

9M

LINDE INTERIM REPORT
JANUARY TO SEPTEMBER 2016



LINDE FINANCIAL HIGHLIGHTS

[9M – JANUARY TO SEPTEMBER 2016]

<i>Linde financial highlights</i>		<i>January to September 2016</i>	<i>January to September 2015</i>	<i>Change</i>
<i>Share</i>				
Closing price	€	151.30	144.95	4.4%
Year high	€	156.30	193.85	-19.4%
Year low	€	115.85	140.65	-17.6%
Market capitalisation (at closing price on 30 September)	€ million	28,087	26,908	4.4%
Earnings per share – undiluted	€	5.09	4.63	9.9%
Earnings per share – undiluted (before non-recurring items)	€	5.30	5.35	-0.9%
Number of shares outstanding at the end of the reporting period	000s	185,638	185,638	–
<i>Group</i>				
Revenue	€ million	12,967	13,552	-4.3%
Operating profit ¹	€ million	3,066	3,137	-2.3%
Operating margin	%	23.6	23.1	50 bp ³
EBIT	€ million	1,619	1,533	5.6%
EBIT (before non-recurring items)	€ million	1,669	1,725	-3.2%
Profit for the period	€ million	1,034	937	10.4%
Number of employees ²		65,276	64,538	1.1%
<i>Gases Division</i>				
Revenue	€ million	11,016	11,387	-3.3%
Operating profit ¹	€ million	3,098	3,131	-1.1%
Operating margin	%	28.1	27.5	60 bp ³
<i>Engineering Division</i>				
Revenue	€ million	1,739	2,002	-13.1%
Operating profit ¹	€ million	146	169	-13.6%
Operating margin	%	8.4	8.4	–

¹ EBIT (before non-recurring 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 PAGES 45 TO 46 of the 2015 Financial Report.

² At 30 September 2016/31 December 2015.

³ Basis points.

LINDE INTERIM REPORT

[9M – JANUARY TO SEPTEMBER 2016]

JANUARY TO SEPTEMBER 2016: 9-MONTH FIGURES IN LINE WITH EXPECTATIONS LINDE LAUNCHES WIDE-RANGING EFFICIENCY PROGRAMME

LINDE INTERIM REPORT
JANUARY TO SEPTEMBER 2016

- Plan to achieve additional cost savings of around EUR 370 m per annum from 2019
- Group revenue of EUR 12.967 bn affected by exchange rate effects
- Group operating profit¹ of EUR 3.066 bn, slightly higher than in first nine months of 2015 after adjusting for exchange rate effects
- Operating margin continues to improve
- 4.7 percent increase in operating cash flow
- Group outlook for 2016 confirmed

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

GROUP INTERIM MANAGEMENT REPORT

GROUP INTERIM 1
MANAGEMENT REPORT
ADDITIONAL COMMENTS >20

General economic environment

Economic experts from international economic research and forecasting institute Oxford Economics¹ are expecting global economic trends in the current year to again be weaker than those seen in the prior year. Despite recent more positive signs, the institute is projecting an increase in global gross domestic product (GDP) for the full year 2016 of only 2.2 percent². Growth in 2015 was 2.6 percent. Oxford Economics is forecasting an increase in global industrial production (IP) of 1.7 percent, which is slightly below the figure of 1.8 percent achieved in 2015.

Once again, the main factors influencing the global economy are economic trends in the emerging nations, especially China but also Brazil and Russia. Growth in the United States remains consumer-driven, while industrial production continues to be weak, despite the situation in the oil and commodity markets having become more stable since the beginning of the year. The result of the British referendum on whether it should remain in the European Union (Brexit) will have hardly any impact on the global economy unless there is a global decline in consumer and business confidence which has a short-term impact on consumption and investment. Even if there is a deterioration in the state of negotiations over the next two years, the economic experts believe that a global decline in confidence is unlikely to occur.

In the EMEA region (Europe, Middle East, Africa), economists are expecting an increase of 1.6 percent in economic output, compared with 1.7 percent growth in economic output in 2015. Industrial production is forecast to grow by 1.1 percent (2015: 1.3 percent). There is a great deal of variation in the projected trends for individual regions. The forecasts for Germany and the eurozone are still relatively cautious. GDP in the eurozone is projected to rise by 1.6 percent, compared with an increase in 2015 of 1.9 percent. The forecast for GDP growth in Germany is 1.8 percent, compared with an increase in 2015 of 1.5 percent. In the view of the economic experts, the result of the British referendum on whether the United Kingdom (UK) should remain a member of the European Union has had only a minor impact in the current year on UK GDP. Economists are projecting GDP growth of 1.9 percent (2015: 2.2 percent).

Nevertheless, great uncertainty is attached to the forecasts for the coming years, as these will depend to a significant extent on the progress, prospects and outcome of the negotiations between the United Kingdom and the European Union on the UK's exit from the EU. Economic trends in the Middle East are expected to be steady, with GDP growth of 1.5 percent, but the forecast growth there is below the figure for 2015 of 3.6 percent. In Eastern Europe, a slight increase in GDP of 1.2 percent is expected (2015: 0.0 percent). The forecasts for Russia are much worse. Although the recent recovery in the oil price has brought some relief, economic sanctions are continuing to have an adverse impact on economic trends in the country in the current year. Economic experts are therefore expecting Russian economic output to decline by a further 0.7 percent, following a contraction in the economy of 3.7 percent in 2015. In 2016, industrial production is projected to fall by 0.1 percent, compared with a drop of 3.1 percent in 2015. In South Africa, Linde's largest market in Africa, economic output is expected to rise by 0.1 percent, compared with an increase of 1.3 percent in 2015.

As in previous years, the economic experts are expecting the Asia/Pacific region once again to achieve the highest rates of growth. Based on country forecasts prepared by Oxford Economics, GDP growth in this region for the full year 2016 is projected to be 5.6 percent, the same rate as that achieved in 2015. The Chinese economy is forecast to grow by 6.6 percent in 2016 (2015: 6.9 percent). In China, expansionary monetary and fiscal policy and the construction sector will make a major contribution to growth. However, it remains to be seen whether this trend will be sustained over the next few years. Industrial production is forecast to rise by 6.0 percent in 2016, compared with IP of 6.1 percent in 2015. In addition to China, India is one of the main growth drivers in this region. GDP in India is projected to increase by 7.5 percent (2015: 7.2 percent). The economic experts are expecting industrial production in India to rise by 1.8 percent, which is lower than the figure for IP growth in 2015 of 3.2 percent. In Australia, the forecasting institute is predicting GDP growth of 2.9 percent (2015: 2.4 percent). This increase will come primarily from the expansion of the service sector, which generates around 70 percent of the country's economic output.

In the Americas region as a whole, Oxford Economics is forecasting an increase in economic output in 2016 of 0.9 percent (2015: 1.7 percent). The main driver of this trend is the United States, where GDP growth is projected to be 1.5 percent (2015: 2.6 percent). Reasons given for this growth by the economic experts are an increase in net household income and a stable labour market. However, industrial production in the US is forecast to fall in 2016 by 0.8 percent (2015: 0.3 percent), because energy-related industries such as mining are continuing to suffer the effects of low commodity prices. A slight increase in manufacturing production is being forecast for 2016 in the US. In South America, economists are expecting the decline in growth

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² The forecast figures given here for individual regions are based on average figures weighted by economic output for those countries in which Linde operates.

to continue and are projecting a fall of 1.7 percent in GDP, following a drop of 1.6 percent in 2015. The main reasons for this are the ongoing unstable economic and political situation in Brazil, where GDP has fallen by 3.2 percent in 2016 and fell by 3.9 percent in 2015, and the economic crisis and national crisis in Venezuela.

Business review of The Linde Group

The revenue of The Linde Group for the nine months ended 30 September 2016 was EUR 12.967 bn, 4.3 percent below the revenue of the prior-year period of EUR 13.552 bn. Operating profit also fell in the reporting period, by 2.3 percent to EUR 3.066 bn (2015: EUR 3.137 bn). Relevant factors were not only the lower contribution made to revenue and earnings by the Engineering Division in the first nine months of 2016 when compared with the prior-year period, but also adverse exchange rates. After adjusting for these exchange rate effects arising solely on the translation of local currencies into the euro, Group revenue was 1.1 percent below the figure for the prior-year period. Group operating profit rose by 0.8 percent after adjusting for exchange rate effects.¹

The Group operating margin for the first nine months of 2016 was 23.6 percent, which was 50 basis points higher than the figure of 23.1 percent for the first nine months of 2015. Contributing to this improvement were the efficiency measures introduced back in 2015.

It is expected that further costs will be incurred in the remaining part of 2016 which relate to measures designed to enhance efficiency. Linde has launched a Group-wide efficiency programme. The three-year programme taken together with measures introduced from 2015 onwards should result in cost savings of around EUR 550 m per annum from 2019. Around EUR 370 m of the total cost savings per annum will come from the new programme. Total restructuring costs relating to this programme of around EUR 400 m will be incurred by the end of 2017. By improving its internal processes and reducing complexity and hierarchies, Linde wants to increase significantly both the speed of decision-making and its efficiency.

In the nine months to 30 September 2016, costs relating to efficiency measures of EUR 50 m have already been recognised. These increased over the course of the reporting period and have therefore been classified as non-recurring items. In 2015, restructuring costs of EUR 192 m had also been disclosed as non-recurring items.

Cost of sales decreased by 4.8 percent, a greater percentage decrease than that in revenue, falling to EUR 8.320 bn (2015: EUR 8.744 bn). The gross margin increased as a result to 35.8 percent (2015: 35.5 percent). This was mainly due to the lower contribution made to revenue by the Engineering Division in the first nine months of 2016 compared with the first nine months of 2015.

EBIT in the nine months ended 30 September 2016 was EUR 1.619 bn, which was 5.6 percent above the figure for the first nine months of 2015 of EUR 1.533 bn. After adjusting for non-recurring items, EBIT was EUR 1.669 bn (2015: EUR 1.725 bn).

The net financial expense in the reporting period was EUR 252 m (2015: EUR 301 m). The figure was lower than in the prior-year period mainly as a result of the repayment made by Linde of two hybrid bonds (a EUR 700 m 7.375 percent bond and a GBP 250 m 8.125 percent bond). Linde therefore generated a profit before tax of EUR 1.367 bn (2015: EUR 1.232 bn).

The income tax expense was EUR 333 m (2015: EUR 295 m). This gives an income tax rate of 24.4 percent (2015: 23.9 percent). In the first nine months of 2016, Linde's profit for the period (after deducting the tax expense) was EUR 1.034 bn (2015: EUR 937 m).

After adjusting for non-controlling interests, profit for the period attributable to Linde AG shareholders was EUR 945 m (2015: EUR 860 m), giving earnings per share of EUR 5.09 (2015: EUR 4.63). Earnings per share before non-recurring items stood at EUR 5.30, which was 0.9 percent below the figure for the prior-year period of EUR 5.35.

Gases Division

Linde's revenue in the Gases Division in the first nine months of 2016 was EUR 11.016 bn, a decrease of 3.3 percent when compared with the figure for the prior-year period of EUR 11.387 bn. After adjusting for exchange rate effects, revenue in the Gases Division increased by 0.2 percent. On a comparable basis (after also adjusting for changes in the price of natural gas), the growth in revenue was 0.8 percent.

Operating profit was EUR 3.098 bn, which was below the figure for the first nine months of 2015 of EUR 3.131 bn. Operating profit increased by 1.9 percent after adjusting for exchange rate effects. The operating margin in the reporting period rose to 28.1 percent (2015: 27.5 percent), due partly to lower prices for natural gas.

EMEA (Europe, Middle East, Africa)

In EMEA, Linde's largest sales market, the Group generated revenue of EUR 4.272 bn, which was 5.4 percent below the figure for the first nine months of 2015 of EUR 4.515 bn. On a comparable basis, revenue was also slightly below the figure for the prior-year period. Operating profit was EUR 1.358 bn, which was a similar figure to that achieved in the first nine months of 2015 (EUR 1.350 bn). Operating profit includes income from changes to pension plans and profits on the disposal of non-current assets. The operating margin rose to 31.8 percent (2015: EUR 29.9 percent).

Different business trends were to be seen in the product areas of the various sub-regions of the EMEA segment. The on-site business was affected in particular by the insolvency of a customer in the UK. This was disclosed

¹ To calculate growth in revenue and earnings after adjusting for exchange rate effects and changes in the price of natural gas, prior-year figures have been revised.

in the fourth quarter of 2015. In the Middle East & Eastern Europe and in Northern Europe, Linde was able to achieve revenue growth in this product area. Revenue trends in the liquefied gases and cylinder gas business were relatively stable. In its Healthcare business, Linde was able to achieve revenue growth in all sub-regions.

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

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

In May 2016, Linde announced that it had signed an agreement with alternative energy company Renergen. The Free State Helium and Natural Gas plant near Welkom in South Africa is expected to commence operations in 2018. Under the terms of the agreement, Renergen will supply Linde with helium and Linde will have the distribution rights. In return, Linde's Engineering Division will provide its patented high-tech extraction technology, a pioneering system to extract the helium and then to purify, compress and store it. Linde's African subsidiary Afrox will operate the plant and market the helium. Along with its helium sources in the United States, Qatar, Australia and Algeria, this new supply agreement reinforces Linde's position as a supplier with access to highly diversified helium sources.

Under the brand name BeeZero, the newly formed subsidiary Linde Hydrogen Concepts launched during the reporting period the world's first car-sharing scheme to use only hydrogen-powered fuel-cell vehicles. Linde is expecting to gain valuable knowledge from the operation of the fuel-cell fleet which will assist with the ongoing development of hydrogen technologies and the expansion of the H₂ infrastructure.

In September 2016, Linde brought on stream a new hydrogen plant in Porvoo, Finland, for Finnish oil company Neste Oil. The investment, which is related to a long-term on-site agreement for the supply of hydrogen, is worth around EUR 70 m. Neste Oil's refinery in Porvoo has two hydrogen production plants. The older of the two has now been replaced by a more efficient plant. Linde's Engineering Division was responsible for the construction of the turnkey plant, while the plant will be operated by Linde subsidiary AGA. The hydrogen is produced from natural gas by means of a steam reformer and is used in the refinery in a variety of processes and products: for example in the desulphurisation of diesel fuel and in the production of high-grade oils. The new agreement will

enhance the existing supply relationship between the two companies on the Porvoo site. Linde already supplies air gases to Neste Oil on that site, obtaining in return raw carbon dioxide for further processing.

Asia/Pacific

Linde generated revenue in the Asia/Pacific segment in the nine months to 30 September 2016 of EUR 3.027 bn, which was 3.4 percent below the figure for the first nine months of 2015 of EUR 3.133 bn. On a comparable basis, revenue increased by 1.1 percent. Operating profit was EUR 793 m, 1.4 percent below the figure for the prior-year period of EUR 804 m, while the operating margin rose to 26.2 percent (2015: EUR 25.7 percent).

In the Asia/Pacific segment, positive trends for all product areas were to be seen in particular in South & East Asia and in China. In the South Pacific, the prevailing weak economic environment in manufacturing and declining investment in the mining industry had an adverse impact on growth. Appropriate structural and organisational countermeasures have already been implemented as part of the Customer Focus Initiative. These should lead to cost savings and a higher rate of profitability in the region. Further cost reduction measures have already been identified as part of the newly-launched efficiency programme and will be introduced in the coming months.

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

Linde Eastern Oxygen Sdn Bhd (Linde EOX), a subsidiary of Linde Malaysia Sdn Bhd, announced during the reporting period that it was going to build an air separation plant in Tanjung Kidurong. The investment is worth around EUR 7 m. The plant, which is expected to come on stream in 2017, will have a production capacity of 33 tonnes of liquefied gases per day. Together with its existing air separation plant in Kuching, the new plant will make Linde EOX the largest producer of liquefied gases in Eastern Malaysia.

In China, Linde was able to bring two air separation plants on stream as scheduled. Both the air separation plants produce electronic gases for customers in the semiconductor industry. An air separation plant was also brought on stream in Taiwan. This plant supplies gases to the customer TSMC for the production of semiconductors. The investment was worth around EUR 22 m.

Linde has achieved another success in Malaysia, forming a joint venture together with PETRONAS Gas Berhad (PGB) called Pengerang Gas Solution Sdn Bhd (PGS). The

joint venture will build two air separation plants to supply gaseous oxygen and nitrogen to PETRONAS at the Refinery and Petrochemicals Integrated Development (RAPID) industrial complex in Pengerang, in southern Malaysia. Total investment in the gas production plants is around EUR 150 m. The joint venture will operate the plants under a long-term gas supply agreement.

Linde was involved in another project in Malaysia in the first nine months of 2016, bringing on stream a gas production plant for BASF Petronas Chemicals Sdn Bhd, a joint venture between PETRONAS and BASF. The plant will supply the customer with hydrogen on the Gebeng site. The investment is worth around EUR 9 m.

Americas

In the Americas segment, revenue fell in the first nine months of 2016 by 0.8 percent to EUR 3.847 bn (2015: EUR 3.878 bn). On a comparable basis, revenue rose by 2.2 percent. When compared with the prior-year period, operating profit fell by 3.1 percent to EUR 947 m (2015: EUR 977 m). The operating margin dropped to 24.6 percent (2015: 25.2 percent).

Revenue and earnings trends in this segment were affected by several factors working in different directions. In the Healthcare business in North America, price reductions as a result of government tenders came into force at the beginning of the 2016 financial year and intensified as expected after 1 July. On the other hand, the acquisition of the company American HomePatient, Inc., which specialises in respiratory therapies, resulted in an increase in revenue. The contribution to revenue made by American HomePatient in the first nine months of 2016 was EUR 177 m. The acquisition should help counter the negative impact of the price reductions by increasing the number of patients cared for by Linde and thereby generating cost savings as a result of economies of scale. In the third quarter of 2016, Linde also sold two Lincare subsidiaries which traded in medicines and pharmaceutical products. As would be expected, the deconsolidation of these companies had an adverse impact on revenue in Linde's Healthcare business.

Operating profit not only suffered the negative impact of the US government's price reductions, but also benefited from the positive impact of the reorganisation of pension plans and the profit arising on the disposal of the Lincare companies. In addition, Linde continually adapts its cost structures and pursues a policy of organic growth.

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

Product areas

Boosted by the acquisition of American HomePatient, Linde increased revenue in its Healthcare business in the first nine months of 2016 on a comparable basis by 5.0 percent to EUR 2.787 bn (2015: EUR 2.654 bn).

In the on-site product area, revenue rose on a comparable basis by 0.5 percent to EUR 2.747 bn (2015: EUR 2.733 bn). After adjusting for the effects of the expiry of contracts, revenue in this product area was 2.2 percent higher than in the first nine months of 2015.

Trends in the liquefied gases business were relatively steady. Revenue here increased slightly by 0.2 percent to EUR 2.617 bn (2015: EUR 2.612 bn). In the cylinder gas business, revenue was EUR 2.865 bn. On a comparable basis, this was 2.1 percent below the figure for the first nine months of 2015 of EUR 2.926 bn. It should be noted here that in the prior-year period positive price effects in the electronic and specialty gases sector had a favourable impact, especially in North America.

€ 1 GASES DIVISION: REVENUE AND OPERATING PROFIT BY SEGMENT

<i>in € million</i>	January to September 2016			January to September 2015		
	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	4,272	1,358	31.8	4,515	1,350	29.9
Asia/Pacific	3,027	793	26.2	3,133	804	25.7
Americas	3,847	947	24.6	3,878	977	25.2
Consolidation	-130	-	-	-139	-	-
GASES DIVISION	11,016	3,098	28.1	11,387	3,131	27.5

€ 2 GASES DIVISION: REVENUE AND OPERATING PROFIT BY SEGMENT

<i>in € million</i>	3rd Quarter 2016			3rd Quarter 2015		
	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	1,411	430 ¹	30.5 ¹	1,510	435	28.8
Asia/Pacific	1,051	280	26.6	1,047	266	25.4
Americas	1,269	295	23.2	1,326	339	25.6
Consolidation	-42	-	-	-50	-	-
GASES DIVISION	3,689	1,005¹	27.2¹	3,833	1,040	27.1

¹ Restructuring costs of EUR 39 m were recognised in the half-year financial report, but were not classified as a non-recurring item. To ensure that the figures are comparable, the relevant quarterly figures have been disclosed after adjustment for non-recurring items.

€ 3 REVENUE ON A COMPARABLE BASIS BY SEGMENT

<i>in € million</i>	30.09.2016	30.09.2015	Exchange rate effect	Prior-year period adjusted for exchange rate effects	Currency-adjusted revenue trend in percent	Effect of natural gas prices	Revenue trend on a comparable basis in percent
Gases Division	11,016	11,387	-389	10,998	0.2	-74	0.8
EMEA	4,272	4,515	-176	4,339	-1.5	-34	-0.8
Asia/Pacific	3,027	3,133	-119	3,014	0.4	-20	1.1
Americas	3,847	3,878	-95	3,783	1.7	-20	2.2

Engineering Division

Revenue in the Engineering Division fell in the first nine months of 2016 by 13.1 percent to EUR 1.739 bn (2015: EUR 2.002 bn). Operating profit here also dropped to EUR 146 m (2015: EUR 169 m). The operating margin remained the same at 8.4 percent. This continues to be above the industry average and matched the target of around 8 percent Linde has set itself for the current financial year. The order backlog in the Engineering Division at 30 September 2016 remained solid at EUR 4.269 bn (31 December 2015: EUR 4.541 bn).

Order intake in the nine months to 30 September 2016 was EUR 1.587 bn, which was higher than the figure for the first nine months of 2015 of EUR 1.128 bn. Slack demand continues to be seen in the plant construction sector as a result of the prevailing low price of oil.

Back in 2015, Linde was selected as the licensor for natural gas processing technology in eastern Russia for the Amur-GPP project. The plant will be constructed in five phases and completed in 2024. *SEE 2015 FINANCIAL REPORT, PAGE 62.* Order intake in 2016 includes an amount of just under EUR 500 m which relates to the second phase of the project which began during the reporting period.

Around 25 percent of new orders related to air separation plants. Just over half of these are in-house contracts acquired by the Engineering Division in the reporting period from the Gases Division.

Shell has commissioned the Engineering Division to provide procurement and supply services for the construction of an ethylene plant and two polyethylene plants in Pennsylvania, USA. In addition, Linde Engineering will set up equipment such as process furnaces, plate heat exchangers and a pressure swing adsorption (PSA) plant. The total value of the order is around EUR 340 m, of which around EUR 200 m was included in order intake in the first nine months of 2016. The remaining amount was recognised in 2015.

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

In the third quarter of 2016, Linde's Gases Division gave the Engineering Division the contract to build two air separation plants for the newly-formed joint venture between Linde and PETRONAS. *SEE ALSO GASES DIVISION PAGE 4.* The contract is for the engineering, procurement, construction and commissioning of the plants (EPCC). In the reporting period, Engineering Division order intake in relation to this project was over EUR 100 m.

4 ENGINEERING DIVISION

in € million	3rd Quarter		January to September	
	2016	2015	2016	2015
Revenue	654	651	1,739	2,002
Order intake	869	404	1,587	1,128
Order backlog at 30.09./31.12.	-	-	4,269	4,541
Operating profit	57	55	146	169
Operating margin	8.7%	8.4%	8.4%	8.4%

5 ENGINEERING DIVISION: ORDER INTAKE BY PLANT TYPE

in € million	January to September			
	2016	in percent	2015	in percent
Natural gas plants	604	38.1	312	27.7
Air separation plants	402	25.3	204	18.1
Olefin plants	309	19.5	217	19.2
Hydrogen and synthesis gas plants	154	9.7	176	15.6
Other	118	7.4	219	19.4
ENGINEERING DIVISION	1,587	100.0	1,128	100.0

6 ENGINEERING DIVISION: ORDER INTAKE BY PLANT TYPE

<i>in € million</i>	<i>3rd Quarter</i>			
	<i>2016</i>	<i>in percent</i>	<i>2015</i>	<i>in percent</i>
Natural gas plants	523	60.2	89	22.0
Air separation plants	203	23.4	125	30.9
Olefin plants	62	7.1	75	18.6
Hydrogen and synthesis gas plants	46	5.3	37	9.2
Other	35	4.0	78	19.3
ENGINEERING DIVISION	869	100.0	404	100.0

Finance

Once again during the reporting period there was a positive trend in cash flow from operating activities. In the first nine months of 2016, it increased by 4.7 percent to EUR 2.503 bn (2015: EUR 2.390 bn). The change in working capital was EUR 8 m as a result of the higher figure for advance payments received from plant construction customers (2015: EUR –185 m). In addition, income taxes paid fell as a result of tax repayments by EUR 43 m to EUR 327 m (2015: EUR 370 m).

Linde spent a total of EUR 1.270 bn during the reporting period on investments in tangible assets, intangible assets and financial assets, which was below the figure for the first nine months of 2015 of EUR 1.356 bn. Payments made for investments in consolidated companies rose to EUR 190 m (2015: EUR 109 m), most of which related to the acquisition of US company American HomePatient, Inc. The net cash outflow from investing activities during the reporting period was EUR 1.217 bn, which was EUR 182 m lower than the net cash outflow from investing activities in the prior-year period of EUR 1.399 bn. At 30 September 2016, free cash flow was EUR 1.286 bn (2015: EUR 991 m).

Within cash flow from financing activities, the amount by which loan proceeds exceeded loan redemptions remained virtually unchanged at EUR 12 m (2015: EUR 11 m). The net cash outflow from financing activities in the first nine months of 2016 was EUR 1.004 bn (2015: EUR 941 m).

Total assets fell by EUR 840 m, from EUR 35.347 bn at 31 December 2015 to EUR 34.507 bn at 30 September 2016. Almost all the balance sheet items felt the impact of adverse exchange rate effects.

At 30 September 2016, goodwill stood at EUR 11.333 bn, which was EUR 271 m below the figure at 31 December 2015 of EUR 11.604 bn. The decrease in goodwill was mainly due to two opposing factors. Adverse exchange rate effects of EUR 358 m reduced the goodwill figure, while additions as a result of acquisitions of EUR 121 m led to an increase in the goodwill figure.

Other intangible assets, comprising customer relationships, brand names and sundry intangible assets, decreased by EUR 280 m, from EUR 2.760 bn at 31 December 2015 to

EUR 2.480 bn at 30 September 2016. Negative exchange rate effects of EUR 126 m and amortisation of EUR 218 m were set against additions of EUR 78 m.

Tangible assets are stated at a carrying amount of EUR 12.340 bn at 30 September 2016 (31 December 2015: EUR 12.782 bn). The decrease of EUR 442 m was partly due to adverse exchange rate effects of EUR 274 m. Depreciation was EUR 1.176 bn, whereas acquisitions and investments resulted in an increase in tangible assets of EUR 1.144 bn.

Group equity at 30 September 2016 was EUR 14.236 bn (31 December 2015: EUR 15.449 bn). The profit for the period increased equity by EUR 1.034 bn. Factors with a negative impact on equity were adverse exchange rate effects of EUR 964 m and the effects of the remeasurement of pension plans of EUR 775 m. The payment of the dividend for 2015 to Linde AG shareholders of EUR 640 m also reduced equity. The equity ratio at 30 September 2016 was 41.3 percent (31 December 2015: 43.7 percent).

Provisions for pensions and similar obligations rose by EUR 965 m to EUR 2.033 bn at 30 September 2016 (31 December 2015: EUR 1.068 bn). This increase was mainly due to the change in actuarial assumptions. Asset cover for the defined benefit obligation of The Linde Group is 75.2 percent (31 December 2015: 86.4 percent). The reduction in the asset cover is mainly due to the increase in the pension obligation. This is primarily the result of the decrease in discount rates.

Net financial debt comprises gross financial debt less short-term securities and cash and cash equivalents. At 30 September 2016, net financial debt was EUR 7.169 bn (31 December 2015: EUR 7.645 bn). The decrease of EUR 476 m was due to a variety of effects in different directions. Net financial debt increased as a result of the dividend payment of EUR 640 m to Linde AG shareholders, while on the other hand the good figure for cash flow from operating activities and exchange rate effects and valuation effects reduced the figure for net financial debt.

Gross financial debt fell during the reporting period by EUR 203 m to EUR 9.280 bn (31 December 2015: EUR 9.483 bn). In the third quarter, two hybrid bonds were repaid: a EUR 700 m bond and a GBP 250 m bond. Both bonds were redeemed at 100 percent of their nominal value. Linde exercised its right to repay the bonds at the earliest opportunity

on 14 July 2016 which is ten years after they were originally issued. At 30 September 2016, current financial debt was EUR 2.630 bn (31 December 2015: EUR 1.023 bn). The increase in the figure is mainly due to the reclassification of other bonds due for repayment within the next twelve months. Non-current financial debt fell as a result by EUR 1.810 bn to EUR 6.650 bn (31 December 2015: EUR 8.460 bn).

Available liquidity for Linde comprises short-term securities of EUR 430 m, cash and cash equivalents of EUR 1.681 bn and its EUR 2.5 bn syndicated credit facility less current financial debt. The liquidity available to Linde at 30 September 2016 was therefore EUR 1.981 bn (31 December 2015: EUR 3.315 bn).

The dynamic indebtedness factor (net financial debt to operating profit for the last twelve months) was 1.8 at 30 September 2016, slightly below the figure of 1.9 at 31 December 2015. The Group's gearing (the ratio of net debt to equity) changed in the first nine months of 2016 to 50.4 percent (31 December 2015: 49.5 percent).

Since 1999, the creditworthiness of The Linde Group has been rated by the leading international rating agencies Moody's and Standard & Poor's (S & P). Both rating agencies confirmed their long-term ratings for Linde during the reporting period. S & P rates the creditworthiness of The Linde Group at A+, Moody's at A2, both with a stable outlook.

In August 2016, the European rating agency Scope published its first rating for The Linde Group, A+ (long-term) with a stable outlook. Its short-term rating of the creditworthiness of The Linde Group was S-1+, the highest category in Scope's rating methodology.

Outlook

Group

The forecast of global economic trends and the outlook for the industry sector have not changed significantly since the disclosures in the 2015 Financial Report. *SEE OUTLOOK ON PAGES 108 TO 110.* The forecasting institute Oxford Economics expects growth in the global economy in 2016 to be slightly below the level seen in 2015.

Linde confirms its outlook for the current year. In the 2016 financial year, the expected range for Group revenue is between 3 percent below and 4 percent above the revenue generated in 2015, after adjusting for exchange rate effects. As far as Group operating profit¹ in the 2016 financial year is concerned, the expected range is also between 3 percent below and 4 percent above the figure achieved in 2015, after adjusting for exchange rate effects.

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

Outlook – Gases Division

Contingent on the circumstances described in the 2015 Financial Report and on future economic trends (*SEE OUTLOOK ON PAGES 108 TO 109*), Linde is seeking to achieve the following targets in the Gases Division in the 2016 financial year. It is aiming to generate revenue after adjusting for exchange rate effects which is at least equal to and may be up to 5 percent higher than the revenue generated in the 2015 financial year. The expected range for operating profit¹ after adjusting for exchange rate effects is between 1 percent below and 6 percent above the operating profit achieved in 2015.

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

Outlook – Engineering Division

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

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

Opportunity and risk report

As a group with a global footprint, Linde operates in a dynamic environment in which new market opportunities are constantly emerging. These business opportunities, which were described in detail in the 2015 Financial Report (*SEE OPPORTUNITY REPORT ON PAGES 91 TO 93*), have not changed significantly in the nine months to 30 September 2016.

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

Uncertainty about future 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.

7 GROUP STATEMENT OF PROFIT OR LOSS

<i>in € million</i>	<i>3rd Quarter</i>		<i>January to September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Revenue	4,407	4,516	12,967	13,552
Cost of sales	2,894	2,893	8,320	8,744
GROSS PROFIT	1,513	1,623	4,647	4,808
Marketing and selling expenses	621	696	1,864	2,063
Research and development costs	30	35	89	93
Administration expenses	401	420	1,242	1,260
Other operating income	125	81	365	312
Other operating expenses	63	49	210	180
Share of profit or loss from associates and joint ventures (at equity)	4	4	12	9
EBIT	527	508	1,619	1,533
Financial income	11	8	23	29
Financial expenses	80	111	275	330
PROFIT BEFORE TAX	458	405	1,367	1,232
Taxes on income	111	97	333	295
PROFIT FOR THE PERIOD	347	308	1,034	937
attributable to Linde AG shareholders	313	281	945	860
attributable to non-controlling interests	34	27	89	77
Earnings per share in € - undiluted	1.69	1.51	5.09	4.63
Earnings per share in € - diluted	1.68	1.51	5.07	4.62

8 GROUP STATEMENT OF COMPREHENSIVE INCOME

<i>in € million</i>	<i>3rd Quarter</i>		<i>January to September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
PROFIT FOR THE PERIOD	347	308	1,034	937
OTHER COMPREHENSIVE INCOME (NET OF TAX)	-469	-940	-1,568	29
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	-162	-782	-793	187
Unrealised gains/losses on available-for-sale financial assets	-1	-6	-	-12
Unrealised gains/losses on derivative financial instruments	47	65	171	-336
Currency translation differences	-208	-841	-964	535
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	-307	-158	-775	-158
Remeasurement of defined benefit plans	-307	-158	-775	-158
TOTAL COMPREHENSIVE INCOME	-122	-632	-534	966
attributable to Linde AG shareholders	-160	-606	-604	879
attributable to non-controlling interests	38	-26	70	87

9 GROUP STATEMENT OF FINANCIAL POSITION

<i>in € million</i>	30.09.2016	31.12.2015
Assets		
Goodwill	11,333	11,604
Other intangible assets	2,480	2,760
Tangible assets	12,340	12,782
Investments in associates and joint ventures (at equity)	236	242
Other financial assets	59	57
Receivables from finance leases	172	217
Trade receivables	1	2
Other receivables and other assets	402	426
Income tax receivables	11	9
Deferred tax assets	403	327
NON-CURRENT ASSETS	27,437	28,426
Inventories	1,262	1,241
Receivables from finance leases	48	52
Trade receivables	2,715	2,724
Other receivables and other assets	680	778
Income tax receivables	209	277
Securities	430	421
Cash and cash equivalents	1,681	1,417
Non-current assets classified as held for sale and disposal groups	45	11
CURRENT ASSETS	7,070	6,921
TOTAL ASSETS	34,507	35,347

10 GROUP STATEMENT OF FINANCIAL POSITION

<i>in € million</i>	30.09.2016	31.12.2015
Equity and liabilities		
Capital subscribed	475	475
Capital reserve	6,744	6,736
Revenue reserves	6,678	7,146
Cumulative changes in equity not recognised through profit or loss	-553	221
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	13,344	14,578
Non-controlling interests	892	871
TOTAL EQUITY	14,236	15,449
Provisions for pensions and similar obligations	2,033	1,068
Other non-current provisions	528	530
Deferred tax liabilities	1,504	1,750
Financial debt	6,650	8,460
Liabilities from finance leases	50	55
Trade payables	1	3
Other non-current liabilities	762	847
NON-CURRENT LIABILITIES	11,528	12,713
Current provisions	1,126	1,089
Financial debt	2,630	1,023
Liabilities from finance leases	24	23
Trade payables	3,180	3,223
Other current liabilities	1,255	1,255
Liabilities from income taxes	500	568
Liabilities related to non-current assets classified as held for sale and disposal groups	28	4
CURRENT LIABILITIES	8,743	7,185
TOTAL EQUITY AND LIABILITIES	34,507	35,347

E 11 GROUP STATEMENT OF CASH FLOWS

<i>in € million</i>	<i>January to September</i>	
	<i>2016</i>	<i>2015</i>
PROFIT BEFORE TAX	1,367	1,232
<i>Adjustments to profit before tax to calculate cash flow from operating activities</i>		
Amortisation of intangible assets and depreciation of tangible assets	1,397	1,412
Impairments of financial assets	4	4
Profit/loss on disposal of non-current assets	-30	-8
Net interest	231	272
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	11	14
Share of profit or loss from associates and joint ventures (at equity)	-12	-9
Distributions/dividends received from associates and joint ventures	15	9
Income taxes paid	-327	-370
<i>Changes in assets and liabilities</i>		
Change in inventories	-41	-62
Change in trade receivables	-62	187
Change in provisions	-5	15
Change in trade payables	111	-310
Change in other assets and liabilities	-156	4
CASH FLOW FROM OPERATING ACTIVITIES	2,503	2,390
Payments for tangible and intangible assets and plants held under finance leases in accordance with IFRIC 4/IAS 17	-1,225	-1,322
Payments for investments in consolidated companies	-190	-109
Payments for investments in financial assets	-45	-34
Payments for investments in securities	-1,238	-803
Proceeds on disposal of securities	1,229	700
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	137	71
Proceeds on disposal of consolidated companies	87	-
Proceeds on disposal of non-current assets held for sale and disposal groups	-	12
Proceeds on disposal of financial assets	28	86
CASH FLOW FROM INVESTING ACTIVITIES	-1,217	-1,399

12 GROUP STATEMENT OF CASH FLOWS

<i>in € million</i>	<i>January to September</i>	
	<i>2016</i>	<i>2015</i>
Dividend payments to Linde AG shareholders and non-controlling interests	-709	-660
Interest received	137	137
Interest paid	-429	-410
Proceeds of loans and capital market debt	4,152	2,130
Cash outflows for the repayment of loans and capital market debt	-4,140	-2,119
Cash outflows for the repayment of liabilities from finance leases	-15	-19
CASH FLOW FROM FINANCING ACTIVITIES	-1,004	-941
NET CASH INFLOW/OUTFLOW	282	50
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	1,417	1,137
Effects of currency translation	-18	-7
Cash disclosed as non-current assets classified as held for sale and disposal groups	-	-
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1,681	1,180

13 STATEMENT OF CHANGES IN GROUP EQUITY

<i>in € million</i>	<i>Capital subscribed</i>	<i>Capital reserve</i>
AT 01.01.2015	475	6,730
Profit for the period	-	-
Other comprehensive income (net of tax)	-	-
TOTAL COMPREHENSIVE INCOME	-	-
Dividend payments	-	-
Changes as a result of share option schemes	-	14
Repurchase of own shares	-	-
Capital increase/decrease	-	-
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	-	14
Acquisition/disposal of non-controlling interests	-	-
Purchase/sale of non-controlling interests	-	-
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	-	-
OTHER CHANGES	-	-
AT 30.09.2015	475	6,744
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	-	8
Repurchase of own shares	-	-
Capital increase/decrease	-	-
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	-	8
Acquisition/disposal of non-controlling interests	-	-
Purchase/sale of non-controlling interests	-	-
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	-	-
OTHER CHANGES	-	-
AT 30.09.2016	475	6,744

<i>Revenue reserves</i>		<i>Cumulative changes in equity not recognised through the statement of profit or loss</i>				<i>Total equity attributable to Linde AG shareholders</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
<i>Remeasurement of defined benefit plans</i>	<i>Retained earnings</i>	<i>Currency translation differences</i>	<i>Available-for-sale financial assets</i>	<i>Hedging instruments</i>				
-980	7,544	61	5	-429	13,406	861	14,267	
-	860	-	-	-	860	77	937	
-155	-	521	-11	-336	19	10	29	
-155	860	521	-11	-336	879	87	966	
-	-585	-	-	-	-585	-75	-660	
-	-	-	-	-	14	-	14	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-585	-	-	-	-571	-75	-646	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	3	-	-	-	3	-2	1	
-1,135	7,822	582	-6	-765	13,717	871	14,588	
-966	8,112	1,127	-1	-905	14,578	871	15,449	
-	945	-	-	-	945	89	1,034	
-775	-	-945	-	171	-1,549	-19	-1,568	
-775	945	-945	-	171	-604	70	-534	
-	-640	-	-	-	-640	-69	-709	
-	-	-	-	-	8	-	8	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-640	-	-	-	-632	-69	-701	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	23	23	
-	-	-	-	-	-	23	23	
-	2	-	-	-	2	-3	-1	
-1,741	8,419	182	-1	-734	13,344	892	14,236	

14 SEGMENT INFORMATION

	Segments	
	Gases Division	
	January to September	
<i>in € million, SEE NOTE [7]</i>	2016	2015
Revenue from third parties	11,009	11,379
Revenue from other segments	7	8
TOTAL SEGMENT REVENUE	11,016	11,387
OPERATING PROFIT	3,098	3,131
Restructuring costs (non-recurring item)	43	158
Amortisation of intangible assets and depreciation of tangible assets	1,381	1,389
EBIT (EARNINGS BEFORE INTEREST AND TAX)	1,674	1,584
Capital expenditure (excluding financial assets)	1,098	1,192

in € million, SEE NOTE [7]

Revenue from third parties

Revenue from other segments

TOTAL SEGMENT REVENUE**OPERATING PROFIT**

Restructuring costs (non-recurring item)

Amortisation of intangible assets and depreciation of tangible assets

EBIT (EARNINGS BEFORE INTEREST AND TAX)

Capital expenditure (excluding financial assets)

<i>Segments</i>							
<i>Engineering Division</i>		<i>Other Activities</i>		<i>Reconciliation</i>		<i>Group</i>	
<i>January to September</i>		<i>January to September</i>		<i>January to September</i>		<i>January to September</i>	
<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
1,521	1,732	437	441	-	-	12,967	13,552
218	270	10	5	-235	-283	-	-
1,739	2,002	447	446	-235	-283	12,967	13,552
146	169	31	31	-209	-194	3,066	3,137
7	30	-	-	-	4	50	192
27	28	19	23	-30	-28	1,397	1,412
112	111	12	8	-179	-170	1,619	1,533
17	17	8	11	10	5	1,133	1,225

<i>Segments</i>							
<i>Gases Division</i>							
<i>EMEA</i>		<i>Asia/Pacific</i>		<i>Americas</i>		<i>Total Gases Division</i>	
<i>January to September</i>		<i>January to September</i>		<i>January to September</i>		<i>January to September</i>	
<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
4,262	4,497	3,009	3,112	3,738	3,770	11,009	11,379
10	18	18	21	109	108	7	8
4,272	4,515	3,027	3,133	3,847	3,878	11,016	11,387
1,358	1,350	793	804	947	977	3,098	3,131
43	82	-	41	-	35	43	158
513	513	412	438	456	438	1,381	1,389
802	755	381	325	491	504	1,674	1,584
492	560	235	247	371	385	1,098	1,192

ADDITIONAL COMMENTS

GROUP INTERIM MANAGEMENT REPORT	<1
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[1] General accounting policies

The condensed Group interim financial statements of Linde AG for the nine months ended 30 September 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable to interim financial reporting, as adopted by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and the Council on the application of International Accounting Standards.

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

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

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

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

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

The following standards were issued by the IASB during the reporting period, but have not yet been applied in the condensed Group interim financial statements of The Linde Group for the nine months ended 30 September 2016, as the standards are not yet effective:

- 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)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- Amendments to IFRS 2 Share-based payment (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:

€ 15 STRUCTURE OF COMPANIES INCLUDED IN THE FINANCIAL STATEMENTS

	As at 31.12.2015	Additions	Disposals	As at 30.09.2016
CONSOLIDATED SUBSIDIARIES	528	41	12	557
of which within Germany	18	-	-	18
of which outside Germany	510	41	12	539
COMPANIES ACCOUNTED FOR USING THE LINE-BY-LINE METHOD	5	-	-	5
of which within Germany	-	-	-	-
of which outside Germany	5	-	-	5
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	37	3	-	40
of which within Germany	5	1	-	6
of which outside Germany	32	2	-	34
NON-CONSOLIDATED SUBSIDIARIES	50	4	5	49
of which within Germany	-	1	-	1
of which outside Germany	50	3	5	48

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

Other significant disposals are described in *NOTE [5] NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL GROUPS*. Significant additions during the reporting period are described in *NOTE [3]* below.

[3] Acquisitions

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

American HomePatient, Inc.

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

The transaction involved a cash payment of around EUR 210 m. After deducting a repayment of financial debt of EUR 24 m and provisions for employee remuneration of EUR 1 m and after taking account of a conditional purchase price repayment claim with an expected value of EUR 11 m, the acquisition cost as defined by IFRS 3 was EUR 174 m. The conditional purchase price repayment claim is due within two years. The amount of the repayment claim is uncertain and lies between EUR 1 m and EUR 36 m.

In the course of its purchase, Linde acquired non-current assets, inventories and current assets. Deferred tax assets arising from tax loss carryforwards have also been recognised, following the completion of an examination of the facts. This is the main reason for the decrease in goodwill compared with the figure disclosed in the half-year financial report. The principal elements of the provisional figure for goodwill of EUR 114 m are the expected synergies with Linde's existing Healthcare business and going concern synergies. The purchase price allocation resulted in fair value adjustments of EUR 31 m. These relate to the company brand, customer relationships and tangible assets. None of the goodwill is tax-deductible. Due to the proximity of the acquisition date to the reporting date, the results of the purchase price allocation are still provisional.

In the course of the transaction, Linde acquired 100 percent of the shares in American HomePatient, Inc. Those non-controlling interests disclosed in the opening balance sheet are the result of pre-consolidated units with shares held by other non-controlling shareholders. The receivables acquired have a fair value of EUR 30 m and are all trade receivables. The gross value of the receivables is EUR 62 m. The difference between the gross value of the receivables and their fair value is a provision for bad debts.

Since the date of the acquisition, the business acquired has generated revenue of EUR 177 m and a contribution to profit for the period of EUR 0 m. If the business had been consolidated into The Linde Group from 1 January 2016, the contribution to revenue would have been EUR 199 m and

the contribution to profit for the period would have been a loss of EUR 2 m. The profit for the period was adversely affected in particular by the amortisation or depreciation of fair value step-ups identified in the course of the purchase price allocation.

Other acquisitions

In the first nine months of 2016, Linde made acquisitions to expand its industrial gases and Healthcare businesses in the EMEA and Americas segments. The total purchase price for these acquisitions was EUR 10 m, all of which was paid in cash. The total purchase price includes deferred payments. In some cases, separate transactions were conducted with former shareholders. In the course of these purchases, Linde acquired non-current assets and inventories. Total goodwill arising was EUR 7 m, while the purchase price allocations resulted in fair value adjustments of EUR 2 m. Of the goodwill, EUR 7 m is tax-deductible. The main components of the goodwill are potential synergies and access to new sales markets. No receivables were acquired in the course of these acquisitions.

Since the date of the acquisition, the businesses acquired have generated revenue of EUR 3 m and a contribution to profit for the period of EUR 0 m. If the businesses had been consolidated into The Linde Group from 1 January 2016, the contribution to revenue would have been EUR 7 m and the contribution to profit for the period would have been EUR 0 m.

€ 16 IMPACT OF ACQUISITIONS ON THE NET ASSETS OF THE LINDE GROUP

Opening balance upon initial consolidation in € million	Fair value	
	AHOM	Other
Non-current assets	148	3
Inventories	4	1
Other current assets	34	-
Cash and cash equivalents	7	-
Equity	60	3
Non-controlling interests	10	-
Liabilities	123	1

[4] Foreign currency translation

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

€ 17 PRINCIPAL EXCHANGE RATES

Exchange rate €1 =	ISO code	Spot rate on balance sheet date		Average rate January to September	
		30.09.2016	31.12.2015	2016	2015
Australia	AUD	1.47300	1.49183	1.50519	1.46350
China	CNY	7.47751	7.05243	7.34875	6.96790
South Africa	ZAR	15.64417	16.80825	16.68786	13.69390
UK	GBP	0.86538	0.73685	0.80329	0.72750
USA	USD	1.12110	1.08605	1.11660	1.11504

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

At 30 September 2016, assets of EUR 45 m and liabilities of EUR 28 m (net book value of EUR 17 m) were disclosed as non-current disposal groups held for sale. These comprise mainly technical equipment and machinery, trade receivables and financial liabilities. Of these, EUR 1 m relates to the EMEA segment and EUR 16 m to the Asia/Pacific segment. It is expected that the disposal groups will be sold in the current year. The relevant contracts of sale have already been signed. No impairment losses were recognised in respect of the assets. Included in cumulative changes in equity not recognised through the statement of profit or loss at the balance sheet date is income of EUR 6 m arising from the measurement of assets and liabilities in foreign currency.

In the third quarter, non-current assets classified as held for sale of EUR 55 m and related liabilities of EUR 14 m (net book value of EUR 41 m) were sold as planned. The profit on sale was EUR 32 m and has been disclosed in other operating income.

[6] Financial instruments

E 18 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

in € million	30.09.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investments and securities	420			415		
Derivatives with positive fair values		188			316	
Derivatives with negative fair values		638			675	

For individual categories of financial assets and financial liabilities in The Linde Group, the carrying amount of the item is generally a reasonable approximation of the fair value of the item. This does not apply to receivables from finance leases or to financial debt. In the case of receivables from finance leases, the fair value is EUR 303 m, while the carrying amount is EUR 220 m. The fair value of the financial debt is EUR 9.860 bn, compared with its carrying amount of EUR 9.280 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 18 m (31 December 2015: EUR 15 m) for which a fair value cannot be reliably determined. For these assets, there are neither observable market prices nor sufficient information for a reliable valuation using other valuation methods. There is currently no intention to sell these assets.

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

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

During the reporting period, there were no transfers between Levels 1, 2 and 3 of the fair value hierarchy.

[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 2015.

To arrive at the figure for the Gases Division as a whole from the figures for the segments within the Gases Division, consolidation adjustments of EUR 130 m (2015: EUR 139 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:

19 RECONCILIATION OF SEGMENT REVENUE AND OF THE SEGMENT RESULT

<i>in € million</i>	<i>January to September</i>	
	<i>2016</i>	<i>2015</i>
<i>Revenue</i>		
Total segment revenue	13,202	13,835
Consolidation	-235	-283
GROUP REVENUE	12,967	13,552
<i>Operating profit</i>		
Operating profit from segments	3,275	3,331
Operating profit from Corporate activities	-224	-198
Restructuring costs (non-recurring item)	50	192
Amortisation and depreciation	1,397	1,412
Financial income	23	29
Financial expenses	275	330
Consolidation	15	4
PROFIT BEFORE TAX	1,367	1,232

[8] Reconciliation of key financial figures

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

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

€ 20 KEY FINANCIAL FIGURES ADJUSTED FOR NON-RECURRING ITEMS

in € million	January to September					
	2016			2015		
	As reported	Non-recurring items	Key financial figures before non-recurring items	As reported	Non-recurring items	Key financial figures before non-recurring items
Revenue	12,967	–	12,967	13,552	–	13,552
Cost of sales	–8,320	7	–8,313	–8,744	36	–8,708
GROSS PROFIT	4,647	7	4,654	4,808	36	4,844
Research and development costs, marketing, selling and administration expenses	–3,195	43	–3,152	–3,416	156	–3,260
Other operating income and expenses	155	–	155	132	–	132
Share of profit or loss from associates and joint ventures (at equity)	12	–	12	9	–	9
EBIT	1,619	50	1,669	1,533	192	1,725
Financial result	–252	–	–252	–301	–	–301
Taxes on income	–333	–11	–344	–295	–53	–348
PROFIT FOR THE PERIOD	1,034	39	1,073	937	139	1,076
attributable to Linde AG shareholders	945	39	984	860	133	993
attributable to non-controlling interests	89	–	89	77	6	83
EBIT	1,619	50	1,669	1,533	192	1,725
Amortisation of intangible assets and depreciation of tangible assets	–1,397	–	–1,397	–1,412	–	–1,412
OPERATING PROFIT	3,016	50	3,066	2,945	192	3,137
EARNINGS PER SHARE IN € – UNDILUTED	5.09	0.21	5.30	4.63	0.72	5.35
EARNINGS PER SHARE IN € – DILUTED	5.07	0.21	5.28	4.62	0.71	5.33

[9] Events after the balance sheet date

No significant events have occurred for The Linde Group since the end of the reporting period on 30 September 2016.

MUNICH, 27 OCTOBER 2016

DR WOLFGANG BÜCHELE
[CHIEF EXECUTIVE OFFICER]

DR CHRISTIAN BRUCH
[MEMBER OF THE EXECUTIVE BOARD]

BERND EULITZ
[MEMBER OF THE EXECUTIVE BOARD]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

REVIEW REPORT

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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.

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 30 September 2016 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.

MUNICH, 27 OCTOBER 2016

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GESELLSCHAFT]

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[WIRTSCHAFTS -
PRÜFER]

V. HEYNITZ
[WIRTSCHAFTS -
PRÜFER]

FINANCIAL CALENDAR

[1]
A U T U M N P R E S S C O N F E R E N C E
2 0 1 6
28 October 2016
Carl von Linde Haus, Munich,
Germany

[2]
I N T E R I M R E P O R T
J A N U A R Y T O S E P T E M B E R 2 0 1 6
28 October 2016

[3]
P R E S S C O N F E R E N C E O N
T H E A N N U A L R E S U L T S
2 0 1 7
9 March 2017
Carl von Linde Haus, Munich,
Germany

[4]
A N N U A L G E N E R A L M E E T I N G
2 0 1 7
10 May 2017, 10 a.m.
International Congress Centre, Munich,
Germany

IMPRINT

[PUBLISHED BY]

LINDE AG
KLOSTERHOFSTRASSE 1
80331 MUNICH
GERMANY

[CONCEPT,
DESIGN,
PRODUCTION]

HW.DESIGN, MUNICH
GERMANY

[TEXT]

LINDE AG

[PRINTED BY]

G. PESCHKE DRUCKEREI GMBH
85599 PARSDORF
GERMANY

METAPAPER
SMOOTH WHITE [PAPER]

ClimatePartner^o
climate neutral
Print | ID 53152-1610-1005



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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 on request.

[DATE OF PUBLICATION]

28 OCTOBER 2016

Published by

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