Q1

LINDE INTERIM REPORT
JANUARY TO MARCH 2017

Leading.

THE LINDE GROUP

LINDE FINANCIAL HIGHLIGHTS

[Q1 – JANUARY TO MARCH 2017]

Linde financial highlights		*January to March 2016*	*January to March 2017*	*Change*
Share				
Closing price	€	128.05	156.10	21.9%
Year high	€	132.95	158.50	19.2%
Year low	€	115.85	146.60	26.5%
Market capitalisation (at closing price on 31 March)	*€ million*	23,768	28,978	21.9%
Earnings per share from continuing operations – undiluted	€	1.65	1.68	1.8%
Earnings per share from continuing operations – undiluted (before special items)	€	1.65	1.77	7.3%
Number of shares outstanding at the end of the reporting period	*000s*	185,612	185,638	–
Group (continuing operations)				
Revenue	*€ million*	4,115	4,385	6.6%
Operating profit[1]	*€ million*	985	1,041	5.7%
Operating margin	*%*	23.9	23.7	−20 bp[3]
EBIT (earnings before interest and tax)	*€ million*	531	535	0.8%
EBIT (before special items)	*€ million*	531	557	4.9%
Profit for the period	*€ million*	333	344	3.3%
Number of employees[2]		59,715	59,297	−0.7%
Gases Division				
Revenue	*€ million*	3,621	3,799	4.9%
Operating profit[1]	*€ million*	1,006	1,053	4.7%
Operating margin	*%*	27.8	27.7	−10 bp[3]
Engineering Division				
Revenue	*€ million*	568	648	14.1%
Operating profit[1]	*€ million*	46	53	15.2%
Operating margin	*%*	8.1	8.2	+10 bp[3]

[1] EBIT (before special items) adjusted for amortisation of intangible assets and depreciation of tangible assets. For an explanation of the financial performance indicators given in this interim report. SEE PAGE 43 OF THE 2016 FINANCIAL REPORT.
[2] At 31 December 2016/31 March 2017.
[3] Basis points.

LINDE INTERIM REPORT

[Q1 – JANUARY TO MARCH 2017]

JANUARY TO MARCH 2017: LINDE STARTS THE NEW FINANCIAL YEAR WITH INCREASES IN REVENUE AND EARNINGS

- Group revenue increases to EUR 4.385 bn (up 6.6 percent, up 4.2 percent after adjusting for exchange rate effects)
- Group operating profit[1] rises to EUR 1.041 bn (up 5.7 percent, up 3.1 percent after adjusting for exchange rate effects)
- Group outlook for 2017 confirmed

[1] EBIT (before special items) adjusted for the amortisation of intangible assets and the depreciation of tangible assets.

GROUP INTERIM MANAGEMENT REPORT

General economic environment

Economists are expecting the global economy to grow at a faster rate in 2017 than in 2016. At the same time, uncertainty is the key theme of the year. First, we await political developments in the United States, especially with regard to trade policy. In addition, potential delays in the negotiations on the United Kingdom's exit from the European Union (Brexit) and the outcome of imminent elections in European countries each pose further risks. Improved trends in Russia are expected to generate a little momentum. Economic trends in China are currently stable but uncertainty here remains. Although the continuation of China's expansive monetary and fiscal policy may boost economic development in the short term, this may not be sustainable in the longer term, meaning that this policy poses considerable risks to the global economy. Recently, however, the central government hinted at a move towards an economic policy geared more to stability. As in previous years, macroeconomic trends may also be increasingly affected by existing geopolitical tensions and potential new trouble spots.

Against this background, economic research institute Oxford Economics[1] is expecting 2.6 percent growth in global real gross domestic product (GDP) in the 2017 financial year, following a rise of 2.3 percent in 2016. Global industrial production (IP) is forecast to grow by 3.1 percent in 2017, which is a much faster rate than that seen in 2016 (1.6 percent).

In the EMEA region (Europe, Middle East, Africa), economists are projecting an increase in economic output of 1.8 percent in 2017, similar to the rate of growth seen in 2016 (1.6 percent). Industrial production is forecast to rise by 2.0 percent (2016: 1.3 percent). In Western Europe, the fragile recovery is expected to continue. Oxford Economics is forecasting GDP growth for Western Europe of 1.7 percent in 2017, the same as that seen in 2016. Industrial production, on the other hand, is expected to increase by 1.8 percent, somewhat faster than the IP growth of 1.3 percent seen in 2016. The moderately positive economic trend in Germany is expected to continue in 2017. Here the forecast is for GDP growth of 1.8 percent (2016: 1.8 percent) and an increase in industrial production of 1.5 percent following IP growth of 1.0 percent in 2016. In the Middle East & Eastern Europe region, economic trends in 2017 are again expected to be different in the two areas which make up the region. In the Middle East, economists are forecasting GDP growth of 1.0 percent, a figure that is once again down on the prior year (2016: 1.8 percent). In Eastern Europe, on the other hand, GDP is expected to rise at a faster rate than in the prior year (2.0 percent compared with 1.2 percent in 2016). In Russia, following two years of recession, economic output is projected to rise by 1.2 percent and industrial production by 1.5 percent in 2017. In South Africa, Oxford Economics is forecasting an improvement in the economic climate, with GDP growth of 1.0 percent (2016: 0.3 percent).

As in previous years, the strongest growth rates in 2017 are expected to be seen in the Asia/Pacific region. Oxford Economics is forecasting growth in economic output in this region of 5.5 percent (2016: 5.6 percent). Industrial production is projected to increase by 4.8 percent (2016: 4.1 percent). In China, GDP is expected to rise by 6.5 percent in 2017 compared with 6.7 percent in 2016, prolonging the trend of a slight slowdown in growth. Industrial production is currently forecast to increase by 6.0 percent (2016: 6.1 percent). In India, Oxford Economics is projecting a GDP growth rate of 7.2 percent (2016: 7.4 percent) and an increase in industrial production of 1.4 percent compared with 0.3 percent in 2016.

GDP in Australia is expected to rise by 2.8 percent in 2017 (2016: 2.5 percent). Following a strong fourth quarter in 2016, growth in industrial production is projected to be as high as 4.1 percent, which is significantly above the prior-year figure of 1.2 percent.

In the Americas region, growth of 1.8 percent is being forecast (2016: 0.9 percent), the result of more positive trends in the United States and Brazil. In 2017, Oxford Economics is projecting an increase in GDP of 2.1 percent in the United States (2016: 1.6 percent), while GDP growth in Brazil is expected to be 0.1 percent compared with a decline in GDP in 2016 of 3.6 percent. A substantial rise in industrial production is forecast in both countries. In the United States, IP growth is expected to be 1.2 percent, compared with a decline in IP in 2016 of 1.2 percent, while IP growth in Brazil is expected to be 1.6 percent compared with a decline in IP of 6.8 percent in 2016.

Business review of The Linde Group

The revenue of The Linde Group from continuing operations rose in the first quarter of 2017 by 6.6 percent to EUR 4.385 bn, when compared with the figure for the first quarter of 2016 of EUR 4.115 bn. The main factors contributing to this increase were positive trends in the EMEA and Asia/Pacific segments and higher revenue in the Engineering Division. Group operating profit from continuing operations rose by 5.7 percent to EUR 1.041 bn (2016: EUR 985 m). After adjusting for exchange rate effects arising solely on the translation of local currencies into the euro, Group revenue was 4.2 percent higher than in the prior-year period. After adjusting for exchange rate effects, Group operating profit rose by 3.1 percent.

At 23.7 percent, the Group operating margin was similar to the figure for the first quarter of 2016 of 23.9 percent.

During the reporting year, the Group will continue to implement efficiency improvement measures as part of its Focus programme and LIFT programme. By the end of 2017, the LIFT programme is expected to have incurred total costs of around EUR 400 m which are disclosed as special items in the statement of profit or loss. Of these costs, EUR 116 m were realised in 2016. During the reporting period, costs of EUR 22 m were classified as special items. These include costs arising from the proposed merger with Praxair.

Cost of sales in the reporting period increased by EUR 282 m to EUR 2.900 bn (2016: EUR 2.618 bn). Gross profit was EUR 1.485 bn, which was similar to the figure for the first quarter of 2016 of EUR 1.497 bn. The gross margin fell to 33.9 percent (2016: EUR 36.4 percent). This was mainly due to the higher contribution made to revenue by the Engineering Division as well as to higher natural gas prices in the first three months of 2017 compared with the first three months of 2016.

EBIT from continuing operations in the three months ended 31 March 2017 was EUR 535 m, slightly above the figure for the first quarter of 2016 of EUR 531 m. The net financial expense in the first three months of 2017 was EUR 74 m (2016: EUR 89 m). Linde therefore generated a profit before tax from continuing operations of EUR 461 m (2016: EUR 442 m).

The income tax expense was EUR 117 m (2016: EUR 109 m). This gives an income tax rate of 25.4 percent (2016: 24.7 percent). In the first three months of 2017, Linde's profit for the period from continuing operations (after deducting the tax expense) was EUR 344 m (2016: EUR 333 m).

After adjusting for non-controlling interests, profit for the period from continuing operations attributable to Linde AG shareholders was EUR 311 m (2016: EUR 306 m). This gives earnings per share from continuing operations of EUR 1.68 (2016: EUR 1.65). Earnings per share from continuing operations before special items at 31 March 2017 was EUR 1.77 (2016: EUR 1.65). The explanatory comments given above relate solely to continuing operations. As the business of logistics service provider Gist is due to be sold during the reporting year, it has been disclosed as a discontinued operation. The profit for the period from discontinued operations in the first quarter of 2017 was EUR 6 m (2016: EUR 0 m).

Gases Division

Linde's revenue in the Gases Division in the first three months of 2017 was EUR 3.799 bn, an increase of 4.9 percent when compared with the figure for the prior-year period of EUR 3.621 bn. After adjusting for exchange rate effects, revenue in the Gases Division increased by 2.1 percent. On a comparable basis (after also adjusting for changes in the price of natural gas), the growth in revenue was 0.9 percent.

Operating profit was EUR 1.053 bn, which was higher than the figure for the first quarter of 2016 of EUR 1.006 bn. After adjusting for exchange rate effects, operating profit increased by 2.4 percent. At 27.7 percent, the operating margin was similar to that achieved in the prior-year period (2016: 27.8 percent). It should be noted that higher prices for natural gas had a negative impact on the operating margin.

EMEA (Europe, Middle East, Africa)

In EMEA, Linde's largest sales market, the Group generated revenue of EUR 1.478 bn in the first three months of 2017, which was 4.8 percent higher than the figure achieved in the first three months of 2016 of EUR 1.410 bn. On a comparable basis, revenue rose by 4.4 percent. Operating profit was EUR 462 m, an increase of 7.4 percent when compared with the figure for the first quarter of 2016 of EUR 430 m. The operating margin rose to 31.3 percent (2016: 30.5 percent). The efficiency improvement measures introduced in 2015 and 2016 contributed towards this increase.

Positive trends were to be seen in the EMEA segment in almost all product areas. In the on-site business, where the Group supplies gases on site to major customers, Linde was able to achieve revenue growth in Northern Europe and in the Middle East & Eastern Europe as a result of plant start-ups. In the liquefied gases and cylinder gas product areas, revenue increased in virtually all regions.

At the end of March 2017, Linde brought on stream an ammonia plant in Russia as part of a joint venture with JSC KuibyshevAzot. The plant, which has a production capacity of 1,340 tonnes of ammonia per day, will supply the chemical company in Togliatti, Russia, on a long-term basis. The plant was constructed by the Engineering Division and the total investment in the plant was around EUR 275 m. Linde and JSC KuibyshevAzot each hold 50 percent of the shares in the joint venture company formed for this purpose, OOO Linde Azot Togliatti.

Another plant to come on stream in the first quarter of 2017 was an air separation plant in Eisenhüttenstadt, Germany. This plant supplies steel company ArcelorMittal in Eisenhüttenstadt with oxygen and nitrogen on a long-term basis. Investment in the plant, which was built by Linde's Engineering Division, was around EUR 85 m. The plant also supplies the regional market with liquefied products.

At the end of March 2017, The Linde Group's most advanced filling plant came on stream in the Dorsten/Marl Industrial Park in Germany. At this plant, cylinders and bundles are filled with industrial gases and carbon dioxide mixtures. The Rhine-Ruhr filling plant has a pioneering role within the Group. The innovative concept is expected to be used at other company sites in various countries.

Asia/Pacific

Linde generated revenue in the Asia/Pacific segment in the three months to 31 March 2017 of EUR 1.073 bn, which was 10.7 percent above the figure for the first three months of 2016 of EUR 969 m. On a comparable basis, revenue increased by 4.9 percent. At EUR 268 m, operating profit was 5.5 percent above the figure for the prior-year period of EUR 254 m. The operating margin fell to 25.0 percent (2016: 26.2 percent). It should be noted that the prior-year figure included a one-off effect from the sale of assets.

In the Asia/Pacific segment as well, positive trends were to be seen in virtually all the product areas. Solid volume and price increases were achieved in particular in the liquefied gases business.

No further decline in revenue occurred in the South Pacific. In addition, the cost-reduction measures introduced have been showing the first signs of success and resulted in an increase in operating profit compared with the prior-year period.

The electronic gases company in China, Linde LienHwa, is significantly expanding its operations in China and the Asia/Pacific region, investing in excess of EUR 110 m here. In this context, Linde will build new production plants for the on-site supply of gases to key customers in major manufacturing clusters for semiconductors and flat screens in the eastern and central provinces of China. The investment goes hand in hand with numerous long-term contracts to supply electronic gases which have been concluded by Linde with new and existing customers. Linde LienHwa will work together with the Group's Engineering Division to build the new on-site plants. The new orders cover the construction of several plants with a cumulative production capacity of over 110,000 normal cubic metres of gaseous nitrogen per hour and other supply systems for liquefied gases. The plan is for all the plants to come on stream by the end of 2017.

Americas

In the Americas segment, revenue increased by 1.0 percent in the first quarter of 2017 to EUR 1.297 bn (2016: EUR 1.284 bn). On a comparable basis, revenue fell by 5.3 percent. When compared with the prior-year period, operating profit rose by 0.3 percent to EUR 323 m (2016: EUR 322 m). The operating margin was 24.9 percent (2016: 25.1 percent).

Revenue and earnings trends in this segment were affected by a number of factors working in different directions. Positive trends were once again to be seen in the on-site business and the liquefied gases business in North America. In the Healthcare business in North America, on the other hand, the impact of the price reductions in 2016 as a result of government tenders is now being clearly felt. As expected, the Group's sale of two Lincare subsidiaries in the third quarter of 2016 had an adverse impact on revenue.

Conditions in the individual countries in South America, especially in Brazil and Venezuela, did not improve substantially in the first quarter of 2017. 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.

Product areas

In the on-site product area, revenue rose on a comparable basis by 8.4 percent to EUR 1.044 bn (2016: EUR 963 m).

Positive business trends were also to be seen in the liquefied gases product area. On a comparable basis, revenue here increased by 7.3 percent to EUR 921 m (2016: EUR 858 m). In the cylinder gas business, revenue on a comparable basis was EUR 962 m, which was similar to the figure for the first quarter of 2016 of EUR 963 m.

Due to the price reductions in 2016 as a result of government tenders, revenue in the Healthcare business in the first quarter of 2017 fell by 11.0 percent on a comparable basis to EUR 872 m (2016: EUR 980 m). After adjusting for the contribution to revenue made by American HomePatient and the sale of the Lincare subsidiaries, the decline in revenue was 7.5 percent.

GASES DIVISION: REVENUE AND OPERATING PROFIT BY SEGMENT

1

	January to March 2016			January to March 2017		
in € million	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	1,410	430	30.5	1,478	462	31.3
Asia/Pacific	969	254	26.2	1,073	268	25.0
Americas	1,284	322	25.1	1,297	323	24.9
Consolidation	−42	–	–	−49	–	–
GASES DIVISION	**3,621**	**1,006**	**27.8**	**3,799**	**1,053**	**27.7**

REVENUE ON A COMPARABLE BASIS BY SEGMENT

2

in € million	31.03.2016	31.03.2017	Exchange rate effect	Currency-adjusted revenue trend in percent	Effect of natural gas prices	Revenue trend on a comparable basis in percent
Gases Division	3,621	3,799	101	2.1	44	0.9
EMEA	1,410	1,478	−2	5.0	8	4.4
Asia/Pacific	969	1,073	44	5.9	10	4.9
Americas	1,284	1,297	59	−3.4	26	−5.3

Engineering Division

Revenue in the Engineering Division rose in the first quarter of 2017 by 14.1 percent to EUR 648 m (2016: EUR 568 m). Operating profit also increased, from EUR 46 m in the first quarter of 2016 to EUR 53 m in the first quarter of 2017. The operating margin was 8.2 percent (2016: 8.1 percent). This 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 2017 remained solid at EUR 4.168 bn (31 December 2016: EUR 4.386 bn).

Despite the persistently low price of oil and the resulting slack demand in plant construction, there was an increase in order intake in the three months to 31 March 2017 to EUR 457 m (2016: EUR 310 m).

Most of the order intake related to air separation plants (around 41 percent) and natural gas plants (around 29 percent).

The Engineering Division was commissioned to build an air separation plant for the customer Hengli Petrochemical Refinery Co., Ltd. in China. This comprises a plant with six trains, each with a capacity of 80,000 normal cubic metres of high-pressure oxygen per hour. Linde is responsible for the engineering and procurement. In total, the contract is worth around EUR 140 m. Construction will take place in two phases, with the first phase due to be completed in the fourth quarter of 2019 and the second phase in the first quarter of 2020.

Back in the fourth quarter of 2016, Linde's Engineering Division was selected by Gazprom and its general contractor SRDI Peton Oil & Gas as the licensor for a mid-scale natural gas liquefaction (LNG) plant in Portovaya on the Russian Baltic Sea coast. The plant will liquefy natural gas from the nearby compressor station, which belongs to the Nord Stream pipeline. According to its contract with Peton, Linde will be responsible for the basic engineering of the LNG plant and will also provide the equipment and all cryogenic components. In the first quarter of 2017, the Engineering Division received further new orders worth around EUR 100 m in total for the assembly of an LNG tank, the supply of vacuum insulated piping material and the procurement of other plant components. The two companies have already worked together successfully on other projects, including the construction of several natural gas processing plants for the Amur-GPP project in eastern Russia.

ENGINEERING DIVISION 3

	January to March	
in € million	2016	2017
Revenue	568	648
Order intake	310	457
Order backlog at 31.12./31.03.	4,386	4,168
Operating profit	46	53
Operating margin	8.1%	8.2%

ENGINEERING DIVISION: REVENUE AND ORDER INTAKE BY PLANT TYPE 4

	Revenue		Order intake	
in € million	31.03.2016	31.03.2017	31.03.2016	31.03.2017
Olefin plants	193	246	38	61
Natural gas plants	114	163	26	132
Air separation plants	78	125	151	185
Hydrogen and synthesis gas plants	141	66	57	33
Other	42	48	38	46
ENGINEERING DIVISION	**568**	**648**	**310**	**457**

Finance

Cash flow from operating activities from continuing operations during the reporting period was EUR 653 m, which was 25.2 percent below the figure for the prior-year period of EUR 873 m. The change in working capital was EUR –177 m (2016: EUR 18 m), which was mainly as a result of the lower figure in 2017 for advance payments received from plant construction customers. In addition, income taxes paid increased by EUR 88 m to EUR 124 m (2016: EUR 36 m). It should be noted that the figure for income taxes paid in the first quarter of 2016 was reduced as a result of tax repayments.

Linde spent a total of EUR 449 m during the reporting period on investments in tangible assets, intangible assets and financial assets, which was higher than the figure for the first quarter of 2016 of EUR 411 m. Payments made for investments in consolidated companies fell to EUR 14 m (2016: EUR 180 m). Payments of EUR 945 m were made in the first three months of 2017 to purchase securities for the purpose of short-term investment (2016: EUR 109 m), principally for the pre-financing in January of a EUR 1 bn bond due for redemption in April 2017. The net cash outflow from investing activities from continuing operations during the reporting period was EUR 1.352 bn, which was EUR 709 m higher than in the prior-year period (2016: EUR 643 m). At 31 March 2017, the free cash outflow from continuing operations was EUR 699 m (2016: free cash inflow of EUR 230 m).

Within cash flow from financing activities, the amount by which loan proceeds exceeded loan redemptions in the first quarter of 2017 was EUR 947 m as a result of the EUR 1 bn bond issued in January for the purpose of pre-financing. In the first quarter of 2016, the amount by which loan redemptions exceeded loan proceeds was EUR 114 m. The net cash inflow from financing activities from continuing operations in the three months to 31 March 2017 was EUR 886 m (2016: net cash outflow of EUR 170 m).

Total assets increased by EUR 1.092 bn, from EUR 35.189 bn at 31 December 2016 to EUR 36.281 bn at 31 March 2017. The increase was mainly due to the cash inflow from the issue of the EUR 1 billion bond which was invested in short-term securities.

At 31 March 2017, goodwill stood at EUR 11.395 bn, which was similar to the figure at 31 December 2016 of EUR 11.405 bn.

Other intangible assets, comprising customer relationships, brand names and sundry intangible assets, decreased by EUR 51 m, from EUR 2.440 bn at 31 December 2016 to EUR 2.389 bn at 31 March 2017, mainly as a result of amortisation.

Tangible assets were stated at a carrying amount of EUR 12.747 bn at 31 March 2017, which was similar to the figure at 31 December 2016 of EUR 12.756 bn. Set against depreciation of EUR 413 m were positive exchange rate effects of EUR 53 m and acquisitions and investments of EUR 363 m.

Securities increased by EUR 944 m to EUR 1.075 bn, mainly as a result of purchases (31 December 2016: EUR 131 m).

Equity at 31 March 2017 was EUR 15.832 bn (31 December 2016: EUR 15.480 bn). The profit for the period increased equity by EUR 350 m. Factors with a negative impact on equity were the effects of the remeasurement of pension plans of EUR 33 m. The equity ratio at 31 March 2017 was 43.6 percent (31 December 2016: 44.0 percent). It should be noted that the dividend for 2016 will be paid in the second quarter of 2017.

Provisions for pensions and similar obligations rose by EUR 58 m to EUR 1.622 bn at 31 March 2017 (31 December 2016: EUR 1.564 bn). This increase was mainly due to the change in actuarial assumptions. Asset cover for the defined benefit obligation of The Linde Group is 79.6 percent (2016: 80.3 percent).

Net financial debt comprises gross financial debt less short-term securities and cash and cash equivalents. At 31 March 2017, net financial debt was EUR 6.773 bn (31 December 2016: EUR 6.934 bn).

Gross financial debt rose during the reporting period by EUR 973 m to EUR 9.501 bn (31 December 2016: EUR 8.528 bn). The increase was due to the pre-financing of a bond due for redemption in April 2017, for which Linde issued a EUR 1 bn bond during the reporting period under the EUR 10 bn Debt Issuance Programme. The five-year bond has a fixed coupon of 0.25 percent. Of the gross financial debt, EUR 1.864 bn (31 December 2016: EUR 1.854 bn) is disclosed as current financial debt. The remaining financial debt of EUR 7.637 bn (31 December 2016: EUR 6.674 bn) – by far the largest proportion – is due in more than one year and is therefore disclosed as non-current financial debt.

Available liquidity for Linde comprises short-term securities of EUR 1.075 bn, cash and cash equivalents of EUR 1.653 bn and its EUR 2.5 bn syndicated credit facility less current financial debt of EUR 1.864 bn. The liquidity available to Linde at 31 March 2017 was therefore EUR 3.364 bn (31 December 2016: EUR 2.240 bn).

The dynamic indebtedness factor (net financial debt to operating profit for the last twelve months) was 1.6 at 31 March 2017, slightly below the figure of 1.7 at 31 December 2016. This figure remains significantly below the upper limit Linde has set itself of 2.5. The Group's gearing (the ratio of net debt to equity) fell in the first quarter of 2017 to 42.8 percent (31 December 2016: 44.8 percent).

Outlook

Group

The forecast of global economic trends and the outlook for the industry sector have not changed significantly since the disclosures in the 2016 Financial Report. ▷ SEE OUTLOOK ON PAGES 96 TO 99. The forecasting institute Oxford Economics continues to expect stronger growth in the global economy in 2017 than was achieved in 2016.

Linde confirms its outlook for the current year. In the 2017 financial year, the expected range for Group revenue after adjusting for exchange rate effects is between 3 percent below and 3 percent above the revenue generated in 2016. After adjusting for exchange rate effects, Group operating profit in 2017 should be on a par with or up to 7 percent higher than the figure achieved in 2016.

In the 2017 financial year, Linde will continue to seek to achieve a return on capital employed (ROCE) of between 9 percent and 10 percent.

Outlook – Gases Division

Contingent on the circumstances described in the 2016 Financial Report and on future economic trends ▷ SEE OUTLOOK ON PAGES 96 TO 99, Linde is seeking to achieve the following targets in the Gases Division in the 2017 financial year. It is aiming to generate revenue after adjusting for exchange rate effects which is between 2 percent below and 3 percent above the 2016 figure. After adjusting for exchange rate effects, operating profit is expected to be on a par with or up to 6 percent higher than in 2016.

The margins in the EMEA and Asia/Pacific segments in 2017 should approximately equate to those achieved in 2016. In the Americas, the margin is expected to dip slightly as a result of prevailing conditions, a description of which can be found in the 2016 Financial Report.

Outlook – Engineering Division

Linde continues to assume that it will generate revenue in the Engineering Division in the 2017 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 2016 Financial Report ▶ SEE OPPORTUNITY REPORT ON PAGES 82 TO 84, have not changed significantly in the three months to 31 March 2017.

The risk situation for Linde as described in the 2016 Financial Report ▶ SEE RISK REPORT ON PAGES 84 TO 95 has also not changed significantly in the first three months of 2017. 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 global 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.

GROUP STATEMENT OF PROFIT OR LOSS 5

in € million	*January to March* 2016	2017
Revenue	4,115	4,385
Cost of sales	2,618	2,900
GROSS PROFIT	**1,497**	**1,485**
Marketing and selling expenses	563	586
Research and development costs	30	25
Administration expenses	405	381
Other operating income	107	88
Other operating expenses	78	48
Share of profit or loss from associates and joint ventures (at equity)	3	2
EBIT from continuing operations	531	535
Financial income	8	15
Financial expenses	97	89
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**442**	**461**
Taxes on income	109	117
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**333**	**344**
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	–	**6**
PROFIT FOR THE PERIOD	**333**	**350**
attributable to Linde AG shareholders	306	317
attributable to non-controlling interests	27	33
EARNINGS PER SHARE – CONTINUING OPERATIONS		
Earnings per share in € – undiluted	1.65	1.68
Earnings per share in € – diluted	1.65	1.67
EARNINGS PER SHARE – DISCONTINUED OPERATIONS		
Earnings per share in € – undiluted	–	0.03
Earnings per share in € – diluted	–	0.03

GROUP STATEMENT OF COMPREHENSIVE INCOME

6

in € million	January to March 2016	January to March 2017
PROFIT FOR THE PERIOD	333	350
OTHER COMPREHENSIVE INCOME (NET OF TAX)	–969	–15
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	–599	18
Unrealised gains/losses on available-for-sale financial assets	–	1
Unrealised gains/losses on hedging instruments	172	51
Currency translation differences	–771	–34
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	–370	–33
Remeasurement of defined benefit plans	–370	–33
TOTAL COMPREHENSIVE INCOME	–636	335
attributable to Linde AG shareholders	–633	290
attributable to non-controlling interests	–3	45

GROUP STATEMENT OF FINANCIAL POSITION 7

in € million	*31.12.2016*	*31.03.2017*
Assets		
Goodwill	11,405	11,395
Other intangible assets	2,440	2,389
Tangible assets	12,756	12,747
Investments in associates and joint ventures (at equity)	239	245
Other financial assets	71	70
Receivables from finance leases	165	156
Trade receivables	2	2
Other receivables and other assets	378	370
Income tax receivables	7	7
Deferred tax assets	500	421
NON-CURRENT ASSETS	**27,963**	**27,802**
Inventories	1,231	1,233
Receivables from finance leases	49	50
Trade receivables	2,755	2,869
Other receivables and other assets	788	797
Income tax receivables	199	206
Securities	131	1,075
Cash and cash equivalents	1,463	1,653
Non-current assets classified as held for sale and disposal groups	610	596
CURRENT ASSETS	**7,226**	**8,479**
TOTAL ASSETS	**35,189**	**36,281**

GROUP STATEMENT OF FINANCIAL POSITION

8

in € million	31.12.2016	31.03.2017
Equity and liabilities		
Capital subscribed	475	475
Capital reserve	6,745	6,749
Revenue reserves	7,244	7,528
Cumulative changes in equity not recognised through profit or loss	113	119
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	**14,577**	**14,871**
Non-controlling interests	903	961
TOTAL EQUITY	**15,480**	**15,832**
Provisions for pensions and similar obligations	1,564	1,622
Other non-current provisions	526	508
Deferred tax liabilities	1,683	1,568
Financial debt	6,674	7,637
Liabilities from finance leases	53	51
Trade payables	1	1
Other non-current liabilities	725	723
NON-CURRENT LIABILITIES	**11,226**	**12,110**
Current provisions	1,140	1,168
Financial debt	1,854	1,864
Liabilities from finance leases	21	19
Trade payables	3,570	3,368
Other current liabilities	1,208	1,232
Liabilities from income taxes	549	565
Liabilities related to non-current assets classified as held for sale and disposal groups	141	123
CURRENT LIABILITIES	**8,483**	**8,339**
TOTAL EQUITY AND LIABILITIES	**35,189**	**36,281**

GROUP STATEMENT OF CASH FLOWS

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in € million	*January to March 2016*	*January to March 2017*
Profit before tax from continuing operations	442	461
Adjustments to profit before tax to calculate cash flow from operating activities – continuing operations		
Amortisation of intangible assets and depreciation of tangible assets	454	484
Impairments of financial assets	2	–
Profit/loss on disposal of non-current assets	–14	–12
Net interest	83	70
Finance income arising from embedded finance leases in accordance with IFRIC 4/IAS 17	4	3
Share of profit or loss from associates and joint ventures (at equity)	–3	–2
Distributions/dividends received from associates and joint ventures	4	–
Income taxes paid	–36	–124
Changes in assets and liabilities		
Change in inventories	–8	2
Change in trade receivables	–92	–109
Change in provisions	84	3
Change in trade payables	118	–70
Change in other assets and liabilities	–165	–53
CASH FLOW FROM OPERATING ACTIVITIES – CONTINUING OPERATIONS	**873**	**653**
CASH FLOW FROM OPERATING ACTIVITIES – DISCONTINUED OPERATIONS	**10**	**7**
CASH FLOW FROM OPERATING ACTIVITIES – CONTINUING AND DISCONTINUED OPERATIONS	**883**	**660**
Payments for tangible and intangible assets and plants held under finance leases in accordance with IFRIC 4/IAS 17	–397	–426
Payments for investments in consolidated companies	–180	–14
Payments for investments in financial assets	–14	–23
Payments for investments in securities	–110	–951
Proceeds on disposal of securities	1	6
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	41	37
Proceeds on disposal of consolidated companies and from purchase price repayment claims	7	1
Proceeds on disposal of financial assets	9	18
CASH FLOW FROM INVESTING ACTIVITIES – CONTINUING OPERATIONS	**–643**	**–1,352**
CASH FLOW FROM INVESTING ACTIVITIES – DISCONTINUED OPERATIONS	**–12**	**–5**
CASH FLOW FROM INVESTING ACTIVITIES – CONTINUING AND DISCONTINUED OPERATIONS	**–655**	**–1,357**

GROUP STATEMENT OF CASH FLOWS

10

in € million	*January to March* 2016	2017
Dividend payments to Linde AG shareholders and non-controlling interests	−1	−3
Cash inflows/outflows due to changes in non-controlling interests	–	3
Cash outflows for the purchase of own shares	−3	–
Cash inflows from interest rate derivatives	41	7
Interest payments relating to financial debt and cash outflows for interest rate derivatives	−88	−63
Proceeds of loans and capital market debt	1,053	1,644
Cash outflows for the repayment of loans and capital market debt	−1,167	−697
Cash outflows for the repayment of liabilities from finance leases	−5	−5
CASH FLOW FROM FINANCING ACTIVITIES – CONTINUING OPERATIONS	**−170**	**886**
CASH FLOW FROM FINANCING ACTIVITIES – DISCONTINUED OPERATIONS	**2**	**−2**
CASH FLOW FROM FINANCING ACTIVITIES – CONTINUING AND DISCONTINUED OPERATIONS	**−168**	**884**
CHANGE IN CASH AND CASH EQUIVALENTS	**60**	**187**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	**1,417**	**1,463**
Effects of currency translation	−20	3
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1,457	1,653

STATEMENT OF CHANGES IN GROUP EQUITY

in € million	*Capital subscribed*	*Capital reserve*
AT 01.01.2016	**475**	**6,736**
Profit for the period	–	–
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**
AT 01.01.2017	**475**	**6,745**
Profit for the period	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	–	4
Capital increases/decreases	–	–
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	–	–
AT 31.03.2017	**475**	**6,749**

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Revenue reserves		Cumulative changes in equity not recognised through the statement of profit or loss					
Remeasurement of defined benefit plans	*Retained earnings*	*Currency translation differences*	*Available-for-sale financial assets*	*Hedging instruments*	*Total equity attributable to Linde AG shareholders*	*Non-controlling interests*	*Total equity*
−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**
−1,383	**8,627**	**979**	**−1**	**−865**	**14,577**	**903**	**15,480**
–	317	–	–	–	317	33	350
−33	–	−46	2	50	−27	12	−15
−33	**317**	**−46**	**2**	**50**	**290**	**45**	**335**
–	–	–	–	–	–	−3	−3
–	–	–	–	–	4	–	4
–	–	–	–	–	–	3	3
–	**–**	**–**	**–**	**–**	**4**	**–**	**4**
–	–	–	–	–	–	13	13
–	**–**	**–**	**–**	**–**	**–**	**13**	**13**
−1,416	**8,944**	**933**	**1**	**−815**	**14,871**	**961**	**15,832**

SEGMENT INFORMATION

	Segments	
	Gases Division	
	January to March	
in € million, SEE NOTE [7]	*2016*	*2017*
Revenue from third parties	3,619	3,796
Revenue from other segments	2	3
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS	**3,621**	**3,799**
OPERATING PROFIT	**1,006**	**1,053**
Restructuring and merger costs (special items)	–	16
Amortisation of intangible assets and depreciation of tangible assets	454	486
EBIT	**552**	**551**
Capital expenditure (excluding financial assets)	299	362

in € million, SEE NOTE [7]
Revenue from third parties
Revenue from other segments
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS
OPERATING PROFIT
Restructuring and merger costs (special items)
Amortisation of intangible assets and depreciation of tangible assets
EBIT
Capital expenditure (excluding financial assets)

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	Segments							
	Engineering Division		Other Activities (discontinued operations)		Reconciliation		Group	
	January to March		January to March		January to March		January to March	
	2016	2017	2016	2017	2016	2017	2016	2017
	496	589	147	139	–	–	4,262	4,524
	72	59	3	6	−77	−68	–	–
	568	**648**	**150**	**145**	**−77**	**−68**	**4,262**	**4,524**
	46	**53**	**6**	**6**	**−67**	**−65**	**991**	**1,047**
	–	4	–	–	–	2	–	22
	9	8	7	–	−9	−10	461	484
	37	**41**	**−1**	**6**	**−58**	**−57**	**530**	**541**
	5	3	3	–	−23	−33	284	332

	Segments							
	Gases Division							
	EMEA		Asia/Pacific		Americas		Total Gases Division	
	January to March		January to March		January to March		January to March	
	2016	2017	2016	2017	2016	2017	2016	2017
	1,405	1,473	964	1,066	1,250	1,257	3,619	3,796
	5	5	5	7	34	40	2	3
	1,410	**1,478**	**969**	**1,073**	**1,284**	**1,297**	**3,621**	**3,799**
	430	**462**	**254**	**268**	**322**	**323**	**1,006**	**1,053**
	–	11	–	–	–	5	–	16
	168	179	136	145	150	162	454	486
	262	**272**	**118**	**123**	**172**	**156**	**552**	**551**
	114	130	81	94	104	138	299	362

ADDITIONAL COMMENTS

[1] General accounting policies

The condensed Group interim financial statements of Linde AG at 31 March 2017 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 2016. In the first quarter of 2017, there were also no changes in the discretionary decisions and estimates compared with the information disclosed in the 2016 Financial Report.

In addition, IAS 34 Interim Financial Reporting has been applied. Since 1 January 2017, no new standards issued by the IASB have become effective in the EU.

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 2017:

- IFRS 15 Revenue from Contracts with Customers including Amendments to IFRS 15 (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- Clarifications relating to IFRS 15 Revenue from Contracts with Customers (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- IFRS 9 Financial Instruments (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (first-time application postponed indefinitely by IASB)
- 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)
- Amendments to IFRS 2 Share-based Payment (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- Annual Improvements to the IFRSs (2014–2016) (first-time application according to IASB in financial years beginning on or after 1 January 2017 / 1 January 2018)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (first-time application according to IASB in financial years beginning on or after 1 January 2018)

[2] Changes in Group structure

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

STRUCTURE OF COMPANIES INCLUDED IN THE FINANCIAL STATEMENTS 13

	As at 31.12.2016	Additions	Disposals	As at 31.03.2017
CONSOLIDATED SUBSIDIARIES	**556**	**4**	**5**	**555**
of which within Germany	20	–	–	20
of which outside Germany	536	4	5	535
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	**36**	**–**	**–**	**36**
of which within Germany	2	–	–	2
of which outside Germany	34	–	–	34
NON-CONSOLIDATED SUBSIDIARIES	**53**	**–**	**4**	**49**
of which within Germany	4	–	–	4
of which outside Germany	49	–	4	45

There were no significant disposals during the reporting period. The disposals relate to the dissolution and liquidation of companies. Additions during the reporting period are described in NOTE [3].

[3] Acquisitions

Linde did not make any significant acquisitions during the reporting period. Information about the acquisitions which did take place in the first quarter of 2017 is therefore provided below in aggregate rather than by individual company.

In the first three months of 2017, Linde made acquisitions to expand its industrial gases and Healthcare businesses in the EMEA, Americas and Asia/Pacific segments. The total purchase price for these acquisitions was EUR 26 m, of which EUR 17 m was paid in cash. In the course of a step acquisition, existing shares in the relevant company were restated at a fair value of EUR 9 m and the resulting gain of EUR 1 m was recognised in operating profit. In the course of these purchases, Linde acquired non-current assets, inventories, liquid assets and other current assets. Total goodwill arising was EUR 10 m. Synergies are the main components of the goodwill. Of the goodwill, EUR 4 m is tax-deductible. Non-controlling interests were allocated their share of the restated net assets. In the course of these purchases, Linde acquired receivables of EUR 7 m. The fair value of the receivables is their gross value. Due to the proximity of the acquisition dates to the reporting date, the results should be viewed as provisional.

Since the dates of their acquisition, the companies acquired have generated revenue of EUR 3 m and a contribution to the Group's profit for the period of EUR 0 m. If the business acquired had been consolidated into The Linde Group from 1 January 2017, the contribution to revenue would have been EUR 3 m and the contribution to profit for the period would have been EUR 0 m.

IMPACT OF ACQUISITIONS ON THE NET ASSETS OF THE LINDE GROUP 14

Opening balance upon initial consolidation	*Fair value*
in € million	
Non-current assets	34
Inventories	1
Other current assets	8
Cash and cash equivalents	4
Equity (attributable to Linde AG)	16
Non-controlling interests	13
Liabilities	18

[4] Foreign currency translation

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

PRINCIPAL EXCHANGE RATES 15

		Spot rate on reporting date		*Average rate January to March*	
Exchange rate €1 =	*ISO code*	*31.12.2016*	*31.03.2017*	*2016*	*2017*
Australia	AUD	1.45732	1.39526	1.53033	1.40543
China	CNY	7.30336	7.36066	7.22198	7.33898
South Africa	ZAR	14.44751	14.38362	17.48216	14.09079
UK	GBP	0.85229	0.85749	0.77092	0.85985
USA	USD	1.05160	1.06835	1.10389	1.06534

[5] Non-current assets classified as held for sale and disposal groups

At 31 March 2017, assets of EUR 596 m and liabilities of EUR 123 m were disclosed as non-current assets classified as held for sale and disposal groups.

These relate mainly to logistics services company Gist. Since December 2016, Gist's business, which is included in the Other Activities segment, has been classified as held for sale and disclosed as a discontinued operation. Assets with a carrying amount of EUR 570 m and liabilities with a carrying amount of EUR 119 m have therefore been reclassified within the Group statement of financial position. The principal items involved are goodwill (EUR 224 m), tangible assets (EUR 110 m) and trade receivables (EUR 88 m). The business is likely to be sold in the current financial year on the basis of a purchase offer which has already been made. In addition, assets of EUR 19 m and liabilities of EUR 4 m have been disclosed as non-current disposal groups held for sale. These relate to the gases business in Slovenia, Bosnia and Croatia. The sales contract was signed in 2016. It is expected that the business will be sold in the first half of 2017.

A further EUR 7 m relates to the proposed sale of vehicles in the Asia/Pacific segment. The vehicles were acquired in 2016 and are due for sale in 2017 in accordance with an operating sale and leaseback agreement.

Included in cumulative changes in equity not recognised through the statement of profit or loss at the reporting date is an expense of EUR 97 m arising from the measurement in foreign currency of assets and liabilities classified as held for sale.

[6] Financial instruments

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (16)

	Level 1		Level 2		Level 3	
in € million	*31.12.2016*	*31.03.2017*	*31.12.2016*	*31.03.2017*	*31.12.2016*	*31.03.2017*
Investments and securities	121	1,070	–	–	–	–
Derivatives with positive fair values	–	–	214	171	–	–
Derivatives with negative fair values	–	–	642	575	–	–

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 226 m, while the carrying amount is EUR 206 m. The fair value of the financial debt is EUR 9.930 bn, compared with its carrying amount of EUR 9.501 bn. The fair value of financial instruments is generally determined using quoted market prices. If no quoted market prices are available, the fair value is determined using measurement methods customary in the market, based on market parameters specific to the instrument. The investments and securities category also includes financial assets (available-for-sale financial assets) of EUR 17 m (31 December 2016: EUR 17 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 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 reporting date.

At the reporting 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.

More information on Linde's financial debt is given on ▶ *PAGE 6 OF THE GROUP INTERIM MANAGEMENT REPORT*.

[7] 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 2016.

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 49 m (2016: EUR 42 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:

RECONCILIATION OF SEGMENT REVENUE AND OF THE SEGMENT RESULT 17

	January to March	
in € million	*2016*	*2017*
Revenue		
Total segment revenue	4,339	4,592
Revenue from discontinued operations	–147	–139
Consolidation	–77	–68
GROUP REVENUE FROM CONTINUING OPERATIONS	**4,115**	**4,385**
Operating profit		
Operating profit from segments	1,058	1,112
OPERATING PROFIT FROM CORPORATE ACTIVITIES	–88	–62
OPERATING PROFIT FROM DISCONTINUED OPERATIONS	–6	–6
Consolidation	21	–3
Restructuring and merger costs (special items)	–	22
Amortisation and depreciation	454	484
Financial income	8	15
Financial expenses	97	89
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**442**	**461**

[8] Reconciliation of key financial figures

The key financial figures relating to The Linde Group have been adjusted in the table below for special items. Special 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.

Return on capital employed (ROCE) is calculated 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.

KEY FINANCIAL FIGURES ADJUSTED FOR SPECIAL ITEMS 18

	January to March					
	2016			*2017*		
in € million	*As reported*	*Special items*	*Key financial figures before special items*	*As reported*	*Special items*	*Key financial figures before special items*
Revenue	4,115	–	4,115	4,385	–	4,385
Cost of sales	–2,618	–	–2,618	–2,900	1	–2,899
GROSS PROFIT	1,497	–	1,497	1,485	1	1,486
Research and development costs, marketing, selling and administration expenses	–998	–	–998	–992	21	–971
Other operating income and expenses	29	–	29	40	–	40
Share of profit or loss from associates and joint ventures (at equity)	3	–	3	2	–	2
EBIT FROM CONTINUING OPERATIONS	531	–	531	535	22	557
Financial result	–89	–	–89	–74	–	–74
Taxes on income	–109	–	–109	–117	–5	–122
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	333	–	333	344	17	361
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	–	–	–	6	–	6
PROFIT FOR THE PERIOD	333	–	333	350	17	367
attributable to Linde AG shareholders	306	–	306	317	17	334
attributable to non-controlling interests	27	–	27	33	–	33
EBIT FROM CONTINUING OPERATIONS	531	–	531	535	22	557
Amortisation of intangible assets and depreciation of tangible assets	–454	–	–454	–484	–	–484
OPERATING PROFIT FROM CONTINUING OPERATIONS	985	–	985	1,019	22	1,041
EARNINGS PER SHARE FROM CONTINUING OPERATIONS *in €* **– UNDILUTED**	**1.65**	–	**1.65**	**1.68**	**0.09**	**1.77**
EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS *in €* **– DILUTED**	**1.65**	–	**1.65**	**1.67**	**0.09**	**1.76**

[9] 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 2017.

MUNICH, 27 APRIL 2017

PROFESSOR DR ALDO BELLONI
[CHIEF EXECUTIVE OFFICER]

BERND EULITZ
[MEMBER OF THE EXECUTIVE BOARD]

DR CHRISTIAN BRUCH
[MEMBER OF THE EXECUTIVE BOARD]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

DR SVEN SCHNEIDER
[MEMBER OF THE EXECUTIVE BOARD]

REVIEW REPORT

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 2017 that are part of the quarterly financial report according to § 37w German Securities Trading Act (WpHG). 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 Group interim 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 Group interim management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the Group interim 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 Group interim 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 Group interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

MUNICH, 27 APRIL 2017

KPMG AG
[WIRTSCHAFTSPRÜFUNGS-GESELLSCHAFT]

BECKER [WIRTSCHAFTS-PRÜFER]	V. HEYNITZ [WIRTSCHAFTS-PRÜFER]

FINANCIAL CALENDAR

[1]

INTERIM REPORT
JANUARY TO MARCH 2017

28 April 2017

[2]

ANNUAL GENERAL MEETING
2017

10 May 2017, 10 a.m.
International Congress Centre,
Munich, Germany

[3]

DIVIDEND PAYMENT

15 May 2017

[4]

INTERIM REPORT
JANUARY TO JUNE 2017

28 July 2017

[5]

INTERIM REPORT
JANUARY TO SEPTEMBER 2017

27 October 2017

[6]

ANNUAL GENERAL MEETING
2018

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