LINDE INTERIM REPORT
JANUARY TO MARCH
2018
Q1

LeadIng.

THE LINDE GROUP

LINDE FINANCIAL HIGHLIGHTS

[Q1 – JANUARY TO MARCH 2018]

Linde financial highlights		*January to March 2017*	*January to March 2018*	*Change*
Share[1]				
Closing price	*€*	156.10	171.10	9.6%
Year high	*€*	158.50	212.00	33.8%
Year low	*€*	146.60	171.10	16.7%
Market capitalisation (at closing price on 31 March)	*€ million*	28,978	31,763	9.6%
Earnings per share from continuing operations – undiluted	*€*	1.68	2.07	23.2%
Earnings per share from continuing operations – undiluted (before special items)	*€*	1.77	2.19	23.7%
Number of shares outstanding at the end of the reporting period	*000s*	185,638	185,638	–
Group (continuing operations)				
Revenue	*€ million*	4,385	4,044	−7.8%
Operating profit[2]	*€ million*	1,041	1,081	3.8%
Operating margin	*%*	23.7	26.7	+300 bp[4]
EBIT (earnings before interest and tax)	*€ million*	535	601	12.3%
EBIT (before special items)	*€ million*	557	632	13.5%
Profit for the period	*€ million*	344	420	22.1%
Number of employees[3]		57,605	56,880	−1.3%
Gases Division				
Revenue	*€ million*	3,799	3,512	−7.6%
Operating profit[2]	*€ million*	1,053	1,079	2.5%
Operating margin	*%*	27.7	30.7	+300 bp[4]
Engineering Division				
Revenue	*€ million*	648	602	−7.1%
Operating profit[2]	*€ million*	53	60	13.2%
Operating margin	*%*	8.2	10.0	+180 bp[4]

1 The share price information given for the 2018 financial year is based on the Linde shares submitted for exchange (ISIN DE000A2E4L75) which have been listed since 15 August 2017.
2 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 45 OF THE 2017 FINANCIAL REPORT*.
3 At 31 December 2017/31 March 2018.
4 Basis points.

LINDE INTERIM REPORT

[Q1 – JANUARY TO MARCH 2018]

JANUARY TO MARCH 2018: LINDE MAKES A GOOD START TO THE NEW YEAR – SIGNIFICANT INCREASE IN GROUP OPERATING PROFIT

¬ Group revenue: EUR 4.044 bn (2017: EUR 4.385 bn) (up 1.4 percent after adjusting for exchange rate effects and the impact of IFRS 15)

¬ Group operating profit[1]: EUR 1.081 bn (2017: EUR 1.041 bn) (up 12.1 percent after adjusting for exchange rate effects)

¬ Earnings per share adjusted for special items: EUR 2.19 (2017: EUR 1.77)

¬ Group outlook for 2018 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 2018 than in the previous year. Above all, they anticipate improved growth prospects, since extreme macroeconomic risks failed to materialise in 2017. Continuing steady growth in China, the stabilisation of the economy in Brazil and Russia, progress made to date in the UK's Brexit negotiations and the current positive economic performance of the United States are all factors which are restoring confidence. If current fears of international trade wars prove unfounded, this optimism could last well into 2018. Nevertheless, some structural problems remain. The eurozone continues to suffer from macroeconomic inequalities, China's expansionary monetary and fiscal policy will reach its limits, and as has been the case in recent years geopolitical tensions and potential new trouble spots might have an impact on these solid growth prospects.

Against this background, economic research institute Oxford Economics[1] is expecting 3.2 percent growth in global real gross domestic product (GDP) in the 2018 financial year, following a rise of 3.0 percent in 2017. Global industrial production (IP) is forecast to grow by 3.8 percent in 2018, which is a similar figure to that seen in 2017 (3.7 percent).

In the EMEA region (Europe, Middle East, Africa), economists are projecting an increase in economic output of 2.4 percent in 2018, similar to the rate of growth seen in 2017 of 2.5 percent. Industrial production is forecast to rise by 2.9 percent (2017: 2.7 percent). In Western Europe, the recovery is expected to continue at a similar pace. Oxford Economics is forecasting GDP growth for Western Europe of 2.2 percent in 2018 (2017: 2.3 percent). Industrial production is expected to increase by 2.8 percent in 2018, likewise a similar figure to that seen in 2017 (2.6 percent). The positive economic trend in Germany is also expected to continue in 2018. Here the forecast is for GDP growth of 2.4 percent (2017: 2.5 percent) and an increase in industrial production of 3.4 percent following IP growth of 3.5 percent in 2017. In the Middle East and Eastern Europe region, economic trends in 2018 are again expected to be different in the two areas which make up the region. In the Middle East, economists are forecasting a slow recovery in GDP growth to 2.2 percent, following a year of stagnation (2017: 0.1 percent). In Eastern Europe, on the other hand, GDP growth is expected to slow somewhat to 3.1 percent, after strong growth of 3.9 percent in 2017. In Russia, it is projected that the fragile recovery will continue. While economic output is expected to increase by 1.8 percent in 2018, a similar figure to GDP growth seen in 2017 (1.7 percent), the increase in industrial production is also expected to continue to accelerate to 1.9 percent (2017: 1.3 percent). In South Africa, Oxford Economics is forecasting an improvement in the economic climate, with GDP growth of 2.0 percent (2017: 1.3 percent).

As in previous years, the strongest growth rates in 2018 are expected to be seen in the Asia/Pacific region. Oxford Economics is forecasting growth in economic output in this region of 5.6 percent (2017: 5.7 percent). Industrial production is projected to increase by 5.0 percent (2017: 4.8 percent). In China, GDP is expected to rise by 6.4 percent in 2018, which is a slight slowdown in growth compared with the prior-year figure of 6.9 percent. Industrial production is currently forecast to increase by 5.3 percent, which is also lower than the prior-year figure (6.1 percent). In India, Oxford Economics is projecting a GDP growth rate of 7.5 percent (2017: 6.4 percent) and an increase in industrial production of 5.9 percent compared with 3.3 percent in 2017. GDP in Australia is expected to rise by 2.7 percent in 2018 (2017: 2.3 percent). Growth in industrial production is projected to be as high as 3.9 percent, significantly above the figure for 2017 of 1.7 percent.

In the Americas region, growth of 2.6 percent is being forecast (2017: 2.0 percent), primarily the result of more positive trends in the United States and Brazil. In 2018, Oxford Economics is projecting an increase in GDP of 2.9 percent in the United States (2017: 2.3 percent) and of 2.2 percent in Brazil (2017: 1.0 percent). A substantial rise in industrial production is forecast in both countries. In the United States, IP growth is expected to be 3.6 percent (2017: 1.8 percent), while IP growth in Brazil is expected to be 3.8 percent (2017: 2.6 percent).

[1] © 2018 Oxford Economics. All rights reserved. As at April 2018.

Business review of The Linde Group

The revenue of The Linde Group from continuing operations fell in the first quarter of 2018 by 7.8 percent to EUR 4.044 bn, when compared with the figure for the first quarter of 2017 of EUR 4.385 bn. Exchange rate effects were the main reason for this decrease. In addition, the first-time application of new accounting standard IFRS 15 Revenue from Contracts with Customers with effect from 1 January 2018 had a negative impact on revenue. Costs which had previously been disclosed gross are now required to be shown net of sales-related costs reimbursed by the customer, which has led to a reduction in revenue and a reduction of an equal amount in cost of sales. This also had a positive effect on the operating margin, though operating profit remained unaffected.

After adjusting for exchange rate effects arising solely on the translation of local currencies into the euro and for the impact of the first-time application of IFRS 15, Group revenue was 1.4 percent above the figure for the prior-year period.

Group operating profit from continuing operations increased by 3.8 percent to EUR 1.081 bn (2017: EUR 1.041 bn). After adjusting for exchange rate effects, Group operating profit rose by 12.1 percent.

At 26.7 percent, the Group operating margin was significantly higher than the figure for the first quarter of 2017 of 23.7 percent. Factors contributing to this improvement included not only the measures introduced as part of the Group-wide efficiency programme LIFT, portfolio optimisation and good macroeconomic conditions, but also the impact of the first-time application of IFRS 15.

During the reporting period, costs arising from the proposed merger with Praxair of EUR 31 m were classified as special items.

Cost of sales in the reporting period fell by EUR 314 m to EUR 2.586 bn (2017: EUR 2.900 bn). This decrease too was the result of the first-time application of new accounting standard IFRS 15. Gross profit was EUR 1.458 bn, slightly below the figure for the first quarter of 2017 of EUR 1.485 bn. The gross margin increased to 36.1 percent (2017: 33.9 percent).

Other functional costs fell by EUR 57 m compared with the prior-year period, mainly as a result of the efficiency measures introduced and exchange rate effects.

EBIT from continuing operations in the three months ended 31 March 2018 was EUR 601 m, which was higher than the figure for the first quarter of 2017 of EUR 535 m. The net financial expense in the first three months of 2018 was EUR 62 m, an improvement on the prior-year figure of EUR 74 m as a result of lower financing costs and the reduction in financial debt. Linde therefore generated a profit before tax from continuing operations in the first quarter of 2018 of EUR 539 m (2017: EUR 461 m).

The income tax expense was EUR 119 m (2017: EUR 117 m). This gives an income tax rate of 22.1 percent (2017: 25.4 percent). In the first three months of 2018, Linde's profit for the period from continuing operations (after deducting the tax expense) was EUR 420 m (2017: EUR 344 m).

After adjusting for non-controlling interests, profit for the period from continuing operations attributable to Linde AG shareholders was EUR 384 m (2017: EUR 311 m). This gives earnings per share from continuing operations of EUR 2.07 (2017: EUR 1.68). Earnings per share from continuing operations before special items at 31 March 2018 was EUR 2.19 (2017: EUR 1.77).

Gases Division

Linde's revenue in the Gases Division in the first three months of 2018 was EUR 3.512 bn, a decrease of 7.6 percent when compared with the figure for the prior-year period of EUR 3.799 bn. After adjusting for exchange rate effects and for the impact of the first-time application of IFRS 15, revenue in the Gases Division rose by 2.8 percent. On a comparable basis (after also adjusting for changes in the price of natural gas), the growth in revenue was 2.6 percent.

Operating profit was EUR 1.079 bn, which was 2.5 percent higher than the figure for the first quarter of 2017 of EUR 1.053 bn. After adjusting for exchange rate effects, operating profit increased by 10.9 percent. At 30.7 percent, the operating margin was significantly higher than the figure for the first quarter of 2017 of 27.7 percent. Factors contributing to this increase were the measures introduced as part of the Group-wide efficiency programme LIFT, portfolio optimisation and good macroeconomic conditions. The first-time application of IFRS also had a positive impact on the operating margin.

EMEA (Europe, Middle East, Africa)

In EMEA, Linde's largest sales market, the Group generated revenue of EUR 1.466 bn in the first three months of 2018, which was 0.8 percent below the figure achieved in the first three months of 2017 of EUR 1.478 bn. On a comparable basis (after adjusting for exchange rate effects and changes in the price of natural gas as well as for the impact of the first-time application of IFRS 15), revenue rose by 3.0 percent. Operating profit was EUR 518 m, an increase of 12.1 percent when compared with the figure for the first quarter of 2017 of EUR 462 m. After adjusting for exchange rate effects, the increase was 14.9 percent. The operating margin rose to 35.3 percent (2017: 31.3 percent). The efficiency improvement measures contributed towards this increase. During the reporting period, Linde also recognised a gain on deconsolidation of around EUR 40 m on the sale of Tega – Technische Gase und Gastechnik GmbH.

Positive trends were to be seen in the EMEA segment in almost all product areas. In the liquefied gases and cylinder gas product areas in particular, revenue increased in virtually all regions. In the on-site business, there were volume reductions as a result of the sale of parts of a production facility.

In the first quarter of 2018, Linde brought on stream an air separation plant in Iskenderun in southern Turkey. The largest air separation plant in Turkey operated by a gas producer has been supplying up to 1,700 tonnes of oxygen and nitrogen per day to a steelworks run by Isdemir, a subsidiary of Erdemir, since the beginning of the year.

Asia/Pacific

Linde generated revenue in the Asia/Pacific segment in the three months to 31 March 2018 of EUR 1.009 bn, which was 6.0 percent below the figure for the first three months of 2017 of EUR 1.073 bn. On a comparable basis, revenue increased by 4.6 percent. At EUR 283 m, operating profit was 5.6 percent above the figure for the prior-year period of EUR 268 m. After adjusting for exchange rate effects, the increase in operating profit achieved by Linde was 15.5 percent. The operating margin rose to 28.0 percent (2017: 25.0 percent).

In the Asia/Pacific segment as well, positive trends were to be seen in virtually all the product areas. Price and volume increases were achieved in particular in the liquefied gases and cylinder gas business in China. Contributing to this was the bringing on stream of an air separation plant which supplies a subsidiary of China Electronics Corporation in XianYang, China, with nitrogen and other air gases as part of a long-term gas supply agreement.

In China, Linde was able to achieve yet another success, signing a contract with chemical company Sinochem to build and operate an air separation plant on the Quanzhou site. The volume of the investment is around EUR 45 m. Linde will supply oxygen and nitrogen to the customer on this site from the middle of 2020.

In the South Pacific, the prevailing weak economic environment in manufacturing and declining investment in the mining industry had an adverse impact on revenue growth. However, the measures introduced as part of the LIFT efficiency programme had a positive impact on earnings.

Americas

In the Americas segment, revenue fell by 16.1 percent in the first quarter of 2018 to EUR 1.088 bn (2017: EUR 1.297 bn). On a comparable basis, revenue rose by 1.0 percent. When compared with the prior-year period, operating profit fell by 13.9 percent to EUR 278 m (2017: EUR 323 m). After adjusting for exchange rate effects, Linde achieved a slight increase in operating profit of 0.4 percent. The operating margin was 25.6 percent (2017: 24.9 percent).

Revenue and earnings trends in this segment were affected by a number of different factors. Positive trends were to be seen in the liquefied gases and cylinder gas business in North America. The Healthcare business in North America delivered a stable performance, but opposing trends were to be seen. Although the business achieved volume increases, price reductions imposed by private health insurers had a negative impact. In the on-site business, the stoppage of a plant led to a decline in revenue. Moreover, in this segment too the first-time application of IFRS 15 had a positive impact on the operating margin.

During this reporting period, Linde executed a significant set of agreements with the customer Pemex, to supply hydrogen to Pemex's Madero refinery in Mexico. This will include Linde's purchase and reconditioning of Pemex's on-site hydrogen plant. Linde's initial investment including the plant purchase price is around EUR 35 m.

The economic situation in the individual countries of South America is characterised by high inflation and low rates of growth. Although the trends in virtually all the product areas in South America were positive, with growth to be seen in the liquefied gases business in Brazil in particular, any growth achieved is from a relatively low base in the prior-year period.

Product areas

In the on-site product area, revenue fell on a comparable basis by 0.7 percent to EUR 852 m (2017: EUR 858 m). The decline in revenue was due not only to the sale of parts of a production facility in the EMEA segment, but also to the stoppage of a plant in North America.

Positive business trends were to be seen in the liquefied gases product area. On a comparable basis, revenue here rose by 5.2 percent to EUR 931 m (2017: EUR 885 m). There was also an increase in revenue on a comparable basis in the cylinder gas business, where it rose by 5.0 percent to EUR 943 m (2017: EUR 898 m).

Due to price reductions imposed by private health insurers, revenue in the Healthcare business in the first quarter of 2018 on a comparable basis rose by just 0.6 percent to EUR 786 m (2017: EUR 781 m).

GASES DIVISION: REVENUE AND OPERATING PROFIT BY SEGMENT 1

	January to March 2017			January to March 2018		
in € million	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	1,478	462	31.3	1,466	518	35.3
Asia/Pacific	1,073	268	25.0	1,009	283	28.0
Americas	1,297	323	24.9	1,088	278	25.6
Consolidation	–49	–	–	–51	–	–
GASES DIVISION	**3,799**	**1,053**	**27.7**	**3,512**	**1,079**	**30.7**

REVENUE ON A COMPARABLE BASIS BY SEGMENT 2

in € million	31.03.2017	Effect of IFRS 15	Prior year adjusted for IFRS 15	31.03.2018	Exchange rate effect	Currency-adjusted revenue trend in percent	Effect of natural gas prices	Revenue trend on a comparable basis in percent
EMEA	1,478	–25	1,453	1,466	–33	3.2	3	3.0
Asia/Pacific	1,073	–19	1,054	1,009	–91	4.8	2	4.6
Americas	1,297	–46	1,251	1,088	–173	0.9	–1	1.0
GASES DIVISION	**3,799**	**–90**	**3,709**	**3,512**	**–291**	**2.8**	**4**	**2.6**

Engineering Division

Revenue and earnings trends in Linde's international plant construction project business reflected the progress made on individual projects. Revenue in the Engineering Division fell in the first quarter of 2018 by 7.1 percent to EUR 602 m (2017: EUR 648 m). However, operating profit increased to EUR 60 m (2017: EUR 53 m). At 10.0 percent, the operating margin was significantly above the figure for the first quarter of 2017 of 8.2 percent and exceeded the target of around 9 percent which Linde Engineering has set itself for the 2018 financial year. This was due not only to higher earnings from individual plant construction projects but also to improved capacity utilisation. The order backlog remained solid at EUR 4.166 bn (31 December 2017: EUR 4.178 bn).

The market for international large-scale plant construction remains difficult and subject to intense competition. However, the Engineering Division succeeded in increasing its order intake by 34.8 percent to EUR 616 m (2017: EUR 457 m). Most of the order intake relates to olefin plants (around 30 percent), air separation plants (around 27 percent) and natural gas plants (around 22 percent).

Back in the second quarter of 2017, the Engineering Division was commisssioned by its customer Braskem America to build a new plant for the production of polypropylene in La Porte, Texas, USA. Linde will be providing comprehensive project development services for industrial polyolefin plants, ranging from basic planning (front end engineering design or FEED) to complete EPC execution, including procurement and construction. Linde is an approved contractor for the UNIPOL™ Polypropylene Process Technology used here. In the first quarter of 2018, the Engineering Division received new orders for assembly and for assembly supervision. The plant will have an annual production capacity of 450 kilotonnes. Construction of the plant began in summer 2017, with extensive completion scheduled for the first quarter of 2020.

Linde has been commissioned by its customer Shanghai Engineering Co. Ltd. (SINOPEC) to build the ninth air separation plant in Jubail Industrial City, Saudi Arabia. This will supply end customer Sabic NIGC (GAS). The Engineering Division acts as licensor and supplier of key components. The plant is expected to be completed in the first quarter of 2021.

The Engineering Division received an order from the Gases Division to build two air separation plants in South Korea. The Engineering Division is responsible for engineering and procurement for the plants. Construction is expected to finish in the fourth quarter of 2019.

The Engineering Division has also been commissioned by Indian Oil Corporation Ltd. (IOCL) to build a hydrogen plant in Paradip, in Odisha state in India. The hydrogen plant can process both naphtha and natural gas. Linde is supplying the licence, the basic engineering package and the detail engineering and is manufacturing and assembling the pressure swing adsorption plant and the reformer. Completion is scheduled for the first quarter of 2020.

ENGINEERING DIVISION 3

in € million	January to March 2017	2018
Revenue	648	602
Order intake	457	616
Order backlog at 31.12./31.03.	4,178	4,166
Operating profit	53	60
Operating margin	8.2%	10.0%

ENGINEERING DIVISION: REVENUE AND ORDER INTAKE BY PLANT TYPE 4

	Revenue		Order intake	
in € million	31.03.2017	31.03.2018	31.03.2017	31.03.2018
Olefin plants	246	113	61	186
Natural gas plants	163	286	132	134
Air separation plants	125	136	185	164
Hydrogen and synthesis gas plants	66	32	33	92
Other	48	35	46	40
ENGINEERING DIVISION	**648**	**602**	**457**	**616**

Finance

Cash flow from operating activities from continuing operations during the reporting period was EUR 656 m, a similar figure to that for the prior-year period of EUR 653 m. It should be noted here that payments of EUR 122 m were made in the first quarter of 2018 for restructuring costs and costs related to the proposed merger with Praxair (2017: EUR 38 m). The change in working capital improved to EUR –95 m (2017: EUR –177 m), which was mainly as a result of the higher figure for advance payments from plant construction customers received in the first quarter of 2018 compared with the prior-year period. Income taxes paid increased from EUR 124 m in the first quarter of 2017 to EUR 158 m in the first quarter of 2018 due to retrospective tax payments for prior years.

Linde spent a total of EUR 439 m during the reporting period on investments in tangible assets, intangible assets and financial assets, which was similar to the figure for the prior-year period of EUR 449 m. Payments made for investments in consolidated companies totalled EUR 21 m (2017: EUR 14 m). In the first three months of 2018, the purchase and sale of securities held for the purpose of short-term investment resulted in a net payment of EUR 197 m (2017: EUR 945 m). The net cash outflow from investing activities from continuing operations during the reporting period was EUR 416 m, which was EUR 936 m less than the figure for the first quarter of 2017 of EUR 1.352 bn. At 31 March 2018, the free cash inflow from continuing operations was EUR 240 m (2017: free cash outflow of EUR 699 m).

Within cash flow from financing activities, the amount by which loan proceeds exceeded loan redemptions was EUR 6 m (2017: EUR 947 m). The net cash outflow from financing activities from continuing operations in the three months to 31 March 2018 was EUR 11 m (2017: net cash inflow of EUR 884 m).

Total assets fell by EUR 327 m, from EUR 33.513 bn at 31 December 2017 to EUR 33.186 bn at 31 March 2018. The reduction in total assets was mainly due to exchange rate effects.

Goodwill decreased by EUR 130 m, from EUR 10.681 bn at 31 December 2017 to EUR 10.551 bn at 31 March 2018. This reduction was mainly as a result of exchange rate effects. Goodwill arising on acquisitions was EUR 20 m.

Other intangible assets, comprising customer relationships, brand names and sundry intangible assets, decreased by EUR 82 m, from EUR 2.047 bn at 31 December 2017 to EUR 1.965 bn at 31 March 2018, mainly due to amortisation and exchange rate effects.

Tangible assets were stated at a carrying amount of EUR 11.521 bn at 31 March 2018 (31 December 2017: EUR 11.756 bn). Set against depreciation of EUR 390 m and negative exchange rate effects of EUR 155 m were acquisitions and investments of EUR 314 m.

Securities increased by EUR 197 m to EUR 820 m, mainly as a result of purchases (31 December 2017: EUR 623 m).

Equity at 31 March 2018 was EUR 15.231 bn (31 December 2017: EUR 15.059 bn). The profit for the period from continuing operations increased equity by EUR 420 m. The effects of the remeasurement of pension plans of EUR 53 m and exchange rate effects of EUR 284 m had a negative impact on equity. The equity ratio at 31 March 2018 was 45.9 percent (31 December 2017: 44.9 percent). It should be noted that the dividend for 2017 together with the relevant portion of the 2018 dividend will be paid in the second quarter of 2018.

Provisions for pensions and similar obligations rose by EUR 24 m to EUR 1.304 bn at 31 March 2018 (31 December 2017: EUR 1.280 bn). This increase was mainly due to the change in actuarial assumptions. Asset cover for the defined benefit obligation of The Linde Group was 82.7 percent (31 December 2017: 83.2 percent).

Net financial debt comprises gross financial debt less short-term securities and cash and cash equivalents. At 31 March 2018, net financial debt was EUR 5.546 bn (31 December 2017: EUR 5.964 bn).

Gross financial debt at 31 March 2018 was EUR 8.018 bn, a figure which has scarcely changed from that at 31 December 2017 of EUR 8.019 bn. Of the gross financial debt, EUR 1.952 bn (31 December 2017: EUR 1.930 bn) is disclosed as current financial debt. The remaining financial debt of EUR 6.066 bn (31 December 2017: EUR 6.089 bn) – by far the largest proprotion – 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 820 m, cash and cash equivalents of EUR 1.652 bn and its EUR 2.5 bn syndicated credit facility less current financial debt of EUR 1.952 bn. The liquidity available to Linde at 31 March 2018 was therefore EUR 3.020 bn (31 December 2017: EUR 2.625 bn).

The dynamic indebtedness factor (net financial debt to operating profit for the last twelve months) was 1.3 at 31 March 2018, slightly below the figure of 1.4 at 31 December 2017. 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 2018 to 36.4 percent (31 December 2017: 39.6 percent).

Outlook

The following outlook describes the expected performance of The Linde Group on a stand-alone basis and does not relate to the new holding company within the framework of the proposed merger with Praxair or to Linde AG as the subsidiary of that company. As a result of the proposed merger, which should be completed in the second half of 2018, and the antitrust conditions associated with the merger, it may be that some assets will be sold in the course of the 2018 financial year. The outlook might need to be adjusted as a result.

Group

The forecast of global economic trends and the outlook for the industry sector have not changed significantly since the disclosures in the 2017 Financial Report. ▹ *SEE OUTLOOK ON PAGES 90 TO 93.* The forecasting institute Oxford Economics continues to expect stronger growth in the global economy in 2018 than was achieved in 2017.

Linde confirms its outlook for the current year. After adjusting for the impact of IFRS 15 and for exchange rate effects, Group revenue in 2018 is expected to be similar to that achieved in 2017 or to increase by up to 4 percent. Group operating profit after adjusting for exchange rate effects is expected to lie within a range from the prior-year figure to 5 percent higher.

In the 2018 financial year, Linde will seek to achieve a return on capital employed (ROCE) of around 10 percent.

Outlook – Gases Division

Contingent on the circumstances described in the 2017 Financial Report and on future economic trends ▹ *SEE OUTLOOK ON PAGES 90 TO 93*, Linde is seeking to achieve the following targets in the Gases Division in the 2018 financial year. After adjusting for the impact of IFRS 15 and exchange rate effects, revenue is expected to lie between the 2017 figure and a figure which is 4 percent higher. Operating profit after adjusting for exchange rate effects is expected to lie within a range from the prior-year figure to 5 percent higher.

Linde plans to achieve a slight increase in the division's margins in the EMEA, Asia/Pacific and Americas segments. In addition, the application of new accounting standard IFRS 15 will have a positive impact on the margins.

Outlook – Engineering Division

Linde continues to assume that it will generate revenue in the Engineering Division in the 2018 financial year of between EUR 2.2 bn and EUR 2.6 bn. It is seeking to achieve an operating margin here of around 9 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 2017 Financial Report ▶ SEE OPPORTUNITY REPORT ON PAGES 75 TO 77, have not changed significantly in the three months to 31 March 2018.

The risk situation for Linde as described in the 2017 Financial Report ▶ SEE RISK REPORT ON PAGES 77 TO 89 has also not changed significantly in the first three months of 2018. 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 2017*	*January to March 2018*
Revenue	4,385	4,044
Cost of sales	2,900	2,586
GROSS PROFIT	**1,485**	**1,458**
Marketing and selling expenses	586	518
Impairment losses on receivables and contract assets	–	40
Research and development costs	25	25
Administration expenses	381	352
Other operating income	88	120
Other operating expenses	48	47
Share of profit or loss from associates and joint ventures (at equity)	2	5
EBIT from continuing operations	535	601
Financial income	15	7
Financial expenses	89	69
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**461**	**539**
Taxes on income	117	119
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**344**	**420**
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**6**	**4**
PROFIT FOR THE PERIOD	**350**	**424**
attributable to Linde AG shareholders	317	388
attributable to non-controlling interests	33	36
EARNINGS PER SHARE – CONTINUING OPERATIONS		
Earnings per share in € – undiluted	1.68	2.07
Earnings per share in € – diluted	1.67	2.07
EARNINGS PER SHARE – DISCONTINUED OPERATIONS		
Earnings per share in € – undiluted	0.03	0.02
Earnings per share in € – diluted	0.03	0.02

GROUP STATEMENT OF COMPREHENSIVE INCOME

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in € million	January to March 2017	2018
PROFIT FOR THE PERIOD	**350**	**424**
OTHER COMPREHENSIVE INCOME (NET OF TAX)	**−15**	**−263**
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**18**	**−214**
Unrealised gains/losses on available-for-sale financial assets	1	–
Unrealised gains/losses on hedging instruments	51	70
Currency translation differences	−34	−284
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	**−33**	**−49**
Remeasurement of defined benefit plans	−33	−53
Fair value changes from equity instruments at FVOCI	–	4
TOTAL COMPREHENSIVE INCOME	**335**	**161**
attributable to Linde AG shareholders	290	126
attributable to non-controlling interests	45	35

GROUP STATEMENT OF FINANCIAL POSITION

7

in € million	*31.12.2017*	*31.03.2018*
Assets		
Goodwill	10,681	10,551
Other intangible assets	2,047	1,965
Tangible assets	11,756	11,521
Investments in associates and joint ventures (at equity)	219	227
Other financial assets	84	99
Receivables from finance leases	70	66
Trade receivables	6	6
Other receivables and other assets	381	400
Income tax receivables	12	10
Deferred tax assets	416	419
NON-CURRENT ASSETS	**25,672**	**25,264**
Inventories	1,211	1,209
Receivables from finance leases	33	28
Trade receivables	2,668	2,489
Contract assets	–	171
Other receivables and other assets	706	752
Income tax receivables	227	195
Securities	623	820
Cash and cash equivalents	1,432	1,652
Non-current assets classified as held for sale and disposal groups	941	606
CURRENT ASSETS	**7,841**	**7,922**
TOTAL ASSETS	**33,513**	**33,186**

GROUP STATEMENT OF FINANCIAL POSITION 8

in € million	*31.12.2017*	*31.03.2018*
Equity and liabilities		
Capital subscribed	475	475
Capital reserve	6,730	6,730
Revenue reserves	8,235	8,578
Cumulative changes in equity not recognised in profit or loss	−1,258	−1,469
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	**14,182**	**14,314**
Non-controlling interests	877	917
TOTAL EQUITY	**15,059**	**15,231**
Provisions for pensions and similar obligations	1,280	1,304
Other non-current provisions	477	439
Deferred tax liabilities	1,243	1,227
Financial debt	6,089	6,066
Liabilities from finance leases	40	46
Trade payables	1	1
Contract liabilities	–	137
Other non-current liabilities	537	370
NON-CURRENT LIABILITIES	**9,667**	**9,590**
Current provisions	1,110	1,105
Financial debt	1,930	1,952
Liabilities from finance leases	14	18
Trade payables	3,814	2,602
Contract liabilities	–	1,413
Other current liabilities	1,159	650
Liabilities from income taxes	551	482
Liabilities related to non-current assets classified as held for sale and disposal groups	209	143
CURRENT LIABILITIES	**8,787**	**8,365**
TOTAL EQUITY AND LIABILITIES	**33,513**	**33,186**

GROUP STATEMENT OF CASH FLOWS

9

in € million	January to March 2017	January to March 2018
Profit before tax from continuing operations	461	539
Adjustments to profit before tax to calculate cash flow from operating activities – continuing operations		
Amortisation of intangible assets and depreciation of tangible assets	484	449
Profit/loss on disposal of non-current assets	–12	–10
Net interest	70	61
Finance income arising from embedded finance leases in accordance with IFRIC 4/IAS 17	3	1
Share of profit or loss from associates and joint ventures (at equity)	–2	–5
Distributions/dividends received from associates and joint ventures	–	4
Income taxes paid	–124	–158
Changes in assets and liabilities		
Change in inventories	2	–12
Change in trade receivables	–109	–26
Change in contract assets	–	12
Change in provisions	3	–29
Change in trade payables	–70	–12
Change in contract liabilities	–	–57
Change in other assets and liabilities	–53	–101
CASH FLOW FROM OPERATING ACTIVIITES – CONTINUING OPERATIONS	**653**	**656**
CASH FLOW FROM OPERATING ACTIVITIES – DISCONTINUED OPERATIONS	**7**	**5**
CASH FLOW FROM OPERATING ACTIVITIES – CONTINUING AND DISCONTINUED OPERATIONS	**660**	**661**
Payments for tangible and intangible assets and plants held under finance leases in accordance with IFRIC 4/IAS 17	–426	–416
Payments for investments in consolidated companies	–14	–21
Payments for investments in financial assets	–23	–23
Payments for investments in securities	–951	–199
Proceeds on disposal of securities	6	2
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	37	108
Proceeds on disposal of consolidated companies and from purchase price repayment claims	1	123
Proceeds on disposal of financial assets	18	10
CASH FLOW FROM INVESTING ACTIVITIES – CONTINUING OPERATIONS	**–1,352**	**–416**
CASH FLOW FROM INVESTING ACTIVITIES – DISCONTINUED OPERATIONS	**–5**	**–5**
CASH FLOW FROM INVESTING ACTIVITIES – CONTINUING AND DISCONTINUED OPERATIONS	**–1,357**	**–421**

GROUP STATEMENT OF CASH FLOWS

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in € million	January to March 2017	January to March 2018
Dividend payments to Linde AG shareholders and non-controlling interests	–3	–11
Cash inflows/outflows due to changes in non-controlling interests	3	24
Cash inflows from interest rate derivatives	7	8
Interest payments relating to financial debt and cash outflows for interest rate derivatives	–63	–34
Proceeds of loans and capital market debt	1,644	815
Cash outflows for the repayment of loans and capital market debt	–697	–809
Cash outflows for the repayment of liabilities from finance leases	–5	–4
CASH FLOW FROM FINANCING ACTIVITIES – CONTINUING OPERATIONS	**886**	**–11**
CASH FLOW FROM FINANCING ACTIVITIES – DISCONTINUED OPERATIONS	**–2**	**–**
CASH FLOW FROM FINANCING ACTIVITIES – CONTINUING AND DISCONTINUED OPERATIONS	**884**	**–11**
CHANGE IN CASH AND CASH EQUIVALENTS	**187**	**229**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	**1,463**	**1,432**
Effects of currency translation	3	–5
Cash disclosed as non-current assets classified as held for sale and disposal groups	–	–4
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1,653	1,652

STATEMENT OF CHANGES IN GROUP EQUITY

in € million	*Capital subscribed*	*Capital reserve*
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	–	−15
Capital increases/decreases	–	–
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	–	−15
Acquisition/disposal of non-controlling interests without a change of control	–	–
Acquisition/disposal of a subsidiary with non-controlling interests	–	–
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	–	–
AT 31.12.2017	475	6,730
AT 01.01.2018	475	6,730
Profit for the period	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	–	–
Dividend payments	–	–
Capital increases/decreases	–	–
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	–	–
Acquisition/disposal of a subsidiary with non-controlling interests	–	–
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	–	–
OTHER CHANGES	–	–
AT 31.03.2018	475	6,730

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/ equity investments at FVOCI*	*Hedging instruments*	*Total equity attributable to Linde AG shareholders*	*Non-controlling interests*	*Total equity*
−1,383	**8,627**	**979**	**−1**	**−865**	**14,577**	**903**	**15,480**
–	1,434	–	–	–	1,434	132	1,566
246	–	−1,719	6	342	−1,125	−63	−1,188
246	**1,434**	**−1,719**	**6**	**342**	**309**	**69**	**378**
–	−687	–	–	–	−687	−126	−813
–	–	–	–	–	−15	–	−15
–	–	–	–	–	–	11	11
–	**−687**	**–**	**–**	**–**	**−702**	**−115**	**−817**
–	−2	–	–	–	−2	12	10
–	–	–	–	–	–	8	8
–	**−2**	**–**	**–**	**–**	**−2**	**20**	**18**
−1,137	**9,372**	**−740**	**5**	**−523**	**14,182**	**877**	**15,059**
−1,137	**9,381**	**−740**	**5**	**−523**	**14,191**	**877**	**15,068**
–	388	–	–	–	388	36	424
−51	–	−285	4	70	−262	−1	−263
−51	**388**	**−285**	**4**	**70**	**126**	**35**	**161**
–	–	–	–	–	–	−11	−11
–	–	–	–	–	–	24	24
–	**–**	**–**	**–**	**–**	**–**	**13**	**13**
–	–	–	–	–	–	−8	−8
–	**–**	**–**	**–**	**–**	**–**	**−8**	**−8**
–	**−3**	**–**	**–**	**–**	**−3**	**–**	**−3**
−1,188	**9,766**	**−1,025**	**9**	**−453**	**14,314**	**917**	**15,231**

SEGMENT INFORMATION

	Segments	
	Gases Division	
	January to March	
in € million, ▹ SEE NOTE [8]	2017	2018
Revenue from third parties	3,796	3,508
Revenue from other segments	3	4
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS	**3,799**	**3,512**
OPERATING PROFIT	**1,053**	**1,079**
Restructuring and merger costs (special items)	16	8
Amortisation of intangible assets and depreciation of tangible assets	486	450
EBIT	**551**	**621**
Capital expenditure (excluding financial assets)	362	346

	Segments	
	Gases Division	
	EMEA	
	January to March	
in € million, ▹ SEE NOTE [8]	2017	2018
Revenue from third parties	1,473	1,462
Revenue from other segments	5	4
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS	**1,478**	**1,466**
OPERATING PROFIT	**462**	**518**
Restructuring and merger costs (special items)	11	–
Amortisation of intangible assets and depreciation of tangible assets	179	179
EBIT	**272**	**339**
Capital expenditure (excluding financial assets)	130	111

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	Segments					
	Engineering Division		Reconciliation		Group	
	January to March		January to March		January to March	
	2017	2018	2017	2018	2017	2018
	589	536	–	–	4,385	4,044
	59	66	-62	-70	–	–
	648	**602**	**-62**	**-70**	**4,385**	**4,044**
	53	**60**	**-65**	**-58**	**1,041**	**1,081**
	4	–	2	23	22	31
	8	8	-10	-9	484	449
	41	**52**	**-57**	**-72**	**535**	**601**
	3	3	-33	-34	332	315

	Segments					
	Gases Division					
	Asia/Pacific		Americas		Total Gases Division	
	January to March		January to March		January to March	
	2017	2018	2017	2018	2017	2018
	1,066	1,001	1,257	1,045	3,796	3,508
	7	8	40	43	3	4
	1,073	**1,009**	**1,297**	**1,088**	**3,799**	**3,512**
	268	**283**	**323**	**278**	**1,053**	**1,079**
	–	–	5	8	16	8
	145	132	162	139	486	450
	123	**151**	**156**	**131**	**551**	**621**
	94	128	138	107	362	346

ADDITIONAL COMMENTS

[1] General accounting policies

The condensed Group interim financial statements of Linde AG at 31 March 2018 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 2017, with the exception of accounting standards which have become effective from 1 January 2018. In the first quarter of 2018, there were no changes in the discretionary decisions and estimates compared with the information disclosed in the 2017 Financial Report.

In addition, IAS 34 Interim Financial Reporting has been applied. Since 1 January 2018, the following new standards issued by the IASB have become effective in the EU:

- IFRS 15 Revenue from Contracts with Customers including Amendments to IFRS 15
- Clarifications relating to IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- Amendments to IFRS 2 Share-based Payment
- Annual Improvements to the IFRSs (2014–2016)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

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 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)
- IFRIC 23 Uncertainty over Income Tax Treatments (first-time application according to IASB in financial years beginning on or after 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (first-time application according to IASB in financial years beginning on or after 1 January 2019)
- Annual Improvements to the IFRSs (2015–2017) (first-time application according to IASB in financial years beginning on or after 1 January 2019)
- Amendments to IAS 19 regarding plan amendments, curtailments and settlements (first-time application according to IASB in financial years beginning on or after 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (first-time application according to IASB in financial years beginning on or after 1 January 2019)
- Amendments to the Conceptual Framework (first-time application according to IASB in financial years beginning on or after 1 January 2020)

[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 31.12.2017	Additions	Disposals	As at 31.03.2018
CONSOLIDATED SUBSIDIARIES	**556**	**1**	**5**	**552**
of which within Germany	20	–	1	19
of which outside Germany	536	1	4	533
COMPANIES ACCOUNTED FOR USING THE LINE-BY-LINE METHOD	**7**	**–**	**–**	**7**
of which within Germany	–	–	–	–
of which outside Germany	7	–	–	7
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	**35**	**–**	**2**	**33**
of which within Germany	2	–	–	2
of which outside Germany	33	–	2	31
NON-CONSOLIDATED SUBSIDIARIES	**42**	**2**	**4**	**40**
of which within Germany	2	–	–	2
of which outside Germany	40	2	4	38

Significant disposals during the reporting period are described in ▸ NOTE [6] Non-current assets classified as held for sale and disposal groups. 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 2018 is therefore provided below in aggregate rather than by individual company.

In the first three months of 2018, Linde made acquisitions to expand its Healthcare business in the Americas segment. The total purchase price for these acquisitions was EUR 20 m, of which EUR 20 m was paid in cash. The total purchase price includes deferred payments of EUR 0 m. In the course of these purchases, Linde acquired non-current assets of EUR 1 m and liabilities of EUR 1 m. Total goodwill arising was EUR 20 m. The main components of the goodwill are synergies, especially distribution synergies, and the potential arising from the continuation of the companies' business. Of the goodwill, EUR 19 m is tax-deductible. 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 0 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 2018, the contribution to revenue would have been EUR 8 m and the contribution to profit for the period would have been EUR 1 m.

[4] Foreign currency translation

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

PRINCIPAL EXCHANGE RATES (14)

		Spot rate on reporting date		Average rate January to March	
Exchange rate €1 =	*ISO code*	*31.12.2017*	*31.03.2018*	*2017*	*2018*
Australia	AUD	1.53781	1.60623	1.40543	1.56375
China	CNY	7.80668	7.74809	7.33898	7.81508
South Africa	ZAR	14.84441	14.58513	14.09079	14.68757
UK	GBP	0.88779	0.87640	0.85985	0.88291
USA	USD	1.19980	1.23230	1.06534	1.22928

[5] Revenue

New accounting standard IFRS 15 Revenue from Contracts with Customers replaces the rules for revenue recognition set out in IAS 11 and IAS 18 and has been applied for the first time with effect from 1 January 2018. Linde is applying the modified retrospective method, whereby the cumulative effects of the first-time application of IFRS 15 are recognised as an adjustment to the opening balance of revenue reserves. The prior-year figures in the statement of financial position have not been adjusted. Moreover, IFRS 15 has only been applied retroactively to contracts which had not been fulfilled in full at 1 January 2018. A detailed description of the application of IFRS 15 at Linde was given on ▶ *PAGES 120 AND 121 OF THE 2017 FINANCIAL REPORT*.

The first-time application of the new accounting standard resulted in a change, in the case of certain contracts, in the treatment of amounts recharged in respect of customer-related goods and services, which are no longer permitted to be recognised as such, because Linde has no control (as defined in IFRS 15) over the goods and services purchased. Netting costs which have previously been recognised gross against the sales-related cost reimbursement by the customer has resulted in the first quarter of 2018 (when compared with the previous accounting treatment in accordance with IAS 11 and IAS 18) in a reduction in revenue of EUR 102 m and a reduction of an equal amount in cost of sales.

This related mainly to revenue in the on-site business of the Gases Division.

IFRS 15 also requires for the first time the disclosure of contract assets and contract liabilities in the statement of financial position. If IFRS 15 had not been applied, the contract assets of EUR 171 m reported at 31 March 2018 would have been disclosed as trade receivables. If IFRS 15 had not been applied, EUR 996 m of the current contract liabilities of EUR 1.413 bn reported at 31 March 2018 would have been disclosed as current trade payables, while EUR 417 m of that total would have been disclosed as other current liabilities. In addition, if IFRS 15 had not been applied, the non-current contract liabilities of EUR 137 m reported at 31 March 2018 would have been disclosed as other non-current liabilities.

Group revenue is generated principally from contracts with customers as defined in IFRS 15. Sundry revenue which does not fall within the scope of IFRS 15 is generated mainly from lease agreements with customers.In the Gases Division, revenue is classified on the basis of the primary regional markets, the main product areas and the time over which or point in time at which the revenue is recognised in accordance with IFRS 15. Revenue of EUR 1.731 bn was generated from performance obligations fulfilled over a particular period of time. Revenue of EUR 1.712 bn was generated from performance obligations fulfilled at a particular point in time.

The following table includes only revenue in the Gases Division from third parties and no revenue from other segments. The revenue disclosed per product area reflects only revenue in accordance with IFRS 15 and can therefore not be reconciled with revenue by product area shown in the current Group interim management report.

REVENUE FROM THIRD PARTIES – GASES DIVISION (15)

January to March 2018, in € million	*Segments* EMEA	*Asia/Pacific*	*Americas*	*Gases Division*
On-site	304	353	176	833
Liquefied gases	346	307	236	889
Cylinder gas	538	272	132	942
Healthcare	234	51	494	779
REVENUE IN ACCORDANCE WITH IFRS 15	**1,422**	**983**	**1,038**	**3,443**
Sundry revenue in accordance with other accounting standards	40	18	7	65
REVENUE FROM THIRD PARTIES	**1,462**	**1,001**	**1,045**	**3,508**

In the Engineering Division, revenue is classified on the basis of the main product areas and the time over which or point in time at which the revenue is recognised. Revenue of EUR 458 m was generated from performance obligations fulfilled over a particular period of time. Revenue of EUR 78 m was generated from performance obligations fulfilled at a particular point in time.

The following table includes only revenue in the Engineering Division from third parties and no revenue from other segments and can therefore not be reconciled with the revenue by plant type shown in the current Group interim management report.

REVENUE FROM THIRD PARTIES – ENGINEERING DIVISION (16)

in € million	*January to March 2018*
Olefin plants	113
Natural gas plants	285
Air separation plants	86
Hydrogen and synthesis gas plants	24
Other	28
REVENUE FROM THIRD PARTIES IN ACCORDANCE WITH IFRS 15	**536**

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

At 31 March 2018, assets of EUR 606 m and liabilities of EUR 143 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 has been classified as held for sale and disclosed as a discontinued operation. Assets with a carrying amount of EUR 601 m and liabilities with a carrying amount of EUR 143 m were therefore reclassified within the statement of financial position. The principal items involved are goodwill (EUR 217 m), tangible assets (EUR 111 m) and trade receivables (EUR 100 m).

As a result of the size and complexity of the business for sale, negotiations are taking longer than planned. However, the sale is still deemed highly probable and it is expected that the transaction will be concluded within the current year.

A further EUR 5 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 accordance with an operating sale and leaseback agreement.

In the first quarter of 2018, the gases business in Pakistan and part of a production facility within the EMEA segment and the German subsidiary Tega – Technische Gase und Gasetechnik GmbH were sold as planned. The total profit on disposal was EUR 60 m.

Included in cumulative changes in equity not recognised through the statement of profit or loss at the reporting date is an expense of EUR 109 m arising from the measurement in foreign currency of assets and liabilities classified as held for sale.

[7] Financial instruments

New accounting standard IFRS 9 Financial Instruments replaces the existing rules set out in IAS 39 Financial Instruments: Recognition and Measurement and was applied for the first time with effect from 1 January 2018.

IFRS 9 introduces new rules on the classification and measurement of financial assets and contains new rules on impairment losses on financial instruments. A detailed description of the new impairment model was given on ▶ PAGES 122 AND 123 OF THE 2017 FINANCIAL REPORT.

On applying IFRS 9 for the first time, Linde has elected to continue to account for hedging relationships in accordance with IAS 39 instead of IFRS 9.

The following tables disclose classification and measurement categories of financial assets in accordance with IAS 39 and the reconciliation of these with the new classification and measurement categories in accordance with IFRS 9, as well as the carrying amounts of the financial assets at 1 January 2018.

The first-time application of IFRS 9 had no impact on the classification and measurement of financial liabilities. ▶ SEE PAGE 122 OF THE 2017 FINANCIAL REPORT.

RECONCILIATION IFRS 9 – CLASSIFICATION & MEASUREMENT

31.12.2017, in € million	*Carrying amount*
IAS 39 – Financial assets	
Available-for-sale financial assets	
Investments and securities	640
Derivatives	
Freestanding derivatives	34
Derivatives designated as hedging instruments	133
Cash and cash equivalents	1,432
Loans and receivables	
Trade receivables	2,486
Receivables from percentage of completion contracts	188
Other receivables and assets	372
Investments and securities	5
Held-to-maturity financial assets	
Investments and securities	14
TOTAL	**5,304**

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01.01.2018, in € million	Reclassi-fication	Measurement adjustment
New measurement categories IFRS 9		
At fair value in other comprehensive income (equity instruments)	30	–
At fair value in other comprehensive income (debt instruments)	610	–
At fair value through profit or loss	34	–
At fair value through profit or loss	133	–
At fair value through profit or loss	239	–
At amortised cost	1,193	–
At amortised cost	2,486	17
At amortised cost	188	–4
At amortised cost	372	–
At amortised cost	5	–
At fair value through profit or loss	12	–
At amortised cost	2	–
TOTAL	**5,304**	**13**

IFRS 9 – FINANCIAL ASSETS (18)

01.01.2018, in € million	*Carrying amount*
At fair value in other comprehensive income (equity instruments)	
Investments and securities	30
At fair value in other comprehensive income (debt instruments)	
Investments and securities	610
At fair value through profit or loss	
Freestanding derivatives	34
Derivatives designated as hedging instruments	133
Cash and cash equivalents	239
Investments and securities	12
At amortised cost	
Cash and cash equivalents	1,193
Trade receivables	2,503
Contract assets	184
Other receivables and assets	372
Investments and securities	7
TOTAL	**5,317**

The following table shows the effects of the first-time application of the new impairment model. The effect of the first-time application of EUR 13 m (EUR 9 m after tax) was included at 1 January 2018 in the opening balance of retained earnings.

RECONCILIATION IFRS 9 – IMPAIRMENT LOSSES (19)

in € million	*Impairment losses on trade receivables and contract assets*
Cumulative impairment losses IAS 39 at 31 December 2017	349
Impact of first-time application of IFRS 9 – not affecting profit or loss	−13
Cumulative impairment losses IFRS 9 at 1 January 2018	336

In 2017, impairment losses on receivables were determined in accordance with IAS 39. The expense was similar to that recognised in the reporting year.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (20)

	Level 1		*Level 2*		*Level 3*	
in € million	*31.12.2017*	*31.03.2018*	*31.12.2017*	*31.03.2018*	*31.12.2017*	*31.03.2018*
Investments and securities	623	829	–	20	–	–
Of which in other comprehensive income (debt instruments)	–	808	–	–	–	–
Of which in other comprehensive income (equity instruments)	–	10	–	20	–	–
Of which through profit or loss	–	11	–	–	–	–
Derivatives with positive fair values	–	–	167	213	–	–
Derivatives with negative fair values	–	–	299	276	–	–
Cash and cash equivalents	–	98	–	–	–	–

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 104 m, while the carrying amount is EUR 94 m. The fair value of the financial debt is EUR 8.353 bn, compared with its carrying amount of EUR 8.018 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. There is currently no intention to sell assets in the investments and securities category which are reported at fair value in other comprehensive income (equity).

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 dates at the reporting date.

The cash and cash equivalents reported at fair value through profit or loss consist principally of money market funds.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.

[8] 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 2017.

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 51 m (2017: EUR 49 m) were deducted from revenue. Therefore it is not possible to arrive for 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 21

	January to March	
in € million	*2017*	*2018*
Revenue		
Total segment revenue	4,447	4,114
Consolidation	–62	–70
GROUP REVENUE FROM CONTINUING OPERATIONS	**4,385**	**4,044**
Operating profit		
Operating profit from segments	1,106	1,139
Operating profit from corporate activities	–62	–89
Consolidation	–3	31
OPERATING PROFIT FROM CONTINUING OPERATIONS	**1,041**	**1,081**
Restructuring and merger costs (special items)	22	31
Amortisation and depreciation	484	449
Financial income	15	7
Financial expenses	89	69
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**461**	**539**

[9] 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 at 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.

KEY FINANCIAL FIGURES ADJUSTED FOR SPECIAL ITEMS 22

	January to March					
	2017			*2018*		
in € million	*As reported*	*Special items*	*Key financial figures before special items*	*As reported*	*Special items*	*Key financial figures before special items*
Revenue	4,385	–	4,385	4,044	–	4,044
Cost of sales	–2,900	1	–2,899	–2,586	–	–2,586
GROSS PROFIT	**1,485**	**1**	**1,486**	**1,458**	**–**	**1,458**
Research and development costs, marketing, selling and administration expenses, and impairment losses on receivables and contract assets	–992	21	–971	–935	31	–904
Other operating income and expenses	40	–	40	73	–	73
Share of profit or loss from associates and joint ventures (at equity)	2	–	2	5	–	5
EBIT FROM CONTINUING OPERATIONS	**535**	**22**	**557**	**601**	**31**	**632**
Financial result	–74	–	–74	–62	–	–62
Taxes on income	–117	–5	–122	–119	–8	–127
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**344**	**17**	**361**	**420**	**23**	**443**
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**6**	**–**	**6**	**4**	**–**	**4**
PROFIT FOR THE PERIOD	**350**	**17**	**367**	**424**	**23**	**447**
attributable to Linde AG shareholders	317	17	334	388	23	411
attributable to non-controlling interests	33	–	33	36	–	36
EBIT FROM CONTINUING OPERATIONS	**535**	**22**	**557**	**601**	**31**	**632**
Amortisation of intangible assets and depreciation of tangible assets	–484	–	–484	–449	–	–449
OPERATING PROFIT FROM CONTINUING OPERATIONS	**1,019**	**22**	**1,041**	**1,050**	**31**	**1,081**
EARNINGS PER SHARE FROM CONTINUING OPERATIONS *in €* **– UNDILUTED**	**1.68**	**0.09**	**1.77**	**2.07**	**0.12**	**2.19**
EARNINGS PER SHARE FROM CONTINUING OPERATIONS *in €* **– DILUTED**	**1.67**	**0.09**	**1.76**	**2.07**	**0.12**	**2.19**

[10] 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 2018.

On 24 April 2018, the Executive Board of Linde AG authorised the condensed Group interim financial statements for issue.

MUNICH, 24 APRIL 2018

PROFESSOR DR ALDO BELLONI
[CHIEF EXECUTIVE OFFICER]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

DR CHRISTIAN BRUCH
[MEMBER OF THE EXECUTIVE BOARD]

DR SVEN SCHNEIDER
[MEMBER OF THE EXECUTIVE BOARD]

BERND EULITZ
[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 2018 that are part of the quarterly financial report according to § 115 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, 24 APRIL 2018

KPMG AG
[WIRTSCHAFTSPRÜFUNGS-
GESELLSCHAFT]

BECKER
[WIRTSCHAFTS-
PRÜFER]

V. HEYNITZ
[WIRTSCHAFTS-
PRÜFER]

FINANCIAL CALENDAR

[1]
INTERIM REPORT
JANUARY TO MARCH 2018
25 April 2018

[2]
ANNUAL GENERAL MEETING
2018
3 May 2018, 10 a.m.
International Congress Centre,
Munich, Germany

[3]
DIVIDEND PAYMENT
8 May 2018

[4]
INTERIM REPORT
JANUARY TO JUNE 2018
25 July 2018

[5]
ANNUAL GENERAL MEETING
2019
9 May 2019, 10 a.m.
International Congress Centre,
Munich, Germany

FORWARD-LOOKING STATEMENTS

This communication includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on our beliefs and assumptions on the basis of factors currently known to us. These forward-looking statements are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, potential, forecast, and similar expressions. These forward-looking statements include, but are not limited to, statements regarding benefits of the proposed business combination, integration plans and expected synergies, and anticipated future growth, financial and operating performance and results. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted or expected. No assurance can be given that these forward-looking statements will prove accurate and correct, or that projected or anticipated future results will be achieved. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to: the expected timing and likelihood of the completion of the contemplated business combination, including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the contemplated business combination that could reduce anticipated benefits or cause the parties to abandon the transaction; the occurrence of any event, change or other circumstances that could give rise to the termination of the business combination agreement; the ability to successfully complete the proposed business combination and the exchange offer; regulatory or other limitations imposed as a result of the proposed business combination; the success of the business following the proposed business combination; the ability to successfully integrate the Praxair and Linde businesses; risks related to disruption of management time from ongoing business operations due to the proposed business combination; the risk that the announcement or consummation of the proposed business combination could have adverse effects on the market price of Linde's or Praxair's common stock or the ability of Linde and Praxair to retain customers, retain or hire key personnel, maintain relationships with their respective suppliers and customers, and on their operating results and businesses generally; the risk that Linde plc may be unable to achieve expected synergies or that it may take longer or be more costly than expected to achieve those synergies; state, provincial, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an effect on rate structure, and affect the speed at and degree to which competition enters the industrial gas, engineering and healthcare industries; outcomes of litigation and regulatory investigations, proceedings or inquiries; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates; general economic conditions, including the risk of a prolonged economic slowdown or decline, or the risk of delay in a recovery, which can affect the long-term demand for industrial gas, engineering and healthcare and related services; potential effects arising from terrorist attacks and any consequential or other hostilities; changes in environmental, safety and other laws and regulations; the development of alternative energy resources; results and costs of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general market and economic conditions; increases in the cost of goods and services required to complete capital projects; the effects of accounting pronouncements issued periodically by accounting standard-setting bodies; conditions of the debt and capital markets; market acceptance of and continued demand for Linde's and Praxair's products and services; changes in tax laws, regulations or interpretations that could increase Praxair's, Linde's or Linde plc's consolidated tax liabilities; and such other factors as are set forth in Linde's annual and interim financial reports made publicly available and Praxair's and Linde plc's public filings made with the SEC from time to time, including but not limited to those described under the headings "Risk Factors" and "Forward-Looking Statements" in Praxair's Form 10-K for the fiscal year ended December 31, 2017, which are available via the SEC's Web site at ▸ WWW.SEC.GOV. The foregoing list of risk factors is not exhaustive. These risks, as well as other risks associated with the contemplated business combination, are more fully discussed in the proxy statement/prospectus and the offering prospectus included in the Registration Statement on Form S-4 filed by Linde plc with the SEC and in the offering document and/or any prospectuses or supplements filed with BaFin in connection with the contemplated business combination. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than

Linde, Praxair or Linde plc has described. All such factors are difficult to predict and beyond our control. All forward-looking statements included in this document are based upon information available to Linde, Praxair and Linde plc on the date hereof, and each of Linde, Praxair and Linde plc disclaims and does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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This report is available in both German and English and can be downloaded from our website at ▶ *WWW.LINDE.COM*. Further information about Linde can be obtained from us free of charge.

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