which related to the acquisition of US company American HomePatient, Inc. Payments of EUR 109 m were made in the first three months of 2016 to purchase securities for the purpose of short-term investment (2015: EUR 51 m). The net cash outflow from investing activities during the reporting period was EUR 655 m, which was EUR 128 m higher than in the prior-year period (2015: EUR 527 m). At 31 March 2016, free cash flow was EUR 228 m (2015: EUR 213 m).

Within cash flow from financing activities, the amount by which loan redemptions exceeded loan proceeds in the first quarter of 2016 was EUR 112 m. In the first quarter of 2015, the amount by which loan proceeds exceeded loan redemptions was EUR 46 m. The net cash outflow from financing activities in the three months to 31 March 2016 was EUR 168 m (2015: EUR 12 m).

Total assets fell by EUR 566 m, from EUR 35.347 bn at 31 December 2015 to EUR 34.781 bn at 31 March 2016. Almost all the balance sheet items felt the impact of adverse exchange rate effects.

At 31 March 2016, goodwill stood at EUR 11.458 bn, which was EUR 146 m below the figure at 31 December 2015 of EUR 11.604 bn. The decrease in goodwill was the result of two opposing factors. Adverse exchange rate effects of EUR 297 m reduced goodwill, while additions as a result of acquisitions led to an increase in goodwill of EUR 154 m.

Other intangible assets, comprising customer relationships, brand names and sundry intangible assets, decreased by EUR 114 m, from EUR 2.760 bn at 31 December 2015 to EUR 2.646 bn at 31 March 2016. Negative exchange rate effects of EUR 82 m and amortisation of EUR 73 m were set against additions of EUR 35 m.

Tangible assets are stated at a carrying amount of EUR 12.389 bn at 31 March 2016 (31 December 2015: EUR 12.782 bn). The decrease of EUR 393 m was partly due to adverse exchange rate effects of EUR 277 m. Depreciation was EUR 386 m, whereas acquisitions and investments resulted in an increase in tangible assets of EUR 332 m.

Trade receivables rose by EUR 46 m from EUR 2.724 bn to EUR 2.770 bn. Included in the total figure are adverse

exchange rate effects of EUR 63 m. Securities increased by EUR 109 m to EUR 530 m, mainly as a result of purchases (31 December 2015: EUR 421 m).

Equity at 31 March 2016 was EUR 14.834 bn (31 December 2015: EUR 15.449 bn). The profit for the period increased equity by EUR 333 m. Factors with a negative impact on equity were adverse exchange rate effects of EUR 771 m and the effects of the remeasurement of pension plans of EUR 370 m. The equity ratio at 31 March 2016 was 42.6 percent (31 December 2015: 43.7 percent). It should be noted that the dividend for 2015 will be paid in the second quarter of 2016.

Provisions for pensions and similar obligations rose by EUR 478 m to EUR 1.546 bn at 31 March 2016 (31 December 2015: EUR 1.068 bn). This increase was mainly due to the change in actuarial assumptions. Asset cover for the defined benefit obligation of The Linde Group is 79.2 percent (2015: 86.4 percent). The reduction in the asset cover is mainly due to the increase in the pension obligation. This is primarily the result of the decrease in discount rates.

Net financial debt comprises gross financial debt less short-term securities and cash and cash equivalents. At 31 March 2016, net financial debt was EUR 7.183 bn (31 December 2015: EUR 7.645 bn).

Gross financial debt fell during the reporting period by EUR 313 m to EUR 9.170 bn (31 December 2015: EUR 9.483 bn). Factors contributing to this decrease were not only the effects arising from the deconsolidation of a company, but also exchange rate effects and good cash flow from operating activities. Of the gross financial debt, EUR 916 m (31 December 2015: EUR 1.023 bn) is disclosed as current financial debt. The remaining financial debt of EUR 8.254 bn (31 December 2015: EUR 8.460 bn) – by far the largest proportion – is due in more than one year and is therefore classified as non-current financial debt.

With short-term securities of EUR 530 m, cash and cash equivalents of EUR 1.457 bn and its EUR 2.5 bn syndicated credit facility, available liquidity for Linde at 31 March 2016 was EUR 3.571 bn (31 December 2015: EUR 3.315 bn).

The dynamic indebtedness factor (net financial debt to operating profit for the last twelve months) was 1.7 at 31 March 2016, below the figure at 31 December 2015 of 1.9. The Group's gearing (the ratio of net debt to equity) improved in the first quarter of 2016 to 48.4 percent (31 December 2015: 49.5 percent).

Outlook

Group

The forecast of global economic trends and the outlook for the industry sector have not changed significantly since the disclosures made in the 2015 Financial Report (*SEE OUTLOOK ON PAGES 108 TO 110*). The forecasting institute Oxford Economics continues to expect the global economy to grow at a similarly modest rate in 2016 to that seen in 2015.

Linde confirms its outlook for the current year. In the 2016 financial year, the expected range for Group revenue is between 3 percent below and 4 percent above the revenue generated in 2015, after adjusting for exchange rate effects. As far as Group operating profit in the 2016 financial year is concerned, the expected range is also between 3 percent below and 4 percent above the figure achieved in 2015, after adjusting for exchange rate effects.

In the 2016 financial year, Linde will continue to seek to achieve a return on capital employed (ROCE) of around 9 percent.

Outlook – Gases Division

Contingent on the circumstances described in the 2015 Financial Report and on future economic trends (*SEE OUTLOOK PAGES 108 TO 109*), Linde is seeking to achieve the following targets in the Gases Division in the 2016 financial year. It is aiming to generate revenue after adjusting for exchange rate effects which is at least equal to and may be up to 5 percent higher than the revenue generated in the 2015 financial year. The expected range for operating profit after adjusting for exchange rate effects is between 1 percent below and 6 percent above the operating profit achieved in 2015.

In 2016, the margins achieved in the individual segments (EMEA, Asia/Pacific and Americas) should approximately equate to those achieved in 2015.

Outlook – Engineering Division

Linde continues to assume that it will generate revenue in the Engineering Division in the 2016 financial year of between EUR 2.0 bn and EUR 2.4 bn. It is seeking to achieve an operating margin here of around 8 percent.

Opportunity and risk report

As a group with a global footprint, Linde operates in a dynamic environment in which new market opportunities are constantly emerging. These business opportunities, which were described in detail in the 2015 Financial Report (*SEE OPPORTUNITY REPORT ON PAGES 91 TO 93*), have not changed significantly in the three months to 31 March 2016.

The risk situation for Linde as described in the 2015 Financial Report (*SEE RISK REPORT ON PAGES 93 TO 107*) has also not changed significantly in the first three months of 2016. No risks were identified which might, individually or in total, have an adverse impact on the viability of The Linde Group as a going concern.

Uncertainty about future economic trends continues, making it difficult to arrive at an accurate assessment of the future net assets, financial position and results of operations of The Linde Group. If there were to be a significant change in circumstances, risks which are currently unknown or deemed to be immaterial might gain in importance and might possibly have an adverse impact on business operations.

4 GROUP STATEMENT OF PROFIT OR LOSS

| <i>in € million</i> | <i>January to March</i> | |
|--|-------------------------|--------------|
| | <i>2016</i> | <i>2015</i> |
| Revenue | 4,262 | 4,398 |
| Cost of sales | 2,720 | 2,852 |
| GROSS PROFIT | 1,542 | 1,546 |
| Marketing and selling expenses | 605 | 659 |
| Research and development costs | 30 | 28 |
| Administration expenses | 408 | 395 |
| Other operating income | 107 | 125 |
| Other operating expenses | 79 | 68 |
| Share of profit or loss from associates and joint ventures (at equity) | 3 | 2 |
| EBIT | 530 | 523 |
| Financial income | 8 | 11 |
| Financial expenses | 97 | 109 |
| PROFIT BEFORE TAX | 441 | 425 |
| Taxes on income | 108 | 101 |
| PROFIT FOR THE PERIOD | 333 | 324 |
| attributable to Linde AG shareholders | 306 | 300 |
| attributable to non-controlling interests | 27 | 24 |
| Earnings per share in € – undiluted | 1.65 | 1.62 |
| Earnings per share in € – diluted | 1.65 | 1.61 |

5 GROUP STATEMENT OF COMPREHENSIVE INCOME

| <i>in € million</i> | <i>January to March</i> | |
|---|-------------------------|--------------|
| | <i>2016</i> | <i>2015</i> |
| PROFIT FOR THE PERIOD | 333 | 324 |
| OTHER COMPREHENSIVE INCOME (NET OF TAX) | -969 | 925 |
| ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS | -599 | 1,254 |
| Unrealised gains/losses on available-for-sale financial assets | - | -1 |
| Unrealised gains/losses on derivative financial instruments | 172 | -579 |
| Currency translation differences | -771 | 1,834 |
| ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS | -370 | -329 |
| Remeasurement of defined benefit plans | -370 | -329 |
| TOTAL COMPREHENSIVE INCOME | -636 | 1,249 |
| attributable to Linde AG shareholders | -633 | 1,127 |
| attributable to non-controlling interests | -3 | 122 |

6 GROUP STATEMENT OF FINANCIAL POSITION

| <i>in € million</i> | 31.03.2016 | 31.12.2015 |
|--|---------------|---------------|
| Assets | | |
| Goodwill | 11,458 | 11,604 |
| Other intangible assets | 2,646 | 2,760 |
| Tangible assets | 12,389 | 12,782 |
| Investments in associates and joint ventures (at equity) | 237 | 242 |
| Other financial assets | 52 | 57 |
| Receivables from finance leases | 198 | 217 |
| Trade receivables | 1 | 2 |
| Other receivables and other assets | 409 | 426 |
| Income tax receivables | 11 | 9 |
| Deferred tax assets | 335 | 327 |
| NON-CURRENT ASSETS | 27,736 | 28,426 |
| Inventories | 1,229 | 1,241 |
| Receivables from finance leases | 49 | 52 |
| Trade receivables | 2,770 | 2,724 |
| Other receivables and other assets | 812 | 778 |
| Income tax receivables | 198 | 277 |
| Securities | 530 | 421 |
| Cash and cash equivalents | 1,457 | 1,417 |
| Non-current assets classified as held for sale and disposal groups | - | 11 |
| CURRENT ASSETS | 7,045 | 6,921 |
| TOTAL ASSETS | 34,781 | 35,347 |

7 GROUP STATEMENT OF FINANCIAL POSITION

| <i>in € million</i> | 31.03.2016 | 31.12.2015 |
|---|---------------|---------------|
| Equity and liabilities | | |
| Capital subscribed | 475 | 475 |
| Capital reserve | 6,740 | 6,736 |
| Revenue reserves | 7,083 | 7,146 |
| Cumulative changes in equity not recognised through profit or loss | -351 | 221 |
| TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS | 13,947 | 14,578 |
| Non-controlling interests | 887 | 871 |
| TOTAL EQUITY | 14,834 | 15,449 |
| Provisions for pensions and similar obligations | 1,546 | 1,068 |
| Other non-current provisions | 570 | 530 |
| Deferred tax liabilities | 1,601 | 1,750 |
| Financial debt | 8,254 | 8,460 |
| Liabilities from finance leases | 50 | 55 |
| Trade payables | 2 | 3 |
| Other non-current liabilities | 875 | 847 |
| NON-CURRENT LIABILITIES | 12,898 | 12,713 |
| Current provisions | 1,149 | 1,089 |
| Financial debt | 916 | 1,023 |
| Liabilities from finance leases | 24 | 23 |
| Trade payables | 3,180 | 3,223 |
| Other current liabilities | 1,255 | 1,255 |
| Liabilities from income taxes | 525 | 568 |
| Liabilities related to non-current assets classified as held for sale and disposal groups | - | 4 |
| CURRENT LIABILITIES | 7,049 | 7,185 |
| TOTAL EQUITY AND LIABILITIES | 34,781 | 35,347 |

8 GROUP STATEMENT OF CASH FLOWS

| <i>in € million</i> | <i>January to March</i> | |
|--|-------------------------|-------------|
| | <i>2016</i> | <i>2015</i> |
| PROFIT BEFORE TAX | 441 | 425 |
| <i>Adjustments to profit before tax to calculate cash flow from operating activities</i> | | |
| Amortisation of intangible assets and depreciation of tangible assets | 461 | 467 |
| Impairments of financial assets | 2 | 3 |
| Profit/loss on disposal of non-current assets | -14 | -6 |
| Net interest | 83 | 87 |
| Finance income arising from finance leases in accordance with IFRIC 4/IAS 17 | 4 | 5 |
| Share of profit or loss from associates and joint ventures (at equity) | -3 | -2 |
| Distributions/dividends received from associates and joint ventures | 4 | 1 |
| Income taxes paid | -36 | -99 |
| <i>Changes in assets and liabilities</i> | | |
| Change in inventories | -8 | -12 |
| Change in trade receivables | -85 | 65 |
| Change in provisions | 86 | 16 |
| Change in trade payables | 117 | -214 |
| External funding/allocation to plan assets re. defined benefit obligations | - | - |
| Change in other assets and liabilities | -169 | 4 |
| CASH FLOW FROM OPERATING ACTIVITIES | 883 | 740 |
| Payments for tangible and intangible assets and plants held under finance leases in accordance with IFRIC 4/IAS 17 | -405 | -442 |
| Payments for investments in consolidated companies | -180 | -71 |
| Payments for investments in financial assets | -14 | -10 |
| Payments for investments in securities | -110 | -101 |
| Proceeds on disposal of securities | 1 | 50 |
| Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17 | 41 | 25 |
| Proceeds on disposal of consolidated companies and from purchase price repayment claims | 7 | - |
| Proceeds on disposal of non-current assets held for sale and disposal groups | - | 13 |
| Proceeds on disposal of financial assets | 5 | 9 |
| CASH FLOW FROM INVESTING ACTIVITIES | -655 | -527 |

9 GROUP STATEMENT OF CASH FLOWS

| <i>in € million</i> | <i>January to March</i> | |
|--|-------------------------|--------------|
| | <i>2016</i> | <i>2015</i> |
| Dividend payments to Linde AG shareholders and non-controlling interests | -1 | -12 |
| Cash outflows for the purchase of own shares | -3 | - |
| Interest received | 41 | 31 |
| Interest paid | -88 | -71 |
| Proceeds of loans and capital market debt | 1,051 | 344 |
| Cash outflows for the repayment of loans and capital market debt | -1,163 | -298 |
| Cash outflows for the repayment of liabilities from finance leases | -5 | -6 |
| CASH FLOW FROM FINANCING ACTIVITIES | -168 | -12 |
| NET CASH INFLOW/OUTFLOW | 60 | 201 |
| OPENING BALANCE OF CASH AND CASH EQUIVALENTS | 1,417 | 1,137 |
| Effects of currency translation | -20 | 59 |
| CLOSING BALANCE OF CASH AND CASH EQUIVALENTS | 1,457 | 1,397 |

10 STATEMENT OF CHANGES IN GROUP EQUITY

| <i>in € million</i> | <i>Capital subscribed</i> | <i>Capital reserve</i> |
|--|---------------------------|------------------------|
| AT 01.01.2015 | 475 | 6,730 |
| Profit for the period | - | - |
| Other comprehensive income (net of tax) | - | - |
| TOTAL COMPREHENSIVE INCOME | - | - |
| Dividend payments | - | - |
| Changes as a result of share option schemes | - | 4 |
| TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY | - | 4 |
| AT 31.03.2015 | 475 | 6,734 |
| AT 01.01.2016 | 475 | 6,736 |
| Profit for the year | - | - |
| Other comprehensive income (net of tax) | - | - |
| TOTAL COMPREHENSIVE INCOME | - | - |
| Dividend payments | - | - |
| Changes as a result of share option schemes | - | 4 |
| Repurchase of own shares | - | - |
| TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY | - | 4 |
| Acquisition/disposal of a subsidiary with non-controlling interests | - | - |
| CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES | - | - |
| OTHER CHANGES | - | - |
| AT 31.03.2016 | 475 | 6,740 |

| <i>Revenue reserves</i> | | <i>Cumulative changes to equity not recognised through the statement of profit or loss</i> | | | | <i>Total equity attributable to Linde AG shareholders</i> | <i>Non-controlling interests</i> | <i>Total equity</i> |
|---|--------------------------|--|--|---|--------|---|----------------------------------|---------------------|
| <i>Remeasurement of defined benefit plans</i> | <i>Retained earnings</i> | <i>Currency translation differences</i> | <i>Available-for-sale financial assets</i> | <i>Derivative financial instruments</i> | | | | |
| -980 | 7,544 | 61 | 5 | -429 | 13,406 | 861 | 14,267 | |
| - | 300 | - | - | - | 300 | 24 | 324 | |
| -328 | - | 1,734 | - | -579 | 827 | 98 | 925 | |
| -328 | 300 | 1,734 | - | -579 | 1,127 | 122 | 1,249 | |
| - | - | - | - | - | - | -12 | -12 | |
| - | - | - | - | - | 4 | - | 4 | |
| - | - | - | - | - | 4 | -12 | -8 | |
| -1,308 | 7,844 | 1,795 | 5 | -1,008 | 14,537 | 971 | 15,508 | |
| -966 | 8,112 | 1,127 | -1 | -905 | 14,578 | 871 | 15,449 | |
| - | 306 | - | - | - | 306 | 27 | 333 | |
| -367 | - | -744 | - | 172 | -939 | -30 | -969 | |
| -367 | 306 | -744 | - | 172 | -633 | -3 | -636 | |
| - | - | - | - | - | - | -1 | -1 | |
| - | - | - | - | - | 4 | - | 4 | |
| - | -3 | - | - | - | -3 | - | -3 | |
| - | -3 | - | - | - | 1 | -1 | - | |
| - | - | - | - | - | - | 23 | 23 | |
| - | - | - | - | - | - | 23 | 23 | |
| - | 1 | - | - | - | 1 | -3 | -2 | |
| -1,333 | 8,416 | 383 | -1 | -733 | 13,947 | 887 | 14,834 | |

E 11 SEGMENT INFORMATION

| | Segments | |
|---|------------------|--------------|
| | Gases Division | |
| | January to March | |
| <i>in € million, SEE NOTE [6]</i> | 2016 | 2015 |
| Revenue from third parties | 3,619 | 3,670 |
| Revenue from other segments | 2 | 2 |
| TOTAL SEGMENT REVENUE | 3,621 | 3,672 |
| OPERATING PROFIT | 1,006 | 1,008 |
| Restructuring costs (non-recurring item) | - | 19 |
| Amortisation of intangible assets and depreciation of tangible assets | 454 | 458 |
| EBIT (EARNINGS BEFORE INTEREST AND TAX) | 552 | 531 |
| Capital expenditure (excluding financial assets) | 299 | 283 |

in € million, SEE NOTE [6]

Revenue from third parties

Revenue from other segments

TOTAL SEGMENT REVENUE**OPERATING PROFIT**

Restructuring costs (non-recurring item)

Amortisation of intangible assets and depreciation of tangible assets

EBIT (EARNINGS BEFORE INTEREST AND TAX)

Capital expenditure (excluding financial assets)

| <i>Segments</i> | | | | | | | | | |
|-----------------------------|-------------|-------------------------|-------------|-------------------------|-------------|-------------------------|-------------|-------------|-------------|
| <i>Engineering Division</i> | | <i>Other Activities</i> | | <i>Reconciliation</i> | | <i>Group</i> | | | |
| <i>January to March</i> | | <i>January to March</i> | | <i>January to March</i> | | <i>January to March</i> | | | |
| <i>2016</i> | <i>2015</i> | <i>2016</i> | <i>2015</i> | <i>2016</i> | <i>2015</i> | <i>2016</i> | <i>2015</i> | <i>2016</i> | <i>2015</i> |
| 496 | 584 | 147 | 144 | - | - | 4,262 | 4,398 | | |
| 72 | 84 | 3 | 1 | -77 | -87 | - | - | | |
| 568 | 668 | 150 | 145 | -77 | -87 | 4,262 | 4,398 | | |
| 46 | 57 | 6 | 11 | -67 | -66 | 991 | 1,010 | | |
| - | - | - | - | - | 1 | - | - | | 20 |
| 9 | 9 | 7 | 9 | -9 | -9 | 461 | 467 | | |
| 37 | 48 | -1 | 2 | -58 | -58 | 530 | 523 | | |
| 5 | 4 | 3 | 3 | -23 | 59 | 284 | 349 | | |

| <i>Segments</i> | | | | | | | | | |
|-------------------------|-------------|-------------------------|-------------|-------------------------|-------------|-----------------------------|-------------|-------------|-------------|
| <i>Gases Division</i> | | | | | | | | | |
| <i>EMEA</i> | | <i>Asia/Pacific</i> | | <i>Americas</i> | | <i>Total Gases Division</i> | | | |
| <i>January to March</i> | | <i>January to March</i> | | <i>January to March</i> | | <i>January to March</i> | | | |
| <i>2016</i> | <i>2015</i> | <i>2016</i> | <i>2015</i> | <i>2016</i> | <i>2015</i> | <i>2016</i> | <i>2015</i> | <i>2016</i> | <i>2015</i> |
| 1,405 | 1,466 | 964 | 989 | 1,250 | 1,215 | 3,619 | 3,670 | | |
| 5 | 6 | 5 | 5 | 34 | 37 | 2 | 2 | | |
| 1,410 | 1,472 | 969 | 994 | 1,284 | 1,252 | 3,621 | 3,672 | | |
| 430 | 441 | 254 | 252 | 322 | 315 | 1,006 | 1,008 | | |
| - | 5 | - | 6 | - | 8 | - | 19 | | |
| 168 | 168 | 136 | 149 | 150 | 141 | 454 | 458 | | |
| 262 | 268 | 118 | 97 | 172 | 166 | 552 | 531 | | |
| 114 | 122 | 81 | 50 | 104 | 111 | 299 | 283 | | |

ADDITIONAL COMMENTS

| | |
|------------------------------------|-----------|
| GROUP INTERIM MANAGEMENT REPORT | <1 |
| ADDITIONAL COMMENTS | 16 |
| REVIEW REPORT | >24 |

- IFRS 16 Leases (first-time application according to IASB in financial years beginning on or after 1 January 2019)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (first-time application according to IASB in financial years beginning on or after 1 January 2017)
- Amendments to IAS 7: Disclosure Initiative (first-time application according to IASB in financial years beginning on or after 1 January 2017)

[1] General accounting policies

The condensed Group interim financial statements of Linde AG for the three months ended 31 March 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable to interim financial reporting, as adopted by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and the Council on the application of International Accounting Standards.

The reporting currency is the euro. All amounts are shown in millions of euro (EUR m), unless stated otherwise.

A review of the condensed Group interim financial statements has been performed by KPMG AG Wirtschaftsprüfungsgesellschaft.

The accounting policies used in the condensed Group interim financial statements are the same as those used to prepare the Group financial statements for the year ended 31 December 2015. In the first quarter of 2016, there were also no changes in discretionary decisions and estimates compared with the information disclosed in the 2015 Financial Report.

In addition, IAS 34 Interim Financial Reporting has been applied. Since 1 January 2016, the following standards have become effective:

- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
- Annual Improvements to IFRSs (2012–2014)
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs (2010–2012)

The following standards were issued by the IASB, but have not yet been applied in the condensed Group interim financial statements of The Linde Group for the three months ended 31 March 2016, as the standards are not yet effective:

[2] Changes in Group structure

The types of companies in the consolidated interim financial statements of The Linde Group and changes in the structure of the Group are disclosed below:

€ 12 STRUCTURE OF COMPANIES INCLUDED IN THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

| | As at 31.12.2015 | Additions | Disposals | As at 31.03.2016 |
|--|---------------------|-----------|-----------|---------------------|
| CONSOLIDATED SUBSIDIARIES | 528 | 39 | 6 | 561 |
| of which within Germany | 18 | - | - | 18 |
| of which outside Germany | 510 | 39 | 6 | 543 |
| COMPANIES ACCOUNTED FOR USING THE LINE-BY-LINE METHOD | 5 | - | - | 5 |
| of which within Germany | - | - | - | - |
| of which outside Germany | 5 | - | - | 5 |
| COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD | 37 | 3 | - | 40 |
| of which within Germany | 5 | 1 | - | 6 |
| of which outside Germany | 32 | 2 | - | 34 |
| NON-CONSOLIDATED SUBSIDIARIES | 50 | 2 | 3 | 49 |
| of which within Germany | - | - | - | - |
| of which outside Germany | 50 | 2 | 3 | 49 |

During the reporting period, 40.1 percent of the shares in Linde-Huayi (Chongqing) Gases Co. Ltd held within the Group's Asia/Pacific segment were sold to the former minority shareholder. Subsequent to the disposal, Linde has a holding of 19.9 percent and will continue to exercise significant influence as defined in IAS 28. The sale of the shares resulted in a gain on deconsolidation of EUR 25 m at Group level after making the appropriate consolidation adjustments affecting net income. This amount has been included in other operating income. None of this gain derives from the remeasurement at fair value of the remaining shares at the date when the loss of control occurred.

Most of the other disposals were mergers and liquidations. Significant additions during the reporting period are described in *NOTE [3]* below.

[3] Acquisitions

An acquisition is deemed to be significant if its total assets after the purchase price allocation (inclusive of goodwill) exceed EUR 50 m. The main acquisition during the reporting period was American HomePatient, Inc.

American HomePatient, Inc.

With effect from 1 February 2016, The Linde Group acquired 100 percent of the shares in US company American HomePatient, Inc. As from that date, the business has been fully included in the consolidated financial statements of The Linde Group. The company specialises in respiratory therapies to serve the needs of patients with chronic obstructive pulmonary disease (COPD) and sleep apnoea. This acquisition will enable Linde to reinforce its market position in healthcare services and to achieve synergies with its existing business.

The transaction involved a cash payment of around EUR 210 m. After deducting a repayment of financial debt of EUR 24 m and provisions for employee remuneration of EUR 1 m and after taking account of a conditional purchase price repayment claim with an expected value of EUR 11 m, the acquisition cost as defined by IFRS 3 was EUR 174 m. The conditional purchase price repayment claim is due within two years. The extent of the repayment claim lies between EUR 1 m and EUR 12 m.

In the course of its purchase, Linde acquired non-current assets, as well as inventories and other current assets. The principal elements of the provisional figure for goodwill of EUR 154 m are the expected synergies with

Linde's existing Healthcare business and going concern synergies. The purchase price allocation resulted in fair value adjustments of EUR 31 m. These relate to the company brand, customer relationships and tangible assets. None of the goodwill is tax-deductible. Due to the proximity of the acquisition date to the reporting date, the results of the purchase price allocation and the assessment of deferred tax assets arising from tax loss carryforwards are still provisional.

In the course of the transaction, Linde acquired 100 percent of the shares in American HomePatient, Inc. Those non-controlling interests disclosed in the opening balance sheet are the result of pre-consolidated units with shares held by other non-controlling shareholders. The receivables acquired have a fair value of EUR 33 m and are all trade receivables. The gross value of the receivables is EUR 67 m. The difference between the gross value of the receivables and their fair value is a provision for bad debts.

Since the date of acquisition, the business acquired has generated revenue of EUR 47 m and a contribution to profit for the period of EUR 1 m. If the business had been consolidated into The Linde Group from 1 January 2016, the contribution to revenue would have been EUR 70 m and the contribution to profit for the period would have been a loss of EUR 2 m.

Other acquisitions

In the first three months of 2016, Linde made acquisitions to expand its industrial gases business in the EMEA segment. The total purchase price for these acquisitions was EUR 1 m, all of which was paid in cash.

€ 13 IMPACT OF ACQUISITIONS ON THE NET ASSETS OF THE LINDE GROUP

| Opening balance upon initial consolidation in € million | Fair value | |
|--|------------|-------|
| | AHOM | Other |
| Non-current assets | 99 | 1 |
| Inventories | 4 | - |
| Other current assets | 36 | - |
| Cash and cash equivalents | 7 | - |
| Equity | 20 | 1 |
| Non-controlling interests | 10 | - |
| Liabilities | 116 | - |

[4] Foreign currency translation

Exchange rates for the major currencies used by Linde were as follows:

14 PRINCIPAL EXCHANGE RATES

| Exchange rate € 1 = | ISO code | Spot rate on balance sheet date | | Average rate January to March | |
|---------------------|----------|---------------------------------|------------|----------------------------------|----------|
| | | 31.03.2016 | 31.12.2015 | 2016 | 2015 |
| Australia | AUD | 1.48026 | 1.49183 | 1.53033 | 1.43218 |
| China | CNY | 7.32199 | 7.05243 | 7.22198 | 7.02109 |
| South Africa | ZAR | 16.88691 | 16.80825 | 17.48216 | 13.20785 |
| UK | GBP | 0.78946 | 0.73685 | 0.77092 | 0.74325 |
| USA | USD | 1.13240 | 1.08605 | 1.10389 | 1.12574 |

[5] Financial instruments

E 15 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

| in € million | 31.03.2016 | | | 31.12.2015 | | |
|---------------------------------------|------------|---------|---------|------------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Investments and securities | 522 | | | 415 | | |
| Derivatives with positive fair values | | 374 | | | 316 | |
| Derivatives with negative fair values | | 716 | | | 675 | |

For individual categories of financial assets and financial liabilities in The Linde Group, the carrying amount of the item is generally a reasonable approximation of the fair value of the item. This does not apply to receivables from finance leases or to financial debt. In the case of receivables from finance leases, the fair value is EUR 315 m, while the carrying amount is EUR 247 m. The fair value of the financial debt is EUR 9.691 bn, compared with its carrying amount of EUR 9.170 bn. The fair value of financial instruments is generally determined using quoted market prices. If no quoted market prices are available, the financial instruments are measured using valuation methods customary in the market. The investments and securities category also included financial assets (available-for-sale financial assets) of EUR 15 m (2015: EUR 15 m) for which a fair value cannot be reliably determined. For these assets, there are neither observable market prices nor sufficient information for a reliable valuation using other valuation methods. There is currently no intention to sell these assets.

For derivative financial instruments, the fair value is determined as follows. Options are measured by external partners using Black-Scholes pricing models. Futures are measured with recourse to the quoted market price in the relevant market.

All other derivative financial instruments are measured by discounting future cash flows using the present value method. The starting parameters for these models should, as far as possible, be the relevant observable market prices and interest rates at the balance sheet date, obtained from recognised external sources.

At the balance sheet date, no assets or liabilities had been recognised for which the values had been determined by valuation techniques with principal inputs not derived from observable market data (Level 3). During the reporting period, there were no transfers between Levels 1, 2 and 3 of the fair value hierarchy.

[6] Segment reporting

The same principles apply to segment reporting in the interim report as those described in the Group financial statements for the year ended 31 December 2015.

To arrive at the figure for the Gases Division as a whole from the figures for the segments within the Gases Division, consolidation adjustments of EUR 42 m (2015: EUR 46 m) were deducted from revenue. Therefore, it is not possible to arrive at the figure for the Gases Division as a whole by merely adding together the segments in the Gases Division.

The reconciliation of segment revenue to Group revenue and of the operating profit of the segments to Group profit before tax is shown in the table below:

16 RECONCILIATION OF SEGMENT REVENUE AND OF THE SEGMENT RESULT

| <i>in € million</i> | <i>January to March</i> | |
|--|-------------------------|--------------|
| | <i>2016</i> | <i>2015</i> |
| Revenue | | |
| Total segment revenue | 4,339 | 4,485 |
| Consolidation | -77 | -87 |
| GROUP REVENUE | 4,262 | 4,398 |
| Operating profit | | |
| Operating profit from segments | 1,058 | 1,076 |
| Operating profit from Corporate activities | -88 | -69 |
| Restructuring costs (non-recurring item) | - | 20 |
| Amortisation and depreciation | 461 | 467 |
| Financial income | 8 | 11 |
| Financial expenses | 97 | 109 |
| Consolidation | 21 | 3 |
| PROFIT BEFORE TAX | 441 | 425 |

[7] Reconciliation of key financial figures

The key financial figures relating to The Linde Group have been adjusted in the table below for non-recurring items. Non-recurring items are items which, due to their nature, frequency and/or extent, are likely to have an adverse impact on how accurately the key financial figures reflect the sustainability of the earnings capacity of The Linde Group in the capital market.

There were no non-recurring items in the three months ended 31 March 2016.

Return on capital employed (ROCE) is calculated in Linde by dividing EBIT by capital employed. Capital employed is calculated on the basis of the average of the figures as at 31 December of the current year and 31 December of the prior year and is therefore not disclosed in the interim reports.

17 KEY FINANCIAL FIGURES ADJUSTED FOR NON-RECURRING ITEMS

| in € million | January to March | | | | | |
|--|------------------|---------------------|--|--------------|---------------------|--|
| | 2016 | | | 2015 | | |
| | As reported | Non-recurring items | Key financial figures before non-recurring items | As reported | Non-recurring items | Key financial figures before non-recurring items |
| Revenue | 4,262 | – | 4,262 | 4,398 | – | 4,398 |
| Cost of sales | –2,720 | – | –2,720 | –2,852 | 3 | –2,849 |
| GROSS PROFIT | 1,542 | – | 1,542 | 1,546 | 3 | 1,549 |
| Research and development costs, marketing, selling and administration expenses | –1,043 | – | –1,043 | –1,082 | 17 | –1,065 |
| Other operating income and expenses | 28 | – | 28 | 57 | – | 57 |
| Share of profit or loss from associates and joint ventures (at equity) | 3 | – | 3 | 2 | – | 2 |
| EBIT | 530 | – | 530 | 523 | 20 | 543 |
| Financial result | –89 | – | –89 | –98 | – | –98 |
| Taxes on income | –108 | – | –108 | –101 | –6 | –107 |
| PROFIT FOR THE PERIOD | 333 | – | 333 | 324 | 14 | 338 |
| attributable to Linde AG shareholders | 306 | – | 306 | 300 | 13 | 313 |
| attributable to non-controlling interests | 27 | – | 27 | 24 | 1 | 25 |
| EBIT | 530 | – | 530 | 523 | 20 | 543 |
| Amortisation of intangible assets and depreciation of tangible assets | –461 | – | –461 | –467 | – | –467 |
| OPERATING PROFIT | 991 | – | 991 | 990 | 20 | 1,010 |
| EARNINGS PER SHARE IN € – UNDILUTED | 1.65 | – | 1.65 | 1.62 | – | 1.69 |
| EARNINGS PER SHARE IN € – DILUTED | 1.65 | – | 1.65 | 1.61 | – | 1.68 |

[8] Events after the balance sheet date

No significant events have occurred for The Linde Group since the end of the reporting period on 31 March 2016.

MUNICH, 28 APRIL 2016

DR WOLFGANG BÜCHELE
[CHIEF EXECUTIVE OFFICER]

GEORG DENOKE
[MEMBER OF THE EXECUTIVE BOARD]

THOMAS BLADES
[MEMBER OF THE EXECUTIVE BOARD]

BERND EULITZ
[MEMBER OF THE EXECUTIVE BOARD]

DR CHRISTIAN BRUCH
[MEMBER OF THE EXECUTIVE BOARD]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

REVIEW REPORT

ADDITIONAL COMMENTS <16
REVIEW REPORT 24

To Linde Aktiengesellschaft, Munich

We have reviewed the condensed interim consolidated financial statements – comprising the Group – Statement of profit or loss, the Group – Statement of comprehensive income, the Group – Statement of financial position, the Group – Statement of cash flows, the Statement of changes in Group equity and selected explanatory notes – together with the Group Interim Management Report of the Linde Aktiengesellschaft, Munich, for the period from 1 January to 31 March 2016 that are part of the quarterly financial report according to § 37w WpHG [“Wertpapierhandelsgesetz”: “German Securities Trading Act”]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with the International Standard on Review Engagements 2410 (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been

prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

MUNICH, 28 APRIL 2016

KPMG AG
 [WIRTSCHAFTSPRÜFUNGS-
 GESELLSCHAFT]

BECKER
 [WIRTSCHAFTS-
 PRÜFER]

V. HEYNITZ
 [WIRTSCHAFTS-
 PRÜFER]

FINANCIAL CALENDAR

[1]
INTERIM REPORT
JANUARY TO MARCH 2016
29 April 2016

[2]
ANNUAL GENERAL MEETING
2016
3 May 2016, 10 a.m.
International Congress Centre, Munich,
Germany

[3]
DIVIDEND PAYMENT
4 May 2016

[4]
INTERIM REPORT
JANUARY TO JUNE 2016
28 July 2016

[5]
AUTUMN PRESS CONFERENCE
2016
28 October 2016
Carl von Linde Haus, Munich,
Germany

[6]
INTERIM REPORT
JANUARY TO SEPTEMBER 2016
28 October 2016

[7]
ANNUAL GENERAL MEETING
2017
10 May 2017, 10 a.m.
International Congress Centre, Munich,
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