Q1

LINDE INTERIM REPORT
JANUARY TO MARCH 2015

LeadIng.

THE LINDE GROUP

LINDE FINANCIAL HIGHLIGHTS

[Q1 – JANUARY TO MARCH 2015]

Linde Financial Highlights		*January to March 2015*	*January to March 2014*	*Change*
Share				
Closing price	€	189.65	145.20	30.6%
Year high	€	193.85	152.05	27.5%
Year low	€	149.30	139.15	7.3%
Market capitalisation (at closing price on 31 March)	€ million	35,206	26,947	30.6%
Earnings per share – undiluted	€	1.62	1.56	3.8%
Earnings per share – undiluted (before non-recurring items)	€	1.69	1.56	8.3%
Number of shares outstanding at the end of the reporting period	000s	185,638	185,588	0.0%
Group				
Revenue	€ million	4,398	4,045	8.7%
Operating profit[1]	€ million	1,010	927	9.0%
Operating margin	%	23.0	22.9	+10 bp[3]
EBIT (earnings before interest and tax)	€ million	523	518	1.0%
EBIT (before non-recurring items)	€ million	543	518	4.8%
Profit for the period	€ million	324	321	0.9%
Number of employees[2]		65,662	65,591	0.1%
Gases Division				
Revenue	€ million	3,672	3,367	9.1%
Operating profit[1]	€ million	1,008	913	10.4%
Operating margin	%	27.5	27.1	+40 bp[3]
Engineering Division				
Revenue	€ million	668	701	–4.7%
Operating profit[1]	€ million	57	71	–19.7%
Operating margin	%	8.5	10.1	–160 bp[3]

[1] EBIT (before non-recurring items) adjusted for amortisation of intangible assets and depreciation of tangible assets.
[2] At 31 March 2015/31 December 2014.
[3] Basis points.

LINDE INTERIM REPORT

[Q1 – JANUARY TO MARCH 2015]

JANUARY TO MARCH 2015: LINDE STARTS THE NEW FINANCIAL YEAR WITH INCREASES IN REVENUE AND EARNINGS AS A RESULT OF POSITIVE EXCHANGE RATE EFFECTS

- Group revenue: EUR 4.398 bn (2014: EUR 4.045 bn)
- Group operating profit[1]: EUR 1.010 bn (2014: EUR 927 m)
- Operating cash flow: EUR 740 m; up 24.6 percent
- 2015 Group outlook confirmed:
  - Group revenue: EUR 18.2 bn to EUR 19.0 bn
  - Group operating profit[1]: EUR 4.1 bn to EUR 4.3 bn
  - ROCE: 9 percent to 10 percent

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

GROUP INTERIM MANAGEMENT REPORT

GROUP INTERIM MANAGEMENT REPORT 1
ADDITIONAL COMMENTS >18

General economic environment

Economic experts are expecting the global economy to grow at a faster rate in 2015 than it did in 2014. The international forecasting institute The Economist Intelligence Unit Ltd. (EIU)[1] is therefore projecting an increase in global gross domestic product (GDP) for the full year 2015 of 2.9 percent. Growth in 2014 was 2.5 percent. The EIU is forecasting growth in global industrial production (IP) for the full year 2015 of 2.8 percent (2014: 2.5 percent).

Dynamic trends in the growth regions, which include East Asia and North America, are still being seen as the strongest driver of global economic development. Although the GDP growth forecast for China in 2015 has recently been revised down, structural adjustments are expected to stimulate growth. Moreover, the experts are assuming that recession can be avoided in the eurozone countries and that the recovery is gathering pace in Germany and in Europe. Overall, global consumption is expected to increase due to low oil prices.

Nevertheless, there are still a number of risks that might have an impact on the global economy. Economic development could be adversely affected by the large number of geopolitical crises. Other factors which might continue to hamper growth are considerable ongoing government deficits, currency fluctuations and persistently high unemployment in many industrialised countries. In addition, uncertainty has been created by high levels of volatility in the financial markets.

Economists are expecting different rates of growth in different regions of the world in 2015.

Once again, it is anticipated that the greatest economic growth will be in the Asia/Pacific region. The EIU is forecasting an increase in GDP in this region for the full year 2015 of 5.8 percent. For the first time, India is expected to overtake China as the fastest-growing economy, with projected GDP growth of 7.3 percent (2014: 7.0 percent). Industrial production in India is even forecast to more than double, from 1.4 percent in 2014 to 3.9 percent in 2015. Nevertheless, China's GDP growth is expected to remain very high at 7.0 percent (2014: 7.4 percent). Industrial production in China is expected not to increase quite as fast as in 2014. It is projected to rise by 7.0 percent in 2015, compared with the actual increase in 2014 of 8.3 percent.

[1]

In Australia, the institute is predicting GDP growth of 2.9 percent (2014: 2.7 percent). This increase will come primarily from the expansion of the service sector, which dominates the Australian economy, generating around 80 percent of the country's GDP. A weaker economic environment continues to be forecast for manufacturing industry in Australia. It is also anticipated that investment in the mining industry will continue to decline.

For the EMEA region as a whole (Europe, Middle East, Africa), growth of 1.6 percent is forecast for 2015, the same as was achieved in 2014. The projection for Germany of 1.8 percent is slightly higher than the figure for 2014 of 1.6 percent. Industrial production in Germany is also expected to be higher in 2015, with a projected increase of 1.8 percent compared with 1.5 percent in 2014. In the UK, economic experts are forecasting GDP growth of 2.7 percent (2014: 2.6 percent). In Eastern Europe and the Middle East, economists are now, as expected, predicting a relatively low increase in GDP of 0.9 percent (2014: 2.1 percent). All the same, industrial production here is forecast to increase by 1.5 percent (2014: 2.3 percent). In South Africa, Linde's largest market in Africa, economists are anticipating GDP growth of 2.2 percent, which is significantly higher than the figure of 1.5 percent achieved in 2014.

In the Americas region as a whole, economic output is currently expected to rise by 2.7 percent in 2015 (2014: 2.2 percent). The main driver of this trend is the United States, where GDP growth of 3.2 percent is being forecast for 2015 (2014: 2.4 percent). Gross domestic product in South America is expected to remain very weak with GDP growth of only 0.2 percent (2014: 0.6 percent).

Changes in the composition of the Executive Board and in the Group's organisational structure

The Linde AG Supervisory Board appointed Dr Christian Bruch and Bernd Eulitz as new members of the Executive Board with effect from 1 January 2015. Christian Bruch assumed responsibility for the Group's Engineering Division, while Bernd Eulitz is the Executive Board member responsible for the EMEA segment of the Group's gases business. Each operational member of the Executive Board is now responsible for one of the Group's segments. The reportable segments in the Gases Division (EMEA, Asia/Pacific and the Americas) therefore correspond to the operating segments.

In addition, the Executive Board decided to make changes to the Group's organisational model with effect from 15 January 2015. Within the EMEA segment, this resulted in RBU Continental & Northern Europe being divided into three new RBUs – RBU Central Europe, RBU Northern Europe and RBU Southern Europe. Within the Asia/Pacific segment, the Group expanded RBU Greater China to include South Korea, an important market especially for Linde's electronic gases business. The new RBU is called

RBU East Asia. At the same time, RBU South & East Asia was renamed RBU South Asia & ASEAN. The three reportable segments in the Gases Division therefore now comprise nine Regional Business Units.

Business review of The Linde Group

Linde has started the new financial year with increases in Group revenue and in Group operating profit. Revenue rose in the first quarter of 2015 by 8.7 percent to EUR 4.398 bn, when compared with the figure for the first quarter of 2014 of EUR 4.045 bn. Operating profit increased by 9.0 percent to EUR 1.010 bn (2014: EUR 927 m). Positive exchange rate movements were the most significant factor contributing to the increase. US dollars, British pounds and Chinese renminbi were some of the currencies which gained in value. These effects have arisen purely on the translation of various local currencies into the reporting currency (the euro). After adjusting for exchange rate effects, Group revenue was 0.8 percent below the figure for the prior-year period. Group operating profit fell by 1.2 percent.

The Group operating margin for the first three months of 2015 was 23.0 percent, which was slightly higher than the figure of 22.9 percent for the first three months of 2014.

Cost of sales increased in the reporting period by EUR 230 m to EUR 2.852 bn (2014: EUR 2.622 bn). Gross profit on sales of EUR 1.546 bn was 8.6 percent higher than the figure for the first quarter of 2014 of EUR 1.423 bn. The gross margin was 35.2 percent (2014: 35.2 percent).

Restructuring costs of EUR 20 m were recognised in functional costs. These costs have been classified as a non-recurring item.

EBIT in the three months to 31 March 2015 was EUR 523 m, slightly above the figure for the first quarter of 2014 of EUR 518 m. After adjusting for non-recurring items, EBIT in the reporting period was EUR 543 m. The net financial expense in the first three months of 2015 was EUR 98 m (2014: EUR 96 m). Linde therefore generated a profit before tax in the first quarter of 2015 of EUR 425 m (2014: EUR 422 m).

The income tax expense was EUR 101 m (2014: EUR 101 m). This gives an income tax rate of 23.8 percent (2014: 23.9 percent). In the first three months of 2015, Linde's profit for the period (after deducting the tax expense) was EUR 324 m (2014: EUR 321 m).

After adjusting for non-controlling interests, profit for the period attributable to Linde AG shareholders was EUR 300 m (2014: EUR 290 m), giving earnings per share of EUR 1.62 (2014: EUR 1.56). Earnings per share before non-recurring items was EUR 1.69.

Gases Division

Linde's revenue in the Gases Division in the first three months of 2015 was EUR 3.672 bn, an increase of 9.1 percent when compared with the figure for the prior-year period of EUR 3.367 bn. On a comparable basis, after adjusting for exchange rate effects and changes in the price of natural gas, Linde would have achieved an increase in revenue of 1.0 percent. Revenue has been adversely affected not only by the prevailing mood of caution in the economic environment, but also by current low energy costs and the expiry of on-site contracts.

Operating profit rose by 10.4 percent to EUR 1.008 bn (2014: EUR 913 m). The operating margin in the first quarter of 2015 rose to 27.5 percent (2014: 27.1 percent).

Business trends in the individual segments of the Gases Division varied in each case, depending on prevailing economic conditions.

EMEA (Europe, Middle East, Africa)

In EMEA, Linde's largest sales market, the Group generated revenue of EUR 1.472 bn in the first three months of 2015, a very similar figure to that achieved in the prior-year period of EUR 1.467 bn. On a comparable basis, revenue fell by 1.6 percent. When comparing with the revenue generated in the first quarter of 2014, it should be noted that at the end of 2014 Linde transferred a large hydrogen plant in Italy to the customer on expiry of the contract. Since then it has therefore ceased to generate revenue from that plant. Operating profit was EUR 441 m, which was 2.8 percent higher than the figure for the first quarter of 2014 of EUR 429 m. The operating margin increased to 30.0 percent (2014: 29.2 percent).

Different business trends were to be seen in the product areas of the various sub-regions of the EMEA segment. The on-site business, where Linde supplies gases on site to major customers, was affected by declining volumes, particularly as a result of the expiry of the on-site contract in Italy. Only in Eastern Europe was Linde able to achieve revenue growth in this product area. Against the prevailing backdrop of modest economic growth in the eurozone, revenue in the liquefied gases business was also down on the prior-year period. The cylinder gas business saw relatively steady trends.

Business performance in EMEA was boosted by the start-up of new plants: for example, in Sweden. In the first quarter of 2015, a new air separation plant commenced production on schedule at the Stengungsund site in Sweden. Under an on-site agreement, the plant supplies the customer Perstorp with 18,300 normal cubic metres of oxygen per hour. The investment made was around EUR 40 m.

During the reporting period, Linde signed a contract to build a hydrogen filling station at Arlanda Airport, also in Sweden. Construction is expected to be completed in the third quarter of 2015.

In March 2015, a hydrogen filling station for hydrogen-powered buses was opened in Aberdeen in Scotland.

The contract forms part of the HyTrEc (Hydrogen Transport Economy) project, which aims to improve access to the use of hydrogen as an alternative source of energy in the North Sea region. The hydrogen filling station is operated by Linde.

Linde is a pioneer in the development of hydrogen technology and is continuing to drive forward the establishment of a hydrogen filling station infrastructure for fuel-cell vehicles. The Group is working together with Daimler on plans to build 20 hydrogen filling stations in Germany.

Asia/Pacific

Business trends in the Asia/Pacific segment were boosted principally by exchange rate effects. Linde generated revenue in the three months to 31 March 2015 of EUR 994 m. This was 14.3 percent more than the figure for the first quarter of 2014 of EUR 870 m. On a comparable basis, revenue in the first quarter of 2015 increased by 0.9 percent. Operating profit rose by 12.5 percent to EUR 252 m (2014: EUR 224 m), giving an operating margin of 25.4 percent (2014: 25.7 percent).

Within the Asia/Pacific segment, the best performance was to be seen in the on-site business. Linde achieved volume increases here, especially in China and East Asia. Revenue generated by the liquefied gases and cylinder gas product areas in the first quarter of 2015 was lower than in the first quarter of 2014, especially in the South Pacific region. Here too, low energy costs are part of the reason for the fall in revenue.

In the South Pacific, the prevailing weak economic environment in manufacturing industry and declining investment in the mining industry had an adverse impact on growth. Particularly in the LPG business which is so vital to Australia, lower energy costs led to a fall in revenue, as the price savings on the procurement side were generally passed on to customers.

At the end of February, Linde acquired the LPG business in Australia from Wesfarmers Kleenheat Gas Pty Ltd under an asset deal so as to continue to expand the distribution network there. As a result of the proximity of the acquisition date to the balance sheet date, this purchase has not yet had time to make a significant contribution to revenue and earnings.

In Quanzhou, China, Linde successfully brought on stream the air separation plant in the first quarter of 2015 which supplies gases to Fujian Refining & Petrochemical. The plant is operated by Fujian Linde-FPCL Gases Company Limited, a joint venture between SINOPEC Fujian Petrochemical Company Limited and Linde, and will produce around 28,000 normal cubic metres of oxygen and 57,000 normal cubic metres of nitrogen per hour. The profit generated by this plant is included in the share of profit or loss from associates and joint ventures (at equity) in the Group's statement of profit or loss.

Americas

In the Americas segment, revenue increased significantly in the first quarter of 2015 by 18.1 percent to EUR 1.252 bn (2014: EUR 1.060 bn). On a comparable basis, revenue rose by 5.2 percent. When compared with the prior-year period, operating profit increased by 21.2 percent to EUR 315 m (2014: EUR 260 m). The operating margin rose to 25.2 percent (2014: 24.5 percent).

In the healthcare business, Linde was able to achieve significant growth in North America as a result of the rise in the number of patients requiring care. In response to government tenders introduced in the healthcare business in 2013 and the resulting reductions in prices, Linde had also begun to adapt its cost structures and was increasingly seeing the benefits of this approach. Positive trends were also to be seen in the market for electronic gases.

On the major petrochemical site at La Porte in Texas, Linde has brought on stream a large air separation plant and a new gasification train for its existing synthesis gas complex. Linde has invested a total of more than USD 200 m in this project. The new air separation plant is the largest plant of its type operated by Linde in the United States.

Business trends in the individual countries in South America have been modest in the first quarter of 2015. The economic situation in the region is characterised by high inflation and low growth rates. This environment is also slowing Linde's business performance in the region, especially in the on-site and cylinder gas product areas.

Product areas

As explained in the comments on the segments, each product area contributed to a different extent to the business performance of the Gases Division.

The greatest rate of growth was achieved by the Healthcare business, where Linde increased revenue in the first quarter of 2015 on a comparable basis by 6.9 percent to EUR 885 m (2014: EUR 828 m). Particularly positive trends were to be seen in the homecare business in North America.

In the on-site product area, revenue fell on a comparable basis by 0.7 percent to EUR 968 m (2014: EUR 975 m). After adjusting for the effects of the expiry of contracts, revenue in this product area in the first quarter of 2015 was slightly above the figure achieved in the prior-year period.

Trends in the liquefied gases business were relatively steady. Revenue here increased slightly by 0.7 percent to EUR 853 m (2014: EUR 847 m). In the cylinder gas product area, revenue on a comparable basis was EUR 966 m, which was 1.8 percent below the figure for the first quarter of 2014 of EUR 984 m. It should be noted that current low energy prices have depressed revenue in the liquefied gases and cylinder gas product areas, especially in the LPG business. A further contributory factor to the fall in revenue in the cylinder gas business was the discontinuation of carbon tax in Australia, as the cost of this levy had until now been passed on to the customer.

1 GASES DIVISION: REVENUE AND OPERATING PROFIT BY SEGMENT

	January to March 2015			January to March 2014		
in € million	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	1,472	441	30.0	1,467	429	29.2
Asia/Pacific	994	252	25.4	870	224	25.7
Americas	1,252	315	25.2	1,060	260	24.5
Consolidation	−46			−30		
GASES DIVISION	**3,672**	**1,008**	**27.5**	**3,367**	**913**	**27.1**

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 2015 by 4.7 percent to EUR 668 m (2014: EUR 701 m). There was also a decrease in operating profit, from EUR 71 m in the first three months of 2014 to EUR 57 m in the first three months of 2015. The operating margin of 8.5 percent was not as high as the figure for the prior-year period of 10.1 percent. However, the operating margin continues to be above the industry average and slightly above the target Linde has set itself for the current financial year.

Due to the current low price of oil and the resultant faltering demand in plant construction, order intake in the three months to 31 March 2015 was just EUR 280 m (2014: EUR 701 m).

In the first quarter of 2015, Linde was awarded a contract to build an air separation plant for steel-producer Bhushan Power & Steel Limited in India. The Group will construct the plant on the Rengali site. Under the terms of the agreement, Linde will be responsible for the basic and detailed engineering as well as for the procurement and supply of the equipment and plant components.

During the reporting period, Linde was also awarded the contract to supply a helium refrigeration plant to the European Spallation Source (ESS) in Lund, Sweden. The plant will be delivered to Lund in summer 2017. Then it will be installed so as to come on stream in summer 2018. Die European Spallation Source is an interdisciplinary research centre based on the world's most intense source of neutrons.

Just under half of the total order intake in the Engineering Division in the first quarter of 2015 came from the Asia/Pacific region. Just over a third of the order intake came from Europe and around 17 percent from North America.

50 percent of new orders related to the natural gas plant product area or the hydrogen and synthesis gas plant product area. The rest of the order intake was spread relatively evenly over the remaining types of plant.

The order backlog in the Engineering Division at 31 March 2015 remained very high at EUR 4.468 bn (31 December 2014: EUR 4.672 bn).

2 ENGINEERING DIVISION

	January to March	
in € million	2015	2014
Revenue	668	701
Order intake	280	701
Order backlog at 31.03./31.12.	4,468	4,672
Operating profit	57	71
Operating margin	8.5%	10.1%

3 ENGINEERING DIVISION – ORDER INTAKE BY REGION

in € million	January to March 2015	in percent	2014	in percent
Asia/Pacific	122	43.6	111	15.8
Europe	91	32.5	253	36.1
North America	47	16.8	298	42.5
Middle East	13	4.6	8	1.1
Africa	6	2.1	10	1.5
South America	1	0.4	21	3.0
ENGINEERING DIVISION	**280**	**100.0**	**701**	**100.0**

4 ENGINEERING DIVISION – ORDER INTAKE BY PLANT TYPE

in € million	January to March 2015	in percent	2014	in percent
Natural gas plants	84	30.0	301	42.9
Air separation plants	36	12.9	87	12.4
Olefin plants	38	13.6	66	9.4
Hydrogen and synthesis gas plants	56	20.0	178	25.4
Other	66	23.5	69	9.9
ENGINEERING DIVISION	**280**	**100.0**	**701**	**100.0**

Finance

Once again in the first quarter of 2015 there was a very positive trend in cash flow from operating activities, which rose by 24.6 percent to EUR 740 m, compared with the figure of EUR 594 m for the first quarter of 2014. The main factors contributing to this significant increase were the good operating profit generated by the Group and more efficient working capital management. The decline in working capital in the three months ended 31 March 2015 was EUR 161 m, compared with the decline in working capital in the prior-year period of EUR 174 m. Income taxes paid fell by EUR 6 m to EUR 99 m (2014: EUR 105 m).

During the reporting period, Linde spent a total of EUR 452 m on investments in tangible assets, intangible assets and financial assets, which was slightly below the figure for the first quarter of 2014 of EUR 502 m. Payments made for investments in consolidated companies, on the other hand, rose to EUR 71 m (2014: EUR 27 m). Of this amount, EUR 54 m related to assets and liabilities in the LPG business of Wesfarmers Kleenheat Gas Pty Ltd acquired under an asset deal.

Payments of EUR 51 m were made during the reporting period to purchase securities for the purpose of short-term investment (2014: EUR 148 m). The net cash outflow from investing activities fell by EUR 40 m to EUR 527 m in the first quarter of 2015 (2014: net cash outflow of EUR 567 m). Free cash flow for the three months ended 31 March 2015 was EUR 213 m (2014: EUR 27 m).

Within cash flow from financing activities, the amount by which loan proceeds exceeded redemptions was EUR 46 m (2014: EUR 80 m). Net interest payments in the first quarter of 2015 were EUR 40 m, the same as in the first quarter of 2014. The net cash outflow from financing activities for the first three months of 2015 was therefore EUR 12 m, compared with a net cash inflow from financing activities for the first three months of 2014 of EUR 32 m.

Total assets increased by EUR 2.470 bn or 7.2 percent, from EUR 34.425 bn at 31 December 2014 to EUR 36.895 bn at 31 March 2015. Positive exchange rate movements had an impact on almost all the items in the balance sheet.

At 31 March 2015, goodwill stood at EUR 11.830 bn, which was 7.0 percent above the figure at 31 December 2014 of EUR 11.055 bn. The increase of EUR 775 m was due to exchange rate effects of EUR 723 m and goodwill arising on acquisition of EUR 52 m.

Other intangible assets, comprising customer relationships, brand names and sundry intangible assets, increased by EUR 148 m from EUR 2.922 bn at 31 December 2014 to EUR 3.070 bn at 31 March 2015. Positive exchange rate effects of EUR 218 m and additions of EUR 8 m were set against amortisation of EUR 85 m.

Tangible assets are stated at a carrying amount of EUR 12.944 bn at 31 March 2015 (31 December 2014: EUR 12.151 bn). Depreciation of EUR 382 m was virtually matched by additions of EUR 341 m. Exchange rate effects (here of EUR 840 m) were again the main reason for the increase.

When looking at the movements in current assets, exchange rate effects again need to be considered. Trade receivables rose by EUR 103 m from EUR 3.061 bn at 31 December 2014 to EUR 3.164 bn at 31 March 2015. The reduction in receivables of EUR 86 m was more than offset by positive exchange rate effects of EUR 189 m. Securities increased by EUR 52 m to EUR 573 m at 31 March 2015, mainly as a result of purchases (31 December 2014: EUR 521 m).

Equity at 31 March 2015 was EUR 15.508 bn (31 December 2014: EUR 14.267 bn). The increase was due not only to exchange rate effects, but also the profit for the period of EUR 324 m. The equity ratio at 31 March 2015 was 42.0 percent, which was higher than the figure at 31 December 2014 of 41.4 percent.

Provisions for pensions and similar obligations rose by EUR 370 m to EUR 1.635 bn at 31 March 2015 (31 December 2014: EUR 1.265 bn). This increase was mainly due to the change in actuarial assumptions. Asset cover for Linde's pension provisions is 81.9 percent (2014: 84.9 percent).

Net financial debt comprises gross financial debt less short-term securities and cash and cash equivalents. At 31 March 2015, net financial debt was EUR 8.193 bn (31 December 2014: EUR 8.198 bn).

Gross financial debt rose during the reporting period by EUR 307 m to EUR 10.163 bn, mainly as a result of exchange rate effects (31 December 2014: EUR 9.856 bn). Of the gross financial debt, EUR 1.687 bn (31 December 2014: EUR 1.294 bn) is disclosed as current financial debt. The remaining financial debt of EUR 8.476 bn (31 December 2014: EUR 8.562 bn) – by far the largest proportion – is due in more than one year and is therefore classified as non-current financial debt.

With short-term securities of EUR 573 m, cash and cash equivalents of EUR 1.397 bn and its EUR 2.5 bn syndicated credit facility, available liquidity for Linde at 31 March 2015 was EUR 2.783 bn (31 December 2014: EUR 2.864 bn). In 2014, Linde successfully extended the five-year term of the EUR 2.5 bn syndicated credit facility agreed in July 2013 by one year until 2019. The credit facility originally had two options to extend the facility, in each case by one year (subject to the agreement of the lenders). In 2015, one option to extend the facility by one year remains.

The dynamic indebtedness factor (net financial debt to operating profit for the last twelve months) was 2.0 at 31 March 2015, almost unchanged from the figure at 31 December 2014 of 2.1. The Group's gearing (the ratio of net debt to equity) improved in the first quarter of 2015 to 52.8 percent (31 December 2014: 57.5 percent).

Employees

The number of employees in The Linde Group worldwide at 31 March 2015 was 65,662 (31 December 2014: 65,591). Of this number, 53,543 were employed in the Gases Division and 7,378 in the Engineering Division. The majority of the 4,741 staff in the Other Activities segment are employed by Gist, Linde's logistics service-provider.

5 EMPLOYEES BY SEGMENT AT THE BALANCE SHEET DATE

	31.03.2015	31.12.2014
Gases Division	53,543	53,436
EMEA	21,742	21,779
Asia/Pacific	12,273	12,175
Americas	19,528	19,482
Engineering Division	7,378	7,330
Other Activities	4,741	4,825
GROUP	**65,662**	**65,591**

Outlook

Group

Economists are expecting stronger growth in the global economy in 2015 than was achieved in 2014. The international forecasting institute The Economist Intelligence Unit Ltd. (EIU) is currently predicting growth in global gross domestic product (GDP) for 2015 of 2.9 percent, the same figure as it was predicting at 31 December 2014. Actual GDP growth in 2014 was 2.5 percent. The EIU is forecasting an increase in global industrial production (IP) in 2015 of 2.8 percent, compared with the actual increase in 2014 of 2.6 percent.

The high level of sovereign debt in major economies is expected to continue to have the greatest impact on macroeconomic trends. Other factors which might adversely affect the global economy are currency fluctuations, high unemployment in many industrialised countries and the uncertain political situation in some regions of the world.

Linde assumes that it will be able to continue to deliver a relatively steady business performance and confirms its outlook for the current year. Depending on economic trends and exchange rate movements, Linde expects to achieve Group revenue of between EUR 18.2 bn and EUR 19.0 bn in the 2015 financial year. It anticipates that it will achieve an increase in Group operating profit (after adjusting for non-recurring items) in 2015 to between EUR 4.1 bn and EUR 4.3 bn. The non-recurring items relate to costs recognised for structural and organisational measures designed to enhance efficiency.

Linde is seeking to achieve a return on capital employed (ROCE) of between 9 percent and 10 percent in the 2015 financial year.

If the economy were to see stronger growth this year, especially in the growth regions, than is being forecast at the date of completion of this report, this might result in the performance indicators described above turning out better than Linde is currently expecting.

N.B.: The Group's medium-term targets continue to apply. A detailed description of these targets is given in the section of the Financial Report 2014 entitled *TARGETS AND STRATEGY OF THE LINDE GROUP*. *SEE PAGES 85 TO 87.*

Outlook – Gases Division

Recent economic forecasts indicate that the global economy will grow at a slightly faster pace in 2015 than was the case in 2014. However, considering the geopolitical crises in some areas of the world, Linde expects parts of the gases market to be volatile. The Group remains committed to its target in the gases business of outperforming the market and continuing to increase productivity.

Linde's on-site project pipeline will make a contribution to revenue and earnings in the 2015 financial year and an even more significant contribution to revenue and earnings in subsequent years. The Group is forecasting that its liquefied gases and cylinder gas product areas will perform in line with macroeconomic trends. In the Healthcare product area, stable business trends are expected.

Depending on sector-specific trends and exchange rate movements, Linde is seeking to achieve the following targets in the Gases Division in the 2015 financial year: revenue of between EUR 14.9 bn and EUR 15.4 bn and operating profit of between EUR 4.05 bn and EUR 4.25 bn. The margins which are achieved in 2015 in the EMEA, Asia/Pacific and Americas segments are expected to be around the same as those actually achieved in 2014.

Outlook – Engineering Division

It is anticipated that the market environment in the international large-scale plant construction business will be much more volatile in 2015 than in previous years. Nevertheless, the Group is well-positioned in the olefin plant, natural gas plant, air separation plant and hydrogen and synthesis gas plant product areas and also has a high order backlog.

Linde assumes that it will be able to generate revenue in the Engineering Division in the 2015 financial year of between EUR 3.0 bn and EUR 3.3 bn, with an operating margin of around 8 percent.

Opportunity and risk report

As a group with a global footprint, Linde operates in a dynamic environment in which new market opportunities are constantly emerging. These business opportunities, which were described in detail in the 2014 Financial Report *(SEE OPPORTUNITY REPORT ON PAGES 132 TO 134)*, have not changed significantly in the three months to 31 March 2015.

The risk situation for Linde as described in the 2014 Financial Report *(SEE RISK REPORT ON PAGES 134 TO 147)* has not changed significantly in the first quarter of 2015. No risks were identified which might, individually or in total, have an adverse impact on the viability of The Linde Group as a going concern.

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

6 GROUP STATEMENT OF PROFIT OR LOSS

	January to March	
in € million	2015	2014
Revenue	4,398	4,045
Cost of sales	2,852	2,622
GROSS PROFIT	**1,546**	**1,423**
Marketing and selling expenses	659	590
Research and development costs	28	22
Administration expenses	395	357
Other operating income	125	113
Other operating expenses	68	55
Share of profit or loss from associates and joint ventures (at equity)	2	6
EBIT	**523**	**518**
Financial income	11	13
Financial expenses	109	109
PROFIT BEFORE TAX	**425**	**422**
Taxes on income	101	101
PROFIT FOR THE PERIOD	**324**	**321**
attributable to Linde AG shareholders	300	290
attributable to non-controlling interests	24	31
Earnings per share in € – undiluted	1.62	1.56
Earnings per share in € – diluted	1.61	1.56

7 GROUP STATEMENT OF COMPREHENSIVE INCOME

in € million	January to March 2015	2014
PROFIT FOR THE PERIOD	324	321
OTHER COMPREHENSIVE INCOME (NET OF TAX)	925	–111
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	1,254	–62
Unrealised gains/losses on available-for-sale financial assets	–1	–7
Unrealised gains/losses on derivative financial instruments	–579	–51
Currency translation differences	1,834	–4
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	–329	–49
Remeasurement of defined benefit plans	–329	–49
TOTAL COMPREHENSIVE INCOME	1,249	210
attributable to Linde AG shareholders	1,127	195
attributable to non-controlling interests	122	15

8 GROUP STATEMENT OF FINANCIAL POSITION

in € million	31.03.2015	31.12.2014
Assets		
Goodwill	11,830	11,055
Other intangible assets	3,070	2,922
Tangible assets	12,944	12,151
Investments in associates and joint ventures (at equity)	266	240
Other financial assets	88	85
Receivables from finance leases	263	248
Trade receivables	1	3
Other receivables and other assets	577	549
Income tax receivables	3	3
Deferred tax assets	369	306
NON-CURRENT ASSETS	29,411	27,562
Inventories	1,240	1,155
Receivables from finance leases	56	50
Trade receivables	3,164	3,061
Other receivables and other assets	831	723
Income tax receivables	223	216
Securities	573	521
Cash and cash equivalents	1,397	1,137
CURRENT ASSETS	7,484	6,863
TOTAL ASSETS	**36,895**	**34,425**

9 GROUP STATEMENT OF FINANCIAL POSITION

in € million	31.03.2015	31.12.2014
Equity and liabilities		
Capital subscribed	475	475
Capital reserve	6,734	6,730
Revenue reserves	6,536	6,564
Cumulative changes in equity not recognised through the statement of profit or loss	792	–363
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	**14,537**	**13,406**
Non-controlling interests	971	861
TOTAL EQUITY	**15,508**	**14,267**
Provisions for pensions and similar obligations	1,635	1,265
Other non-current provisions	526	492
Deferred tax liabilities	1,812	1,726
Financial debt	8,476	8,562
Liabilities from finance leases	53	51
Trade payables	2	2
Other non-current liabilities	949	648
NON-CURRENT LIABILITIES	**13,453**	**12,746**
Current provisions	1,085	1,012
Financial debt	1,687	1,294
Liabilities from finance leases	24	23
Trade payables	3,329	3,485
Other current liabilities	1,269	1,073
Liabilities from income taxes	540	525
CURRENT LIABILITIES	**7,934**	**7,412**
TOTAL EQUITY AND LIABILITIES	**36,895**	**34,425**

10 GROUP STATEMENT OF CASH FLOWS

in € million	January to March 2015	2014
PROFIT BEFORE TAX	425	422
Adjustments to profit before tax to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	467	409
Impairments of financial assets	3	–
Profit/loss on disposal of non-current assets	–6	–33
Net interest	87	88
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	5	5
Share of profit or loss from associates and joint ventures (at equity)	–2	–6
Distributions/dividends received from associates and joint ventures	1	–
Income taxes paid	–99	–105
Changes in assets and liabilities		
Change in inventories	–12	–49
Change in trade receivables	65	–131
Change in provisions	16	28
Change in trade payables	–214	6
Change in other assets and liabilities	4	–40
CASH FLOW FROM OPERATING ACTIVITIES	740	594
Payments for tangible and intangible assets and plants held under finance leases in accordance with IFRIC 4/IAS 17	–442	–484
Payments for investments in consolidated companies	–71	–27
Payments for investments in financial assets	–10	–18
Payments for investments in securities	–101	–151
Proceeds on disposal of securities	50	3
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	25	23
Proceeds on disposal of non-current assets held for sale and disposal groups	13	41
Proceeds on disposal of financial assets	9	46
CASH FLOW FROM INVESTING ACTIVITIES	–527	–567

11 GROUP STATEMENT OF CASH FLOWS

	January to March	
in € million	*2015*	*2014*
Dividend payments to Linde AG shareholders and non-controlling interests	−12	−1
Cash inflows/outflows due to changes of non-controlling interests	–	−1
Interest received	31	26
Interest paid	−71	−66
Proceeds of loans and capital market debt	344	481
Cash outflows for the repayment of loans and capital market debt	−298	−401
Cash outflows for the repayment of liabilities from finance leases	−6	−6
CASH FLOW FROM FINANCING ACTIVITIES	**−12**	**32**
NET CASH INFLOW/OUTFLOW	**201**	**59**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	**1,137**	**1,178**
Effects of currency translation	59	−10
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**1,397**	**1,227**

12 STATEMENT OF CHANGES IN GROUP EQUITY

in € million	*Capital subscribed*	*Capital reserve*
AT 01.01.2014	**475**	**6,712**
Profit for the period	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	–	4
Capital increase	–	–
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	**–**	**4**
AT 31.03.2014	**475**	**6,716**
AT 01.01.2015	**475**	**6,730**
Profit for the period	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	–	4
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	**–**	**4**
AT 31.03.2015	**475**	**6,734**

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*	*Derivative financial instruments*	*Total equity attributable to Linde AG shareholders*	*Non-controlling interests*	*Total equity*
–482	**7,005**	**–1,179**	**14**	**221**	**12,766**	**820**	**13,586**
–	290	–	–	–	290	31	321
–47	–	10	–7	–51	–95	–16	–111
–47	**290**	**10**	**–7**	**–51**	**195**	**15**	**210**
–	–	–	–	–	–	–1	–1
–	–	–	–	–	4	–	4
–	–	–	–	–	–	–1	–1
–	**–**	**–**	**–**	**–**	**4**	**–2**	**2**
–529	**7,295**	**–1,169**	**7**	**170**	**12,965**	**833**	**13,798**
–980	**7,544**	**61**	**5**	**–429**	**13,406**	**861**	**14,267**
–	300	–	–	–	300	24	324
–328	–	1,734	–	–579	827	98	925
–328	**300**	**1,734**	**–**	**–579**	**1,127**	**122**	**1,249**
–	–	–	–	–	–	–12	–12
–	–	–	–	–	4	–	4
–	**–**	**–**	**–**	**–**	**4**	**–12**	**–8**
–1,308	**7,844**	**1,795**	**5**	**–1,008**	**14,537**	**971**	**15,508**

13 SEGMENT INFORMATION

	Segments	
	Gases Division	
	January to March	
in € million, SEE NOTE [8]	2015	2014
Revenue from third parties	3,670	3,363
Revenue from other segments	2	4
TOTAL SEGMENT REVENUE	**3,672**	**3,367**
OPERATING PROFIT	**1,008**	**913**
Restructuring costs (non-recurring item)	19	–
Amortisation of intangible assets and depreciation of tangible assets	458	401
EBIT (EARNINGS BEFORE INTEREST AND TAX)	**531**	**512**
Capital expenditure (excluding financial assets)	283	396

in € million, SEE NOTE [8]
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)

	Segments							
	Engineering Division		Other Activities		Reconciliation		Group	
	January to March		January to March		January to March		January to March	
	2015	2014	2015	2014	2015	2014	2015	2014
	584	543	144	139	–	–	4,398	4,045
	84	158	1	–	–87	–162	–	–
	668	**701**	**145**	**139**	**–87**	**–162**	**4,398**	**4,045**
	57	**71**	**11**	**10**	**–66**	**–67**	**1,010**	**927**
	–	–	–	–	1	–	20	–
	9	8	9	8	–9	–8	467	409
	48	**63**	**2**	**2**	**–58**	**–59**	**523**	**518**
	4	5	3	1	59	–17	349	385

	Segments							
	Gases Division							
	EMEA		Asia/Pacific		Americas		Total Gases Division	
	January to March		January to March		January to March		January to March	
	2015	2014	2015	2014	2015	2014	2015	2014
	1,466	1,466	989	865	1,215	1,032	3,670	3,363
	6	1	5	5	37	28	2	4
	1,472	**1,467**	**994**	**870**	**1,252**	**1,060**	**3,672**	**3,367**
	441	**429**	**252**	**224**	**315**	**260**	**1,008**	**913**
	5	–	6	–	8	–	19	–
	168	158	149	117	141	126	458	401
	268	**271**	**97**	**107**	**166**	**134**	**531**	**512**
	122	206	50	98	111	92	283	396

ADDITIONAL COMMENTS

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[1] General accounting policies

The condensed Group interim financial statements of Linde AG for the three months ended 31 March 2015 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 2014.

In addition, IAS 34 Interim Financial Reporting has been applied. Since 1 January 2015, the following standard has become effective:

- Improvements to IFRSs (2011–2013)

The following new or revised standards and interpretations have been issued by the IASB and IFRS Interpretations Committee. However, they have not been applied in the condensed Group interim financial statements for the three months ended 31 March 2015 as they are either not yet effective or have not yet been adopted by the European Commission:

- IFRS 15 Revenue from Contracts with Customers (first-time application according to IASB in financial years beginning on or after 1 January 2017)
- IFRS 9 Financial Instruments and Subsequent Amendments (Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 as well as Amendments to IFRS 9/IFRS 7: Mandatory Effective Date and Transition Disclosures); (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IAS 1: Disclosure Initiative (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Improvements to IFRSs (2012–2014), (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Improvements to IFRSs (2010–2012), (first-time application according to IASB in financial years beginning on or after 1 July 2014)
- Amendments to IAS 19 Employee Benefits: Defined Benefit Plans – Employee Contributions (first-time application according to IASB in financial years beginning on or after 1 July 2014)

IFRS 15

The new standard on revenue recognition seeks to create a framework which brings together the multiplicity of rules which have until now been set out in a number of different standards and interpretations. At the same time, its objective is to establish a uniform set of basic principles which will apply to all industry sectors and to all categories of revenue transactions.

In future, companies preparing their financial statements in accordance with IFRS will determine when to recognise revenue (at what time or over which period) and how much revenue to recognise by applying five steps. In addition to the five-step model, the standard includes a number of additional rules covering various issues in detail, such as accounting for contract costs and changes to contracts.

In particular, the new rules set out below may give rise to changes from existing practice:

- Recognition of revenue when control is transferred. The point in time at which (or the period of time over which) revenue is recognised is determined by the transfer of control over the goods or services to the customer (control approach). The transfer of risks and rewards (risk and reward approach) is only an indication that a transfer of control may have taken place.

- Specific rules on arrangements with multiple elements
- New criteria for revenue recognition over the period in which the performance obligation is satisfied
- More extensive disclosures in the notes to the financial statements

The new rules become effective for the financial years beginning on or after 1 January 2017. Earlier application is permitted and recommended. IFRS 15 has not yet been endorsed by the EU.

IFRS 15 will replace IAS 11 Construction Contracts and IAS 18 Revenue, as well as IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

A detailed analysis is currently being conducted to evaluate the impact of IFRS 15 on The Linde Group.

IFRS 9

The rules for the recognition and measurement of financial instruments set out in IAS 39 will be replaced by those set out in IFRS 9. In future, financial assets will be divided into only two classifications: those measured at amortised cost and those measured at fair value. The group of assets measured at amortised cost will comprise those financial assets for which the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding and in respect of which the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows. All other financial assets are included in a group which is measured at fair value. IFRS 9 contains an option, as before, to designate a financial asset in the first category as measured at fair value through profit or loss if certain conditions apply.

Value changes for financial assets measured at fair value are recognised in profit or loss, except for those equity instruments for which the entity has elected to report value changes in other comprehensive income. However, dividend income relating to these financial assets is recognised in profit or loss.

The rules which apply to financial liabilities are mostly the same as those set out in IAS 39. The most significant difference concerns the recognition of gains and losses on financial liabilities designated as at fair value through profit or loss. In future, such gains and losses will be split into the amount of the change in the fair value of the liability that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and the remaining amount of change in the fair value of the liability, which shall be presented in the statement of profit or loss.

According to the rules of the IASB, the first-time application of IFRS 9 and Subsequent Amendments will be in financial years beginning on or after 1 January 2018. Earlier application is permitted. IFRS 9 has not yet been endorsed by the EU.

IFRS 9 may result in changes in the classification and measurement of financial assets and financial liabilities in the consolidated financial statements of The Linde Group.

The remaining standards have no significant impact on the net assets, financial position and results of operations of The Linde Group.

[2] Changes in Group structure

The condensed Group interim financial statements comprise Linde AG and all the companies over which Linde AG may exercise control as defined by IFRS 10 or joint control together with other parties as defined by IFRS 11. Companies over which Linde AG may exercise joint control are either included in the consolidated interim financial statements on the basis of the share of equity held by The Linde Group (line-by-line method) or using the equity method, depending on the characteristics of the company. If Linde AG holds a majority of the voting rights in a company, this generally indicates that it exercises control over the company in the absence of any other restrictive contractual agreements. If Linde AG holds the same number of voting rights as another company, this generally indicates joint control, unless other (contractual) rights result in control being exercised by one of the shareholders.

Associates over which Linde AG can exercise significant influence as defined by IAS 28 are also accounted for using the equity method. Significant influence is presumed if Linde AG holds (directly or indirectly) 20 percent or more of the voting rights in an investee, unless it can be clearly demonstrated that this is not the case.

Non-consolidated subsidiaries, when taken together, are immaterial from the Group's point of view in terms of total assets, revenue and profit or loss for the year and do not have a significant impact on the net assets, financial position and results of operations of the Group. For that reason, they are not included in the consolidated interim financial statements.

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

14 STRUCTURE OF COMPANIES INCLUDED IN THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	As at 31.12.2014	Additions	Disposals	As at 31.03.2015
CONSOLIDATED SUBSIDIARIES	**535**	–	**2**	**533**
of which within Germany	18	–	–	18
of which outside Germany	517	–	2	515
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	**35**	**2**	–	**37**
of which within Germany	3	2	–	5
of which outside Germany	32	–	–	32
NON-CONSOLIDATED SUBSIDIARIES	**59**	**1**	**6**	**54**
of which within Germany	1	–	–	1
of which outside Germany	58	1	6	53

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

[3] Acquisitions

An acquisition is deemed to be significant if its total assets after the purchase price allocation (inclusive of goodwill) exceed EUR 50 m. The main acquisition during the reporting period was the purchase of the LPG business from Wesfarmers Kleenheat Gas Pty Ltd on the east coast of Australia.

LPG business acquired from Wesfarmers Kleenheat Gas Pty Ltd on Australia's east coast

On 20 February 2015, The Linde Group acquired the assets and liabilities of the LPG business of Wesfarmers Kleenheat Gas Pty Ltd on the east coast of Australia under an asset deal. From that date, the business has been included in full in the consolidated financial statements of The Linde Group. The aim of the acquisition was to continue to expand the LPG distribution network on the east coast of Australia.

After adjusting for some cash items and liabilities, the purchase price was EUR 54 m, which was settled in cash. Additional purchase price adjustments may be made when certain cash items and liabilities are offset. The fair value of these obligations recognised at the date of acquisition was EUR 0 m.

The full results of the purchase price allocation are not yet available due to the proximity of the date of acquisition to the reporting date. This applies to the intangible assets and inventories as well as to some tangible assets. The main components of the provisional figure for goodwill of EUR 35 m prior to the purchase price allocation are expected synergies with the Group's existing LPG business in Australia and going concern synergies arising from the business acquired. The goodwill is not tax-deductible.

In the course of the acquisition, Linde acquired assets of EUR 13 m which, at the date of acquisition, had already been put up for sale due to stipulations made by the Australian Competition & Consumer Commission. By the reporting date, these assets had been sold in full at the value stated.

No receivables were acquired in the course of the acquisition.

Since the date of acquisition, the business purchased has generated revenue of EUR 8 m and a contribution to earnings of EUR 0 m (rounded). If the business had been included in the consolidation of The Linde Group from 1 January 2015, the contribution to revenue would have been EUR 19 m and the contribution to earnings EUR 0 m (rounded).

Other acquisitions

In the first three months of 2015, Linde made acquisitions to expand its business in the Healthcare product area in the EMEA and Americas segments. The total purchase price for these acquisitions was EUR 18 m, of which EUR 14 m was paid in cash. The total purchase price includes deferred purchase price payments and contingent consideration. Sometimes separate transactions were agreed with former owners. In the course of these corporate acquisitions, Linde has acquired non-current assets as well as inventories and other current assets. Total goodwill arising was EUR 17 m, including fair value adjustments in the course of purchase price allocations of EUR 0 m (rounded). Part of the goodwill (EUR 13 m) is tax-deductible. Linde has not acquired any receivables in the course of these acquisitions.

Since their respective dates of acquisition, the companies acquired have generated revenue of around EUR 1 m and profit after tax of EUR 0 m (rounded). If the companies acquired had already belonged to the Group as at 1 January 2015, they would have contributed around EUR 2 m to Group revenue and around EUR 1 m to the Group's profit after tax in the first three months of 2015.

15 IMPACT OF ACQUISITIONS ON NET ASSETS OF THE LINDE GROUP

Opening balance upon initial consolidation	*Fair value*	
in € million	*Kleenheat*	*Other*
Non-current assets	6	2
Inventories	1	–
Non-current assets held for sale and disposal groups	13	–
Equity	19	1
Liabilities	1	1

[4] Foreign currency translation

The financial statements of companies outside the European Monetary Union are translated in accordance with the functional currency concept. Items in the statement of financial position are translated using the spot rate and items in the statement of profit or loss are translated using the average rate.

Since 1 January 2010, Linde's activities in Venezuela, which is classified as a hyperinflationary economy in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, have been disclosed after adjustment for the effects of inflation. The rate of inflation is calculated using an inflation index derived from exchange rate movements.

The principal exchange rates used are as follows:

16 PRINCIPAL EXCHANGE RATES

		Spot rate on balance sheet date		Average rate January to March	
Exchange rate € 1 =	ISO code	31.03.2015	31.12.2014	2015	2014
Argentina	ARS	9.50700	10.24078	9.77830	10.41786
Australia	AUD	1.41382	1.48084	1.43218	1.52817
Brazil	BRL	3.48323	3.21518	3.22155	3.23754
Canada	CAD	1.37112	1.40591	1.39710	1.51150
China	CNY	6.68775	7.50845	7.02109	8.36061
Czech Republic	CZK	27.49567	27.65959	27.61477	27.43863
Hungary	HUF	299.68901	316.60565	308.49244	307.73371
Malaysia	MYR	4.00430	4.23024	4.07668	4.51878
Norway	NOK	8.68737	9.04242	8.73214	8.34709
Poland	PLN	4.09059	4.28704	4.19044	4.18393
South Africa	ZAR	13.14350	13.99917	13.20785	14.87670
South Korea	KRW	1,196.66356	1,323.45492	1,239.07309	1,465.69595
Sweden	SEK	9.30476	9.43320	9.38584	8.85606
Switzerland	CHF	1.04657	1.20289	1.07193	1.22348
Turkey	TRY	2.81633	2.82439	2.77168	3.03471
UK	GBP	0.72972	0.77679	0.74325	0.82805
USA	USD	1.07860	1.20985	1.12574	1.37032

[5] Pension obligations

The actuarial valuation of the pension obligations is based on the projected unit credit method set out in IAS 19 Employee Benefits (revised 2011). This method takes into account not only vested future benefits and known pensions at the balance sheet date, but also expected future increases in salaries and pensions. The calculation of the provision is determined using actuarial reports. Actuarial gains and losses are recognised immediately in equity.

In the interim reports, a competent estimate of the pension obligation is made, based on trends in actuarial assumptions and taking into account any exceptional effects in the current quarter.

At 31 March 2015, there were changes in the assumptions on which the pension obligations were based and in the measurement at fair value of the plan assets, which led to a decrease in equity of EUR 329 m (after deferred tax) when compared with the figure at 31 December 2014.

During the reporting period, plan curtailments in the defined benefit plan in the Netherlands resulted in income of EUR 13 m, which was disclosed in other operating income.

[6] Net financial debt

17 NET FINANCIAL DEBT

in € million	Current		Non-current		Total	
	31.03.2015	31.12.2014	31.03.2015	31.12.2014	31.03.2015	31.12.2014
Financial debt	1,687	1,294	8,476	8,562	10,163	9,856
Less: Securities	573	521	–	–	573	521
Less: Cash and cash equivalents	1,397	1,137	–	–	1,397	1,137
NET FINANCIAL DEBT	–283	–364	8,476	8,562	8,193	8,198

Of the financial debt at 31 March 2015, EUR 3.371 bn (31 December 2014: EUR 3.253 bn) is in a fair value hedging relationship. If there had been no adjustment to the carrying amount as a result of fair value hedging relationships which had been agreed and were outstanding at the end of the reporting period, the financial debt of EUR 10.163 bn (31 December 2014: EUR 9.856 bn) would have been EUR 107 m (31 December 2014: EUR 111 m) lower.

The Linde Group concludes Credit Support Annexes (CSAs) with banks to minimise counterparty risk. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. These transactions are governed by the rules set out in the master agreement for financial derivative transactions, whereby related rights and obligations to exchange financial collateral do not qualify for offsetting in the balance sheet. An amount of EUR 71 m (31 December 2014: EUR 80 m) in respect of these agreements has been disclosed in bank loans and overdrafts as part of financial debt and an amount of EUR 465 m (31 December 2014: EUR 141 m) has been disclosed in cash equivalents.

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 373 m, while the carrying amount is EUR 319 m. The fair value of the financial debt is EUR 10.758 bn, compared with its carrying amount of EUR 10.163 bn. The fair value of financial instruments is generally determined using quoted market prices. If no quoted market prices are available, the financial instruments are measured using valuation methods customary in the market, based on market parameters specific to that instrument. At the balance sheet date, the figure for investments and securities included assets of EUR 561 m in respect of which the value had been determined by quoted prices in active markets for identical financial instruments (Level 1). The investments and securities category also included financial assets (available-for-sale financial assets) of EUR 49 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. Included in derivatives at the balance sheet date were assets of EUR 455 m and liabilities of EUR 913 m in respect of which the values were determined using valuation techniques where the principal inputs were derived from observable market data (Level 2).

All other derivative financial instruments are measured by discounting future cash flows using the present value method. The starting parameters for these models should, as far as possible, be the relevant observable market prices and interest rates at the balance sheet date, obtained from recognised external sources. At the balance sheet date, no assets or liabilities had been recognised for which the values had been determined by valuation techniques with principal inputs not derived from observable market data (Level 3). During the reporting period, there were no transfers between Levels 1, 2 and 3 of the fair value hierarchy.

Linde uses both derivative financial instruments and financial debt to hedge against exposure to translation risks (net investment hedges). The unrealised losses on derivative financial instruments of EUR 579 m (2014: EUR 51 m) recognised in other comprehensive income are mainly the result of movements in the dollar exchange rate against the euro.

[7] Earnings per share

18 EARNINGS PER SHARE

in € million	January to March 2015	2014
Profit for the period attributable to Linde AG shareholders	300	290
Shares in thousands		
Weighted average number of shares outstanding	185,638	185,588
Dilution as a result of share option schemes	516	499
Weighted average number of shares outstanding – diluted	186,154	186,087
EARNINGS PER SHARE IN € – UNDILUTED	**1.62**	**1.56**
EARNINGS PER SHARE IN € – DILUTED	**1.61**	**1.56**

Included in the figure for diluted earnings per share is the issue of shares relating to employee share option schemes, to the extent that these have not already been exercised. Options exercised are also included in the calculation of the weighted average number of shares outstanding (diluted), on a weighted basis until the date they are exercised.

[8] Segment reporting

As a result of the changes made to the Group's organisational model with effect from 15 January 2015 and the associated changes on the Executive Board, each operational member of the Executive Board is responsible for one of the Group's segments. The reportable segments in the Gases Division (EMEA, Asia/Pacific and the Americas) now correspond to the operating segments. There is no longer a need to combine the former operating segments (Regional Business Units, RBUs) to form the reportable segments. The Linde Group continues to comprise five segments in all (EMEA, Asia/Pacific, Americas, Engineering Division and Other Activities).

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 2014.

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 46 m (2014: EUR 30 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

in € million	January to March 2015	2014
Revenue		
Total segment revenue	4,485	4,207
Consolidation	–87	–162
GROUP REVENUE	**4,398**	**4,045**
Operating profit		
Operating profit from segments	1,076	994
Operating profit from Corporate activities	–69	–54
Restructuring costs (non-recurring item)	20	–
Amortisation and depreciation	467	409
Financial income	11	13
Financial expenses	109	109
Consolidation	3	–13
PROFIT BEFORE TAX	**425**	**422**

[9] Related party transactions

Linde AG is related in the course of its normal business activities to non-consolidated subsidiaries, joint ventures and associates. These companies are disclosed in the list of shareholdings on PAGES 246 TO 263 OF THE 2014 FINANCIAL REPORT.

Services provided by related companies totalled EUR 24 m (2014: EUR 34 m). Revenue from related companies was immaterial during the reporting period.

Receivables from and liabilities to related companies as a result of related party transactions are disclosed in the table below. Receivables from and liabilities to joint ventures and associates are mainly financial receivables and financial liabilities.

20 RECEIVABLES FROM AND LIABILITIES TO RELATED PARTIES

	31.03.2015			31.12.2014		
in € million	Non-consolidated subsidiaries	Associates or joint ventures	Total	Non-consolidated subsidiaries	Associates or joint ventures	Total
Receivables from related parties	3	29	32	3	14	17
Liabilities to related parties	–	40	40	1	36	37

Related parties of The Linde Group which are not companies comprise mainly the members of the Group's Executive Board and Supervisory Board. During the reporting period, there were no significant transactions between The Linde Group and members of the Executive Board and Supervisory Board or their family members which are outside the bounds of existing employment, service and appointment agreements or remuneration contracts.

Some members of Linde's Executive and Supervisory Boards hold similar positions in other companies. Linde has normal business relationships with virtually all these companies. The sale and purchase of goods and services to and from these companies take place under the usual market conditions.

[10] Contingent liabilities and other financial commitments

In the normal course of business, The Linde Group or any of its Group companies are involved in current or foreseeable legal or arbitration proceedings. During the reporting period, there have been no significant changes when compared with the information provided about contingent liabilities and legal proceedings on *PAGE 243 OF THE 2014 FINANCIAL REPORT*. The consolidated figure for other financial commitments arising from investments in tangible assets and intangible assets (commitments arising from orders) at 31 March 2015 was EUR 445 m (31 December 2014: EUR 391 m).

[11] 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 Linde's earning capacity 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.

21 KEY FINANCIAL FIGURES ADJUSTED FOR NON-RECURRING ITEMS

	January to March					
	2015			2014		
in € million	*As reported*	*Non-recurring items*	*Key financial figures before non-recurring items*	*As reported*	*Non-recurring items*	*Key financial figures before non-recurring items*
Revenue	4,398	–	4,398	4,045	–	4,045
Cost of sales	−2,852	3	−2,849	−2,622	–	−2,622
GROSS PROFIT	1,546	3	1,549	1,423	–	1,423
Research and development costs, marketing, selling and administration expenses	−1,082	17	−1,065	−969	–	−969
Other operating income and expenses	57	–	57	58	–	58
Share of profit or loss from associates and joint ventures (at equity)	2	–	2	6	–	6
EBIT	523	20	543	518	–	518
Financial result	−98	–	−98	−96	–	−96
Taxes on income	−101	−6	−107	−101	–	−101
PROFIT FOR THE PERIOD	324	14	338	321	–	321
attributable to Linde AG shareholders	300	13	313	290	–	290
attributable to non-controlling interests	24	1	25	31	–	31
EBIT	523	20	543	518	–	518
Amortisation of intangible assets and depreciation of tangible assets	−467	–	−467	−409	–	−409
OPERATING PROFIT	990	20	1,010	927	–	927
EARNINGS PER SHARE IN € – UNDILUTED	**1.62**	**–**	**1.69**	**1.56**	**–**	**1.56**
EARNINGS PER SHARE IN € – DILUTED	**1.61**	**–**	**1.68**	**1.56**	**–**	**1.56**

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[12] Discretionary decisions and estimates

The preparation of the Linde interim report in accordance with IFRS requires discretionary decisions and estimates for some items which have an effect on their recognition and measurement in the statement of financial position and statement of profit or loss. The actual amounts realised may differ from these estimates. Estimates are required in particular for:

- the assessment of the need to recognise and the measurement of impairment losses relating to intangible assets, tangible assets and inventories,
- the determination of the estimated useful lives of tangible assets and the assessment as to which components of cost may be capitalised,
- the assessment of the need to recognise provisions for doubtful debts,
- the recognition and measurement of pension obligations,
- the recognition and measurement of other provisions,
- the assessment of the stage of completion of long-term construction contracts,
- the assessment of lease transactions,
- the measurement of assets acquired and liabilities assumed on the formation of business combinations,
- the assessment as to whether Linde exercises control, joint control or significant influence over companies in which it holds less than 100 percent of the voting rights.

Any change in the key factors which are applied to impairment reviews of goodwill, other intangible assets, tangible assets or inventories may possibly result in higher or lower impairment losses or no impairment losses at all being recognised.

Other significant estimates include the determination of estimated useful lives for intangible assets and tangible assets. Uniform Group guidelines based on past experience apply to estimated useful lives in the main categories of assets. Assumptions also need to be made when Linde assesses whether an asset may be capitalised and which components of the cost of the asset may be capitalised. Estimates need to be made here, for example, of the expected future economic benefits of an asset or the expected future costs of the dismantling of plants. In addition, the capitalisation of costs which are incurred during the operating phase of an asset, such as the cost of upgrades to plants or their complete overhaul, depends on whether these costs will lead to better or higher output or whether they will extend the estimated useful life of the asset.

Establishing provisions for doubtful debts is based to a considerable extent on making estimates and assessments about individual amounts receivable. These estimates and assessments are founded on the creditworthiness of that particular customer, prevailing economic trends and an analysis of historic bad debts on a portfolio basis. Individual provisions for bad debts take account of both customer-specific and country-specific risks.

The obligation arising from defined benefit pension commitments is determined on the basis of actuarial assumptions. Key actuarial assumptions include the discount rate, trends in pensions and vested future benefits, and life expectancy. The discount rate is determined on the basis of returns achieved on the relevant call date for high-quality fixed-interest corporate bonds in the market. The currency and period to maturity of the underlying bonds correspond to the currency and probable period to maturity of the post-employment benefit obligations. If such returns are not available, the discount rates are based on market returns for government bonds.

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date. The actual outflow of resources at a future date may therefore differ from the figure included in other provisions.

The assessment of the stage of completion of long-term construction contracts is based on the percentage of completion (PoC) method, subject to certain conditions being met. When applying this method, it is necessary to evaluate the stage of completion of the contract. It is also necessary to provide estimates of total contract costs and total contract revenue and make an assessment of the risks attached to the contract, including technical, political and regulatory risks. According to the PoC method, the stage of completion of the contract is determined on the basis of the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. For major projects, the calculation and analysis of the stage of completion of the project take into account in particular contract costs incurred by subcontractors. External experts are sometimes used to assist with the calculation of these costs.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of the contract costs incurred which can probably be recovered, and the contract costs are recognised as an expense in the period in which they are incurred (zero profit method). Changes in estimates may lead to an increase or decrease in revenue.

Discretionary decisions are required to be made, for example, in assessing whether substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. Linde enters into lease agreements principally as lessee (procurement leases). Under IFRIC 4, gas supply agreements may however be classified as embedded lease agreements if certain conditions apply. In these cases, Linde accounts for the gas supply agreements in accordance with the rules for lessors set out in IAS 17 Leases. To establish whether an embedded finance lease exists in respect of Linde's on-site plants, assumptions need to be made about the allocation of the consideration received from the customer. Consideration, in the form of payments from the customer, is used on the one hand to finance the plants and on the other to provide the customer with maintenance services. Whether lease agreements are classified as operating leases or finance leases will depend on the exercise of discretion.

When classifying procurement lease agreements, Linde must also make assumptions: e.g. to determine the appropriate interest rate or the residual value or estimated useful lives of the underlying assets.

Business combinations require estimates to be made when determining fair values for assets, liabilities and contingent liabilities acquired, as well as for contingent components of the purchase price. The nature of the estimate depends on the measurement methods applied. When discounted cash flow methods are used, primarily to measure intangible assets (but also to calculate contingent consideration), discretionary aspects include in particular the time period and amount of the cash flow and the determination of an appropriate discount rate. If cost-based methods are used, the main discretionary element is the assessment of the comparability of the reference objects with the objects to be measured. When making discretionary decisions about purchase price allocations in the case of business combinations where the total assets including goodwill exceed EUR 100 m, Linde takes advice from experts in the field, who assist in arriving at the decisions and provide reports backing their opinions.

When assessing whether Linde exercises control, joint control or significant influence over companies in which it holds less than 100 percent of the voting rights, discretionary decisions may have to be made. Above all in cases where Linde holds 50 percent of the voting rights, a decision has to be taken as to whether there are other contractual rights or particularly relevant facts or circumstances which might mean that Linde has power over the potential subsidiary or that joint control exists. If joint control does exist, Linde needs to distinguish whether the investment is a joint operation or a joint venture. This distinction is dependent on whether Linde has rights to the assets and obligations for the liabilities of the arrangement or whether it has rights to the net assets of the arrangement. To make the distinction, Linde must consider the structure and legal form of the company, any contractual agreements which might apply and any other relevant circumstances.

Changes to contractual agreements or facts or circumstances are monitored and evaluated to determine whether they have a potential impact on the assessment as to whether Linde is exercising control or joint control over its investment.

[13] 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 2015.

MUNICH, 29 APRIL 2015

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[MEMBER OF THE EXECUTIVE BOARD]

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[MEMBER OF THE EXECUTIVE BOARD]

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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 Linde Aktiengesellschaft, Munich, for the period from 1 January to 31 March 2015 that are part of the quarterly financial report according to § 37x (3) 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 e.V. (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 auditors' 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, 29 APRIL 2015

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[WIRTSCHAFTSPRÜFUNGS-
GESELLSCHAFT]

BECKER [WIRTSCHAFTS- PRÜFER]	SCHENK [WIRTSCHAFTS- PRÜFER]

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To the best of our knowledge and belief, and in accordance with the applicable accounting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and profit or loss of the Group, and the Group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining part of the financial year.

MUNICH, 29 APRIL 2015

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FINANCIAL CALENDAR

[1]
INTERIM REPORT
JANUARY TO MARCH 2015
30 April 2015

[2]
ANNUAL GENERAL MEETING
2015
12 May 2015, 10 a.m.
International Congress Centre, Munich,
Germany

[3]
DIVIDEND PAYMENT
13 May 2015

[4]
INTERIM REPORT
JANUARY TO JUNE 2015
29 July 2015

[5]
AUTUMN PRESS CONFERENCE
2015
28 October 2015
Carl von Linde Haus, Munich,
Germany

[6]
INTERIM REPORT
JANUARY TO SEPTEMBER 2015
28 October 2015

[7]
ANNUAL GENERAL MEETING
2016
3 May 2016, 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 climate neutral
Print | ID: 53152-1504-1004

FSC www.fsc.org MIX Paper from responsible sources FSC® C002390

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Further information about Linde can be obtained from us on request.

[DATE OF PUBLICATION]

30 APRIL 2015

Published by

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