

FINANCIAL REPORT

2017

Compelling
Perspectives

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THE LINDE GROUP

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Combined non-financial report

Imprint

LINDE FINANCIAL HIGHLIGHTS

<i>Linde financial highlights</i>		2016	2017	Change
Share¹				
Closing price	EUR	156.10	194.65	24.7%
Year high	EUR	163.55	197.00	20.5%
Year low	EUR	115.85	155.50	34.2%
Market capitalisation (at year-end closing price)	EUR m	28,978	36,134	24.7%
Earnings per share from continuing operations – undiluted	EUR	6.50	7.56	16.3%
Earnings per share from discontinued operations – undiluted (before special items)	EUR	7.00	9.04	29.1%
Number of shares outstanding as at 31.12.	thou. units	185,638	185,638	0.0%
Group (continuing operations)				
Revenue	EUR m	16,948	17,113	1.0%
Operating profit ²	EUR m	4,098	4,213	2.8%
Operating margin	%	24.2	24.6	+40 bp ³
EBIT (earnings before interest and tax)	EUR m	2,075	1,944	-6.3%
EBIT (before special items)	EUR m	2,201	2,317	5.3%
Profit for the year	EUR m	1,327	1,536	15.7%
Return on capital employed (before special items)	%	9.4	10.2	+80 bp ³
Number of employees as at 31.12.		59,715	57,605	-3.5%
Gases Division				
Revenue	EUR m	14,892	14,988	0.6%
Operating profit ²	EUR m	4,210	4,268	1.4%
Operating margin	%	28.3	28.5	+20 bp ³
Engineering Division				
Revenue	EUR m	2,351	2,388	1.6%
Operating profit ²	EUR m	196	220	12.2%
Operating margin	%	8.3	9.2	+90 bp

¹ The share price-related information for the 2017 financial year is based on the shares in Linde that were submitted for exchange (ISIN DE000A2E4L75), which have been listed since 15 August 2017.

² EBIT (before special items) adjusted for amortisation of intangible assets and depreciation of tangible assets.

³ Basis points.

CORPORATE PROFILE

THE LINDE GROUP

In the 2017 financial year, The Linde Group generated revenue of EUR 17.113 bn, making it one of the leading gases and engineering companies in the world, with approximately 58,000 employees working in more than 100 countries worldwide. The strategy of The Linde Group is geared towards long-term profitable growth and focuses on the expansion of its international business with forward-looking products and services. Linde acts responsibly towards its shareholders, business partners, employees, society and the environment in every one of its business areas, regions and locations across the globe. The company is committed to technologies and products that unite the goals of customer value and sustainable development.

ORGANISATION

The Group comprises two divisions: Gases and Engineering. The larger division, Gases, has three operating segments: EMEA (Europe, Middle East and Africa), Asia/Pacific and the Americas. These segments are further subdivided into nine Regional Business Units (RBUs). In addition, Linde has established a Centre of Excellence (CoE) for the Gases Division which is centrally managed and operates across the regions. The Group has also set up the Group-wide function Opportunity & Project Development in order to take better advantage of business opportunities.

GASES DIVISION

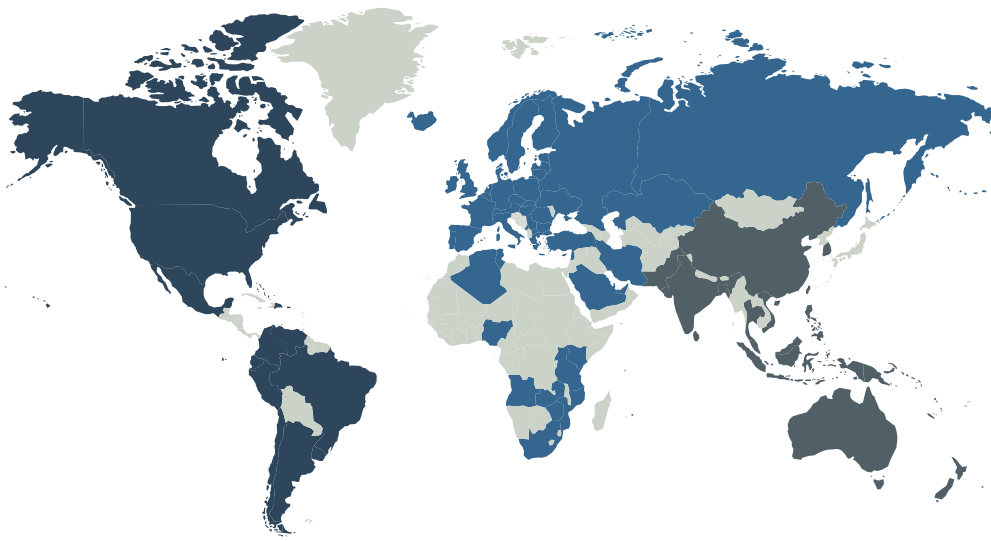
The Linde Group is a world leader in the international gases market. The company offers a wide range of compressed and liquefied gases as well as chemicals, and is the partner of choice across a huge variety of industries. Linde gases are used, for example, in the energy sector, steel production, chemical processing, environmental protection and welding, as well as in food processing, glass production and electronics. The Group furthermore includes the Healthcare business (medical gases and services), and is a leading global player in the development of environmentally friendly hydrogen technologies.

ENGINEERING DIVISION

Linde's Engineering Division is successful throughout the world, with its focus on promising market segments such as olefin, natural gas, air separation, hydrogen and synthesis gas plants. In contrast to virtually all competitors, the company can rely on its own extensive process engineering know-how in the planning, project development and construction of turnkey industrial plants and associated services. Linde plants are used in a wide variety of fields: in the petrochemical and chemical industries, in refineries and fertiliser plants, to recover air gases, to produce hydrogen and synthesis gases, to treat natural gas and to produce noble gases.

THE LINDE WORLD

With its gases and engineering operations, Linde is represented in more than 100 countries around the world. The Gases Division has three segments: EMEA (Europe, Middle East and Africa), Asia/Pacific and the Americas. These segments are further subdivided into nine Regional Business Units (RBUs). This structure means that Linde is in the best position to respond to local and regional market conditions in the gases business and to meet its gases customers requirements as effectively as possible. Active the world over, the Engineering Division specialises in olefin plants, natural gas plants, air separation plants and hydrogen and synthesis gas plants.



SEGMENTS WITHIN THE GASES DIVISION
 ■ AMERICAS ■ EMEA ■ ASIA/PACIFIC ■ REGIONS WITHOUT LINDE GASES BUSINESS

CUSTOMER SEGMENTATION WITHIN THE GASES DIVISION

FOOD & BEVERAGES	CHEMISTRY & ENERGY	METALLURGY & GLASS	MANUFACTURING INDUSTRY	ELECTRONICS	HEALTHCARE	OTHERS
Aquaculture & water treatment	Energy	Glass & fibre optics	Aerospace	Semi-conductor	Hospital care	Education & research
Beverages	Fine & petro-chemistry	Heat treatment	Automotive	Solar	Homecare	Retail
Food	Pharma	Non-ferrous	Heavy construction & machinery	Screen manufacturing	Gas therapies	Distributors
	Other chemistry	Steel	Light metal fab. & prod.	LED manufacturing	Care concepts	
		Other metallurgy & glass	Other manufacturing			

OUR VISION

We will be the leading global gases and engineering company, admired for our people, who provide innovative solutions that make a difference to the world.

OUR COMPANY VALUES

PASSION TO EXCEL.
INNOVATING FOR CUSTOMERS.
EMPOWERING PEOPLE.
THRIVING THROUGH DIVERSITY.

ABOUT THIS REPORT

[PART OF THE COMBINED MANAGEMENT REPORT]

PREPARATION OF THE MANAGEMENT REPORT

This management report has been prepared in accordance with the rules set out in German Accounting Standards DRS 20 and DRS 17. DRS 20 governs the preparation of management reports for German capital market based holding companies which are required by § 315e of the German Commercial Code (HGB) to prepare a Group management report in accordance with § 315 HGB. DRS 17 governs the reporting of the remuneration of the members of executive bodies of groups. Linde also follows the German Corporate Governance Code presented by the “Government Commission on the German Corporate Governance Code” and as amended from time to time. Linde’s Group management report has been combined with the management report of Linde AG in accordance with § 315 (5) HGB in conjunction with § 298 (2) HGB. The management report is therefore referred to as the combined management report. The annual financial statements of Linde AG, which are prepared in accordance with the provisions of the German Commercial Code (HGB), and the combined management report will be published simultaneously in the electronic German Federal Gazette (Bundesanzeiger). The information provided applies to both The Linde Group and Linde AG unless otherwise indicated. Sections containing information which relates only to Linde AG are clearly designated as such.

NON - FINANCIAL REPORT

This financial report contains a combined non-financial report on ► [PAGES 208 TO 218](#) containing key non-financial indicators and qualitative information on sustainability. This report does not form part of the combined management report. The report has been audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, as part of a limited assurance engagement. The Corporate Responsibility (CR) Report provides supplementary detailed information on this topic. The Group bases its reporting on internationally recognised standards for sustainability reporting, such as the Global Reporting Initiative (GRI) guidelines and the requirements set out in the United Nations Global Compact. The current version of the Corporate Responsibility Report is available online at ► WWW.LINDE.COM/CR-REPORT.

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Group Governance

SECTION 1

LETTER TO THE SHAREHOLDERS



Ladies and Gentlemen,

Your company showed a very convincing performance on the capital market last year. The share price was up by nearly 19 percent, while the shares submitted for exchange achieved a return of 27 percent. This is due, first of all, to the solid, sustainable business model and a positive economic environment. Second, the company's convincing outlook in light of the planned merger with Praxair also played a role in this development.

In the past financial year, we fully met the targets we had set: Group revenue and Group operating profit were at the upper end of the forecast range. The Group operating margin also rose from 24.2 percent to 24.6 percent. The efficiency programme launched in the autumn of 2016 is ahead of schedule and started to bear fruit in the 2017 financial year as expected.

Our proposed dividend of EUR 7.00 per share economically comprises a profit distribution for the previous financial year and, because of the planned business combination, an amount equal to the dividend for three-fourth of the currently anticipated dividend for the current financial year. Praxair and Linde made this agreement in order to balance the different timing of the dividend payments of both companies with respect to the 2018 financial year. Linde generally pays its annual dividend with respect to the previous financial year, whereas Praxair provides quarterly dividend payments to its shareholders.

In connection with the planned merger with Praxair, the vast majority of you have accepted the share exchange offer for the new Linde holding company: 92 percent of shares have been submitted for exchange. This is a record value in recent German M&A history and also serves as convincing testimony to the confidence our shareholders have in our strategic approach. The merged company will still be known as Linde. This is our way of highlighting our long-standing and successful tradition and will allow us to build on a high-profile global brand.

Let me therefore briefly describe you to what the "new" Linde is to be capable of achieving.

- The "new" Linde is to benefit from the extended geographic reach of the merged group resulting

from the complementary regional footprints of Linde and Praxair.

- Linde and Praxair have common roots, as well as shared values and visions.
- We predict that the merged company will benefit from annual synergy effects and cost savings of around EUR 1.1 bn.
- We expect the financial strength of the merged company, resulting from what is likely to be a solid financial position and high cash flows, to enable it to invest in future profitable and sustainable growth.
- Finally, we aim to have the merged company listed on the New York Stock Exchange and the Frankfurt Stock Exchange, and to have the shares admitted to renowned blue chip indices such as the S & P 500 and the DAX 30.
- We are aiming to complete the transaction, subject to all of the required approval being granted in time, in the second half of the year.

Dear shareholders, rest assured that – in parallel with the merger – we will be doing everything in our power this year, also in our day-to-day business, to continue to offer you and the market a convincing outlook: we have a fundamentally stable business model focusing on sustainability, as well as competitive solutions and promising innovations. The digitalisation of our business is also progressing, as you can see from our 2017 Annual Report.

Finally, I would like to take this opportunity, on behalf of the Executive Board, to thank all of our employees, for whom last year certainly cannot have been an easy one. Nevertheless, the dedication and commitment that they showed in their work for Linde did not suffer – quite on the contrary, as the figures show. Linde remains a strong company that enjoys an excellent position. An alliance with Praxair will put us in an even better position for the future – this is a good development for Linde's employees, a good development for our customers and a good development for you, Linde's owners.



PROFESSOR DR ALDO BELLONI
[CHIEF EXECUTIVE OFFICER OF LINDE AG]

THE EXECUTIVE BOARD

PROFESSOR DR ALDO BELLONI
BORN 1950

Doctorate in Engineering [Dr.-Ing.]
Chief Executive Officer

Responsible for Opportunity & Project Development, Programme Management, the Americas segment of the Gases Division, the Corporate & Support Functions Corporate Communications & Investor Relations, Corporate Internal Audit, Corporate Office, Corporate Strategy & Market Intelligence, Group Human Resources, Group Legal & Compliance, Group Information Services and for SHEQ [Safety, Health, Environment, Quality], Gist Employment Director
Member of the Executive Board since 2016

DR CHRISTIAN BRUCH
BORN 1970

Doctorate in engineering [Dr.-Ing.]
Degree in mechanical engineering

Responsible for the Engineering Division and for the Corporate & Support Functions Technology & Innovation and Digitalisation
Member of the Executive Board since 2015

BERND EULITZ
BORN 1965

Degree in engineering
[process technology, chemical engineering]

Responsible for the EMEA [Europe, Middle East, Africa] segment of the Gases Division and the Centre of Excellence [Healthcare, Marketing, Production, Supply Chain], Performance Management EMEA as well as for the Corporate & Support Function Group Procurement
Member of the Executive Board since 2015

SANJIV LAMBA
BORN 1964

Chartered accountant
Bachelor of Commerce

Responsible for the Asia/Pacific segment of the Gases Division, for Global Gases Businesses Helium & Rare Gases, Electronics [electronic gases] and Asia Joint Venture Management
Member of the Executive Board since 2011

DR SVEN SCHNEIDER
BORN 1966

Doctorate in Political Sciences [Dr. rer. pol.]
Business Management Graduate [Dipl.-Kfm.]
Qualified banker

Responsible for the Corporate & Support Functions Group Accounting & Reporting, Group Insurance, Group Mergers & Acquisitions, Group Risk Management, Group Tax, Group Treasury, Operational Finance, Controlling & Investments, Real Estate and for Finance/Controlling for the EMEA, Americas, Asia/Pacific segments
Member of the Executive Board since 2017

THE EXECUTIVE BOARD



BERND EULITZ - PROFESSOR DR ALDO BELLONI
DR SVEN SCHNEIDER - DR CHRISTIAN BRUCH - SANJIV LAMBA
[FROM LEFT TO RIGHT]

THE SUPERVISORY BOARD

Members of the Supervisory Board

PROFESSOR DR WOLFGANG REITZLE
[CHAIRMAN]
Former Chief Executive Officer of Linde AG

GERNOT HAHL¹
[DEPUTY CHAIRMAN SINCE 1 JANUARY 2018]
Chairman of the Worms Works Council,
Gases Division, Linde AG

FRANZ FEHRENBACH
[SECOND DEPUTY CHAIRMAN SINCE 10 MAY 2017]
Chairman of the Supervisory Board of Robert Bosch GmbH,
Managing Partner of Robert Bosch Industrietreuhand KG

**PROFESSOR DR
ANN-KRISTIN ACHLEITNER**
Professor at the
Technical University Munich [TUM]

PROFESSOR DR CLEMENS BÖRSIG²
Former Chairman of the Supervisory Board
of Deutsche Bank AG

ANKE COUTURIER¹
Head of Global Pensions,
Linde AG

DR THOMAS ENDERS
Chief Executive Officer of Airbus SE
(Member of the Supervisory Board since 10 May 2017)

DR MARTIN KIMMICH¹
Second Authorised Representative, IG Metall Munich

DR VICTORIA OSSADNIK
Vice President (VP) Enterprise Services Delivery
at Microsoft Deutschland GmbH

ANDREA RIES¹
Chair of the Unterschleissheim Works Council,
Gases Division, Linde AG
(Member of the Supervisory Board since 1 January 2018)

XAVER SCHMIDT¹
Head of department, Chairman
of IG Bergbau, Chemie, Energie Hanover

FRANK SONNTAG¹
Chairman of the Dresden Works Council,
Engineering Division, Linde AG

The following members left the Supervisory Board in
the 2017 financial year:

MICHAEL DIEKMANN
[SECOND DEPUTY CHAIRMAN]
Chairman of the Supervisory Board of Allianz SE
(Member and Deputy Chairman of the
Supervisory Board up until 10 May 2017)

HANS-DIETER KATTE¹
[DEPUTY CHAIRMAN]
Member of the Pullach Works Council,
Engineering Division, Linde AG up until 31 December 2017
(Member and Deputy Chairman of the Supervisory Board
up until 31 December 2017)

¹ Employee representative.

² Independent expert member as defined by § 100 (5) and § 107 (4) of the German Stock Corporation Act (AktG).

Memberships of other German statutory supervisory boards and comparable German and foreign boards are shown in ► [NOTE \[35\]](#) of the Notes to the Group financial statements.

Supervisory Board committees

MEDIATION COMMITTEE

[in accordance with § 27 (3) of the German Co-Determination Act (MitbestG)]

- PROFESSOR DR WOLFGANG REITZLE
[CHAIRMAN]
- FRANZ FEHRENBACH
- GERNOT HAHL¹
- XAVER SCHMIDT¹

STANDING COMMITTEE

- PROFESSOR DR WOLFGANG REITZLE
[CHAIRMAN]
- DR THOMAS ENDERS
- FRANZ FEHRENBACH
- GERNOT HAHL¹
- DR MARTIN KIMMICH¹

AUDIT COMMITTEE

- PROFESSOR DR CLEMENS BÖRSIG²
[CHAIRMAN]
- PROFESSOR DR ANN-KRISTIN ACHLEITNER
- GERNOT HAHL¹
- PROFESSOR DR WOLFGANG REITZLE
- XAVER SCHMIDT¹

NOMINATION COMMITTEE

- PROFESSOR DR WOLFGANG REITZLE
[CHAIRMAN]
- PROFESSOR DR ANN-KRISTIN ACHLEITNER
- FRANZ FEHRENBACH

¹ Employee representative.

² Independent expert member as defined by § 100 (5) and § 107 (4) of the German Stock Corporation Act (AktG).

Memberships of other German statutory supervisory boards and comparable German and foreign boards are shown in ► [NOTE \[35\]](#) of the Notes to the Group financial statements.

REPORT OF THE SUPERVISORY BOARD



Dear stakeholders,

During the reporting year, the Supervisory Board conducted detailed reviews of the Group's situation, its prospects and its strategic development, as well as the future long-term positioning of The Linde Group and key individual initiatives. One particular focal point was the planned merger with the US industrial gas company Praxair, Inc.

We monitored and advised the Executive Board in the running of its business operations in accordance with the duties assigned to us by law, the articles of association and the Supervisory Board's procedural rules. Through verbal updates at our meetings and in the form of written reports, the Executive Board regularly provided us with timely and comprehensive updates on company performance, the economic situation, profitability and plans for the company and its subsidiaries, as well as briefing us on all issues relevant to the strategy being pursued by the company and its subsidiaries, planning, business development, the risk situation, risk management and compliance. We assessed the plausibility of all documents presented to us and regularly consulted the Executive Board on significant issues. The Supervisory Board was involved in all major decisions made by the company. These include Executive Board transactions and measures requiring the approval of the Supervisory Board. This applies in particular to the annual capital expenditure programme, major acquisitions, divestments, and defined capital and financial measures.

In our committees and at meetings of the full Supervisory Board, we carried out critical reviews of the reports and proposed resolutions submitted by the

Executive Board and put forward our suggestions. The Chairman of the Supervisory Board also ensured that he remained up to date on the current business situation, significant business transactions and decisions taken by the Executive Board. He maintained close contact with the Executive Board and with the Chief Executive Officer in particular, sharing information and ideas, and held regular consultations with the CEO on the Group's strategy, planning, business development, risk situation, risk management and compliance. On the basis of the reports submitted by the Executive Board and the auditors report, the Supervisory Board was able to satisfy itself as to the effectiveness of the risk monitoring system set up in accordance with § 91 (2) of the German Stock Corporation Act (AktG). At no time during the year did the Supervisory Board have any objections in relation to the sound and efficient management of the Group.

Meetings and resolutions of the Supervisory Board

A total of nine Supervisory Board meetings were held in the 2017 financial year: four scheduled and five extraordinary meetings. The members of the Supervisory Board each took part in more than half of the meetings of the Supervisory Board and the committees of which they are members. In detail, the members of the Supervisory Board took part in the meetings of the Supervisory Board and its committees as follows:

DISCLOSURE REGARDING PARTICIPATION IN MEETINGS OF THE SUPERVISORY BOARD AND THE SUPERVISORY BOARD COMMITTEES OF LINDE AG BY THE INDIVIDUAL SUPERVISORY BOARD MEMBERS IN THE 2017 FINANCIAL YEAR¹

Supervisory Board members	Supervisory Board and committee meetings ¹	Participation	Attendance in %
Professor Dr Wolfgang Reitzle (Chairman)	17	16	94
Hans-Dieter Katte (Deputy Chairman)	17	17	100
Michael Diekmann (Second Deputy Chairman) (up until 10.05.2017)	4	4	100
Franz Fehrenbach (Second Deputy Chairman as of 10.05.2017)	13	13	100
Professor Dr Ann-Kristin Achleitner	13	13	100
Professor Dr Clemens Börsig	13	11	85
Anke Couturier	9	9	100
Dr Thomas Enders (as of 10.05.2017)	9	8	89
Gernot Hahl	17	16	94
Dr Martin Kimmich	9	9	100
Dr Victoria Ossadnik	9	9	100
Xaver Schmidt	9	9	100
Frank Sonntag	9	9	100

¹ This does not include the work of the Supervisory Board members outside of meetings of the Supervisory Board and the committees of which they are members.

Once again during the 2017 financial year, the Supervisory Board's advisory and monitoring activities focused on the Group's growth prospects, its individual lines of business and its reportable segments. We regularly discussed the potential impact of the global economic situation and exchange rate effects, the consequences of the oil price developments, the British referendum on Brexit and the order situation in the plant construction sector with the Executive Board, alongside issues relating to the development of individual markets, while also discussing how to plan for the future and considering the stability of future developments. The Supervisory Board took an in-depth look at the efficiency improvement measures launched in previous years, as well as at the planned merger with Praxair, Inc., including the conclusion of the Business Combination Agreement and the reasoned opinion on the public exchange offer to the shareholders of Linde AG made by Linde plc.

After a thorough review of the documents submitted and detailed discussions on the proposals of the Executive Board, the Supervisory Board granted all the necessary approvals. As a general rule, the resolutions of the Supervisory Board were adopted during its meetings in the year under review. Supervisory Board members who were unable to attend in person participated in the passing of resolutions by casting their votes in writing. One resolution passed by the shareholders on the Supervisory Board was passed in written proceedings. In detail, the Supervisory Board focused on the following issues in 2017:

February 2017 – On 22 February 2017, the shareholder representatives on the Supervisory Board passed a resolution on the use of the option provided for in § 96 (2) sentence 3 AktG and notified the Chairman of the Supervisory Board that they rejected total compliance with the minimum gender composition levels within the Supervisory Board of Linde AG.

March 2017 – At our meeting held on 8 March 2017, we decided, based on a recommendation made by the Standing Committee, to appoint Dr Sven Schneider to the Executive Board with immediate effect for a three-year term, in other words until 7 March 2020. We also passed a resolution, again based on a recommendation made by the Standing Committee, to extend the appointments of Dr Christian Bruch and Bernd Eulitz as members of the Executive Board for five years after their first term of office, i.e. until 31 December 2022 in each case. Taking into account the recommendations made by the Standing Committee and an independent external remuneration consultant, we set the remuneration for the new Executive Board member Dr Sven Schneider, carried out the regular review of the remuneration paid to the other Executive Board members and passed resolutions, with effect from 1 April 2017, on adjustments to the fixed cash remuneration and variable remuneration components for Dr Christian Bruch, Bernd Eulitz and Sanjiv Lamba. On the basis of

a proposal made by the Standing Committee, we also agreed on the targets reached in relation to the variable cash emoluments and total emoluments earned by the individual Executive Board members for 2016. In addition, we discussed in detail and approved the annual financial statements of Linde AG and the Group financial statements for the year ended 31 December 2016 and adopted the proposed appropriation of earnings. We also addressed the 2016 mandatory EMIR audit pursuant to § 20 of the German Securities Trading Act (WpHG) old version (now § 32 WpHG), a system audit on compliance with the requirements set out in the Securities Trading Law. In addition, we issued the declaration of compliance with the German Corporate Governance Code and adopted the Report of the Supervisory Board and the Corporate Governance Report for 2016, as well as the agenda for the Annual General Meeting, including the proposed resolutions. On the basis of a proposal made by the Nomination Committee and taking into account the targets set by the Supervisory Board in terms of its composition, we passed a resolution to propose to the Annual General Meeting that Dr Thomas Enders be appointed as the successor of Michael Diekmann, who had resigned from his position as a shareholder representative with effect from the closure of the 2017 Annual General Meeting. In addition to its regular reports on business performance and the general position of The Linde Group, the Executive Board also presented us with an updated planning for the 2017 financial year and the updated medium-term planning. This included information on variances from the prior-year budget. We also discussed the potential merger with Praxair, Inc.

April 2017 – On 6 April 2017, we held a special meeting on Supervisory Board matters and on the Praxair, Inc. merger project. The Executive Board provided the Supervisory Board with information on the status of the discussions with Praxair, Inc.

May 2017 – Immediately before the Annual General Meeting on 10 May 2017, the Executive Board reported on business performance in the first quarter of 2017, current business development, The Linde Group's financial situation and the current status of the sales negotiations relating to the logistics service provider Gist. We also discussed the mode of settlement for the matching shares rights that members of the Executive Board (including the current Chairman of the Supervisory Board) had acquired as part of the 2013 stock option plan and whose waiting period expired in 2017. The Chairman of the Supervisory Board did not participate in the passing of the resolution. We also reviewed the targets for the proportion of women in the Executive Board and set new targets for the period from 1 July 2017 to 30 June 2022. Additionally, the meeting was used to prepare for the subsequent shareholder meeting.

Immediately after the Annual General Meeting held on 10 May 2017, another Supervisory Board meeting was held at which we elected Franz Fehrenbach as the

successor of Michael Diekmann in the role of Second Deputy Chairman of the Supervisory Board and as a member of the Mediation Committee. As also elected Professor Dr Ann-Kristin Achleitner as a member of the Nomination Committee and Dr Thomas Enders as a member of the Standing Committee.

June 2017 – At a special meeting held on 1 June 2017, we reviewed and held a detailed discussion on the terms and conditions of the Business Combination Agreement sent to us by the Executive Board in writing in advance regarding the intended merger with Praxair, Inc., as well as the corresponding fairness opinions submitted by Bank of America Merrill Lynch and Goldman Sachs, the Supervisory Board's financial advisors. The Supervisory Board also obtained verbal opinions from its financial advisors and the financial advisors to the Executive Board (Morgan Stanley and Perella Weinberg). External legal advisors also attended the meeting, explained the Business Combination Agreement documents that had been submitted in advance and answered any questions. Even before the meeting, the Supervisory Board members had the opportunity to have company representatives and legal advisors explain the details of the Business Combination Agreement and answer any questions. Following a careful examination and in-depth discussion, we passed a resolution at this meeting, based on a majority vote, confirming that the merger, the Business Combination Agreement and the transactions provided for therein were in the best interests of Linde AG and its shareholders. A majority of the Supervisory Board members approved the conclusion of the Business Combination Agreement between Praxair, Inc. and Linde AG, among others, as well as the performance of the measures set out therein. We also passed a majority resolution recommending that Linde's shareholders accept the public exchange offer to be published by Linde plc, subject to a review of the offer document and the duties of good faith under German law, and that they tender their shares in Linde as part of this exchange offer. The Standing Committee was tasked with preparing the reasoned opinion of the Supervisory Board pursuant to § 27 (1) of the German Securities and Takeover Act (WpÜG) on the public exchange offer. We also passed resolutions, taking into account the recommendation of the Standing Committee as part of the merger project, on necessary supplements to the contracts of employment of the Executive Board members regarding share-based remuneration. Insofar as the Supervisory Board Chairman was affected himself on the basis of his former position as Chairman of the Executive Board, he did not participate in the passing of the resolution.

August 2017 – Another special meeting of the Supervisory Board was held on 21 August 2017. At this meeting, we were presented with the draft joint reasoned opinion, prepared by the Standing Committee based on the assignment we issued to them on

1 June 2017, of the Executive Board and the Supervisory Board pursuant to § 27 (1) WpÜG on the voluntary public takeover offer (exchange offer) made by Linde plc to the shareholders of Linde AG, as well as the exchange offer. After assessing the written documents made available to us in advance in this regard, and after consulting the updated fairness opinions of the financial advisors and seeking advice from external legal advisors, we concluded, by way of a majority vote, that the nature and amount of the offer consideration was fair and appropriate, that the company merger was in the best interests of Linde AG, its shareholders and other stakeholders, that the exchange offer should be approved and supported and that Linde's shareholders should be advised to accept the exchange offer and submit their shares in Linde for the exchange offer. We passed a majority resolution approving the joint reasoned opinion of the Executive Board and the Supervisory Board pursuant to § 27 (1) WpÜG on the voluntary public takeover offer made by Linde plc in the form of an exchange offer made to the shareholders of Linde AG dated 15 August 2017. The joint opinion was published on 21 August 2017.

September 2017 – At our meeting on 26 September 2017, the Executive Board outlined in detail the economic situation facing The Linde Group and its divisions, described the outlook for the full 2017 financial year and delivered focus reports on the Healthcare business in North America and the electronic gases business. The Executive Board also reported on the current status of the sale of the logistics service provider Gist. The meeting also focused on progress made in implementing the strategies highlighted in earlier years, strategic development and the Group's competitive environment. The latest developments in relation to strategy and the competitive position of The Linde Group and its divisions were covered in detail. Key questions discussed included the strategic positioning and direction of Linde and its divisions, and projects considered or launched in this regard, as well as the impact of such projects on The Linde Group's financial position, net assets and results of operations. In addition, the Executive Board explained its application for an increase in the investment program for 2017 to the Supervisory Board after submitting the application to the Supervisory Board in writing in advance. The Supervisory Board approved this application following an in-depth discussion. Finally, the Executive Board reported on the progress made by the exchange offer made by Linde plc to the shareholders of Linde AG in connection with the planned merger with Praxair, Inc.

October 2017 – At a special meeting held on 23 October 2017, the Executive Board provided information on the current status of acceptance of the exchange offer. Following an in-depth discussion with the Executive Board and external legal advisors, we passed a majority resolution stating that the Executive Board of Linde AG

should approve a reduction in the minimum acceptance threshold by Linde plc from 75 percent to 60 percent based on the publication of a corresponding amendment to the exchange offer. We also passed majority resolutions on the supplementary joint reasoned opinion of the Executive Board and the Supervisory Board on the amendment of the exchange offer made by Linde plc to the shareholders of Linde AG, which was published on 23 October 2017.

December 2017 – Our meeting held on 7 December 2017 addressed current business developments. We received a further status report on the sale of the logistics service provider Gist and a report from the CEO of Lincare on developments in the Healthcare business in North America. On the basis of comprehensive documentation, we also dealt with the preview of the 2017 financial statements, the budget for the 2018 financial year and the medium-term business plan for the years 2019 to 2021, including financial, capital expenditure and human resources plans. The Executive Board explained any variances between the plans and targets and the actual results, providing reasons for these variances. We also discussed the proposal made by the Executive Board to have the 2018 investment programme approved in detail. After careful examination, we granted our approval. After the further acceptance period for the exchange offer made by Linde plc to the shareholders of Linde AG ended on 24 November 2017 with an acceptance rate of 92.05 percent, the Executive Board unveiled the further schedule for the transaction and the possible options for the Group structure following the completion of the transaction. We also elected Gernot Hahl as Deputy Chairman of the Supervisory Board with effect from 1 January 2018 to replace Hans-Dieter Katte, who was set to leave the company and the Supervisory Board on 31 December 2017, and also appointed Dr Martin Kimmich to the Standing Committee and Xaver Schmidt to the Audit Committee. Finally, in accordance with § 96 (2) sentence 3 AktG, the employee representatives in the Supervisory Board objected to the overall fulfilment of the minimum gender composition levels within the Supervisory Board of Linde AG within the context of the 2018 Supervisory Board re-elections.

Committees and committee meetings

The Supervisory Board continues to have four committees: the Mediation Committee, formed under § 27 (3) of the German Co-Determination Act (MitbestG), the Standing Committee, the Audit Committee and the Nomination Committee. The Chairman of the Supervisory Board chairs all the committees with the exception of the Audit Committee. The current members of each committee are listed on [PAGE 7](#). Information about

the responsibilities of each committee is given in the Corporate Governance Report on [PAGES 15 TO 23](#). The committee chairmen reported in detail on the agendas and outcomes of their committee meetings at the plenary Supervisory Board meeting following their sessions.

The Standing Committee of the Supervisory Board held four meetings during the reporting year. One resolution was passed in written proceedings. The Chairman of the Standing Committee also remained in close contact with the other committee members outside meetings in order to liaise on particular issues. The Standing Committee addressed personnel matters relating to the Executive Board and prepared Supervisory Board decisions on personnel matters. The Standing Committee also gave its consent to members of the Executive Board taking up mandates and secondary occupations with other companies, establishments and institutions. In addition, the Standing Committee used two meetings to prepare the decisions of the plenary Supervisory Board on the reasoned opinion of the Supervisory Board pursuant to § 27 (1) WpÜG on the exchange offer made by Linde plc to the shareholders of Linde AG.

The Audit Committee met on four occasions during the year under review in the presence of the auditors, the Chief Executive Officer and the Chief Financial Officer and passed two resolutions in written proceedings. It discussed and reviewed in detail the annual financial statements of Linde AG and the Group financial statements, the management reports, the proposed appropriation of profits and the audit reports, including the report on the audit focus and the oral presentation by the auditors of the main results of the audit. The Audit Committee raised no objections on the basis of its reviews. No significant weaknesses in the accounting-related internal control system or in the system for the early identification of risks were detected by the auditors. The Executive Board also discussed the interim and half-year financial reports with the Audit Committee, taking into account the auditor's report on the review, prior to their publication. In addition, this Committee prepared the proposal from the Supervisory Board on the appointment of the auditors at the Annual General Meeting, issued the audit mandate to the auditors, determined the audit focus and agreed the audit fees. The Audit Committee monitored the independence, qualifications, rotation and efficiency of the auditors and the services provided by the auditors in addition to the audit itself. It also entered into an agreement with the auditors in accordance with the Group's internal rules about the provision of services not related to the audit, and the auditors informed the Committee at each of its meetings about the fees they had charged in relation to such services. In connection with the merger project with Praxair, Inc., two assignments awarded to KPMG for

non-audit-related services were approved in written proceedings. These had previously been presented and discussed at meetings of the Audit Committee. Furthermore, it kept up to date on the evolution of the risk management system and compliance structures, compliance issues, any legal or regulatory risks, the risk position and the identification and monitoring of risk within the Group. The Audit Committee also reviewed the evolution of internal control systems within the Group based on a presentation by the Executive Board. It received a report on the structure, roles and responsibilities within the Internal Audit department, on its audit work and the audit plan for 2017. The Audit Committee was briefed on the effectiveness of the internal control system, risk management system and internal audit system; it discussed the findings in detail and was duly satisfied as to the efficacy of the systems in question. The Executive Board also briefed the Audit Committee on a regular basis with regard to the status of various activities relating to the external and internal financing of the Group and the safeguarding of its liquidity. Other issues included the 2016 mandatory EMIR audit pursuant to § 20 of the German Securities Trading Act (WpHG) old version (now: § 32 WpHG), the potential impact of the planned merger with Praxair, Inc. on reporting and internal processes and controls, as well as current legal and accounting developments and, in particular, the impact of the CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz) on reporting. For selected agenda items, department heads also attended meetings of the Audit Committee, submitting reports and answering questions. In addition, the Chairman of the Audit Committee held talks on issues of significance in the periods between committee meetings, with the Chairman of the Supervisory Board, Chief Executive Officer, Chief Financial Officer and the auditors in particular. The Audit Committee and, where necessary, the Supervisory Board were regularly apprised of the outcome of these discussions.

The members of the Nomination Committee discussed succession planning for the Supervisory Board on several occasions outside of meetings. They prepared the proposed resolution of the Supervisory Board to be presented to the Annual General Meeting on 10 May 2017 on the Supervisory Board by-election.

Once again, the Mediation Committee did not need to be convened in 2017.

Corporate governance and declaration of compliance

We continually monitor changes to the German Corporate Governance Code and permanently verify that the provisions are being implemented correctly. In March 2018, the Executive Board and the Supervisory Board issued

an updated declaration of compliance in accordance with § 161 of the German Stock Corporation Act (AktG) and made it permanently available to its shareholders on the company's website. ► WWW.LINDE.COM. Further information on corporate governance at Linde can be found in the Corporate Governance Report. ► [SEE PAGES 15 TO 23](#).

Annual financial statements and Group financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (KPMG) audited the annual financial statements of Linde AG prepared in accordance with the principles set out in the German Commercial Code (HGB) as well as the consolidated financial statements of The Linde Group for the year ended 31 December 2017 prepared in accordance with IFRS as adopted by the European Union including the combined management report of Linde AG and The Linde Group in accordance with German generally accepted standards for the audit of financial statements and in supplementary compliance with International Standards on Auditing (ISA). The auditors have confirmed that the Group financial statements and the combined management report meet the requirements set out in § 315e (1) of the German Commercial Code (HGB) and have issued unqualified opinions on both the Group financial statements and annual financial statements. In accordance with the terms of its engagement, KPMG performed audit reviews of the interim and half-yearly financial reports in the 2017 financial year. At no time did these reviews give rise to any objections. KPMG also confirmed that the system for the early identification of risks complies with legal requirements; no risks posing a threat to the Group's viability were identified. In the 2017 financial year, the audit focused on the "Assessment of the central management process for the Internal Control System (ICS) of Linde AG and the validation of the decentralised SAP Governance Risk & Compliance (GRC) self-assessments in 2017". No significant weaknesses in the accounting-related internal control system or in the system for the early identification of risks were detected by the auditors. Once again during the reporting year, the auditors declared their independence to the Audit Committee.

The documents relating to the financial statements and the audit reports were issued to all members of the Supervisory Board in good time. They were then the subject of extensive deliberations at the Audit Committee meeting on 6 March 2018 and the meeting of the Supervisory Board to approve the financial statements on 7 March 2018. The auditors took part in the discussions both at the Audit Committee meeting and at the meeting of the full Supervisory Board. They reported on

the main results of the audits, in particular also on the key audit matters and the audit activities performed, and were available to provide additional information and to answer any questions. For Linde AG, the key audit matters related to the recoverability of investments in affiliated companies and the recoverability of work in progress related to long-term construction contracts, as well as completeness of the related provisions for expected losses, while for the Group, they related to the recoverability of goodwill, the recognition and measurement of restructuring provisions and the revenue recognition in the Engineering Division. The Audit Committee also presented the results of its review to the Supervisory Board. We conducted our own examination of all of the documents submitted and the audit reports and discussed them in detail. After considering the results of the preliminary review by the Audit Committee and the final results of our own review of the documents submitted to us by the Executive Board and by the auditors, we find no grounds for objection and concur with the results of KPMG's audit. We hereby approve and adopt the financial statements of Linde AG and the Group financial statements for the year ended 31 December 2017 as drawn up by the Executive Board; the annual financial statements of Linde AG are hereby final. We also approve the Executive Board's proposal for the appropriation of profits.

In addition, the Audit Committee, at its meeting held on 6 March 2018, and the Supervisory Board, at its meeting held on 7 March 2018, reviewed the combined separate non-financial report in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB for the 2017 financial year based on a limited assurance engagement performed by the auditor of the annual financial statements, whose report had been submitted to the Supervisory Board members in a timely manner. The review performed by the Supervisory Board did not result in any objections being raised.

Changes to the composition of the Supervisory Board and the Executive Board

Michael Diekmann, Second Deputy Chairman of the Supervisory Board, resigned from the Supervisory Board with effect from the closure of the Annual General Meeting on 10 May 2017. The Annual General Meeting held on 10 May 2017 elected Dr Thomas Enders to the Supervisory Board as a shareholder representative for the remaining term of office of the other Supervisory Board members. In addition, Hans-Dieter Katte, Deputy Chairman of the Supervisory Board, left the company and the Supervisory Board with effect from 31 December 2017. Andrea Ries was appointed by court to the Supervisory Board of Linde AG with effect from

1 January 2018. The members of the Supervisory Board elected Franz Fehrenbach as their new Second Deputy Chairman and Gernot Hahl as their new Deputy Chairman. An overview of the composition of the Supervisory Board and its committees is provided on [▶ PAGES 6 TO 7](#).

Dr Sven Schneider was appointed member of the Executive Board with effect from 8 March 2017. He assumed responsibility for finance within the Executive Board.

We would like to thank the gentlemen who have left the Supervisory Board for their many years of particularly valuable work within the Supervisory Board. We would also like to thank the Executive Board and all employees worldwide for their hard work and performance during the last financial year.

MUNICH, 7 MARCH 2018
ON BEHALF OF THE SUPERVISORY
BOARD



PROFESSOR DR WOLFGANG REITZLE
[CHAIRMAN OF THE SUPERVISORY
BOARD OF LINDE AG]

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT

Compliance with the German Corporate Governance Code and declarations of compliance

Linde AG follows the German Corporate Governance Code presented by the Government Commission on the German Corporate Governance Code and as amended from time to time. In March 2017, the Executive Board and Supervisory Board of Linde AG issued a declaration of compliance with the recommendations of the German Corporate Governance Code as amended on 5 May 2015 in accordance with § 161 of the German Stock Corporation Act (AktG) and made this declaration permanently available to the public on the Linde website.

Amendments to the German Corporate Governance Code were adopted on 7 February 2017. These amendments came into force upon their publication in the official section of the German Federal Gazette on 24 April 2017. The Executive Board and Supervisory Board of Linde AG studied the requirements of the German Corporate Governance Code as amended on 7 February 2017 in detail before issuing the following declaration of compliance in March 2018.

“The Executive Board and the Supervisory Board of Linde AG declare in accordance with § 161 of the German Stock Corporation Law:

All the recommendations of the ‘Government Commission on the German Corporate Governance Code’ as amended on 7 February 2017 have been complied with

since publication of the last declaration of compliance and will be complied with in future – except for the following exception.

Clause 4.2.3 para 2 sentence 6

In accordance with clause 4.2.3 para 2 sentence 6 of the German Corporate Governance Code the Executive Board members’ remuneration in total and as to its variable components should be capped at a given maximum amount. Employment contracts with Executive Board members do not include a ceiling for the Executive Board members’ total remuneration; variable components are capped as is described below.

The components of the variable cash emoluments are limited in terms of amounts. The Long Term Incentive Plan which provides for remuneration in the form of options to purchase shares (performance shares) and bonus shares linked to personal investment (matching shares) has a cap in terms of amounts at the time of the granting of option rights and matching shares rights. However, the value of the performance shares and matching shares after a multi-year qualifying period is not limited in terms of amounts. An additional cap like that was not deemed appropriate. In such a case, the synchronisation of interests of shareholders and Executive Board members to be achieved by share-based remuneration would be disrupted, which in our opinion would not be in the shareholders’ interest.”

The current declaration of compliance and past declarations of compliance with the German Corporate Governance Code are available on the company’s website at ► WWW.LINDE.COM/DECLARATIONOF COMPLIANCE.

Corporate governance practices

Linde AG has always attached great importance to sound, responsible management and supervision geared towards the creation of sustainable value added. Our success has always been based on close and efficient cooperation between the Executive and Supervisory Boards, consideration of shareholders’ interests, an open style of corporate communication, proper accounting and audit procedures as well as a responsible approach to risk and to statutory and Group-internal rules and regulations.

Linde upholds high ethical standards. These are set out, among other things, in core values (Linde Spirit) and in the Code of Ethics, both of which apply across the Group. The Executive Board has further issued its own guidelines on competition/antitrust law, preventing corruption, the engagement of sales agents, occupational safety, environmental and health protection, quality and procurement. Like the Linde Spirit and the Code of Ethics, these guidelines apply to all employees throughout The Linde Group.

Compliance

To reinforce compliance with both legal regulations and voluntary principles, the Group has a global compliance organisation. Linde's Group-wide compliance activities are focused in particular on antitrust law, the fight against corruption, export control and data protection. A binding risk analysis process (compliance risk assessment) was introduced in 2014, covering the issues of general compliance, antitrust law and corruption. The full-time employees working in Compliance are affiliated to Group Legal. Compliance officers have been appointed in the divisions, business units and operating segments to support Group-wide observance of the compliance programme. The Chief Compliance Officer coordinates and implements compliance measures. The Executive Board and the Audit Committee of the Supervisory Board are regularly informed about the current state of progress in the compliance organisation, including measures aimed at communicating existing rules of conduct to employees, training employees in those rules and updating the rules as necessary. Training is provided for Linde employees worldwide. Classroom-based courses are supplemented by a Group-wide e-learning programme. We thereby create a working environment in which our employees are entirely familiar with our rules and guidelines.

The Integrity Line reporting system is an important element of the compliance framework at The Linde Group. It enables both internal and external stakeholders to raise issues or report any doubts or suspicions that they might have. If an internal investigation reveals that the doubts or suspicions raised were justified, a prescribed process is used to determine which measures are required. Linde also checks that these measures have actually been implemented.

Information on Linde's core values and compliance policy can be found on the company's website at ► WWW.LINDE.COM/GUIDELINESCOREVALUES and ► WWW.LINDE.COM/CORPORATEGOVERNANCE.

Executive Board and Supervisory Board procedures

Linde AG, which has its registered office in Munich, is governed by the provisions of the German Stock Corporation Act (AktG) and the German Co-Determination Act (MitbestG), capital market regulations and the rules set out in its articles of association. The Executive Board and Supervisory Board are responsible for the management and supervision functions assigned to them. They cooperate closely in the interests of Linde to ensure the continuation of the Group as a going concern and to create sustainable value added. They are obliged to act in the interests of the shareholders and for the benefit of the Group.

Executive Board

The Executive Board of Linde AG is responsible for managing the company and conducting its business. Its actions and decisions are geared towards the best interests of the Group, taking into consideration the concerns of shareholders, employees, customers and other stakeholder groups with the aim to create sustainable value. The Executive Board establishes the strategic direction of the Group, agrees this strategy with the Supervisory Board, ensures it is properly implemented and reviews the progress made during regular discussions with the Supervisory Board. It is also responsible for annual and multi-year planning, Group financing and the preparation of quarterly, half-yearly, annual and Group financial statements. In addition, the Executive Board ensures that appropriate risk management and risk control systems are in place and provides regular, timely and detailed reports to the Supervisory Board on all relevant Group issues including strategy, medium-term planning, business trends, the risk situation, risk management and compliance with legal regulations and internal Group guidelines. The Executive Board also takes the necessary measures to facilitate compliance in the Group companies. It has set up a compliance management system and disclosed the main features of this system in the Opportunity and risk report.

Key Executive Board activities and transactions require the approval of the Supervisory Board. This applies in particular to the annual capital expenditure programme, major acquisitions, divestments, and defined capital and financial measures. The Supervisory Board can also specify special approval requirements in individual cases. While in office, and after leaving their positions, members of the Executive Board are bound by a detailed restraint clause. Any conflicts of interest must be disclosed immediately to the Supervisory Board, as well as to fellow Board members. No such conflicts of interest arose for any member of the Executive Board during the reporting period.

The procedural rules of the Executive Board govern the work it performs, the allocation of responsibilities to individual members, the issues which must be dealt with by the full Executive Board and the majority required for resolutions to be passed by the Executive Board. The Executive Board passes resolutions at meetings held on a regular basis. A simple majority of the votes cast is sufficient for a resolution to be passed, unless a greater majority is prescribed by law. If the vote is tied, the Chairman has the casting vote. Without prejudice to the collective responsibility of all members of the Executive Board, each member of the Executive Board has individual responsibility for the functions assigned to him when the decisions of the Executive Board are being made. It is incumbent upon the Chairman of the Executive Board to assume responsibility not only for the functions assigned to him, but also to coordinate all areas of responsibility entrusted to the Executive

Board. He is the main point of contact between the Executive Board and the Supervisory Board and represents the company in public.

Diversity concept for the Executive Board: The company aims to ensure that the Executive Board is diverse in its composition and that, viewed as a whole, it has sufficiently diverse experience and knowledge for the management of a capital market-oriented gases and engineering company with international operations, and that this experience and knowledge adequately reflect the various areas that the Executive Board members are responsible for. The Executive Board should have members with a range of educational backgrounds. Given the object of the company, sufficient technical or scientific expertise is considered to be particularly important. In addition, at least one member should have a business management background. In line with the company's international structure, the Executive Board should also include individuals with particular international experience, where possible even with an international cultural background. It is considered helpful if the Executive Board comprises a number of different age groups. The Supervisory Board believes that the Executive Board should ideally include a mixture of men and women. In the medium term, the aim is to have an Executive Board that is 20 percent female. At 31 December 2017, the Executive Board consisted of five members. All of the areas of expertise required within the company are covered. Three members have a technical background, one also has a scientific background and two have a business management background. Professor Dr Aldo Belloni is an Italian citizen, while Sanjiv Lamba was born in India and has Singaporean citizenship. At the moment, the Executive Board has exclusively male members, with one falling into the over-40 age group, three in the over-50 age group and one in the over-60 category. Professor Dr Aldo Belloni exceeded the standard age limit for Executive Board members set out in the procedural rules. When Professor Dr Aldo Belloni was appointed member of the Executive Board in December 2016, the Supervisory Board also took the age limit that applies to Executive Board members into account, but opted to appoint Professor Dr Aldo Belloni as member and Chairman of the Executive Board on special grounds.

§ 111 (5) of the German Stock Corporation Act (AktG) subjects the Supervisory Board to the obligation to set targets for the proportion of women on the Executive Board. The first targets defined were to have been met by 30 June 2017. As the appointment periods and terms of the employment contracts of all Executive Board members expire after 30 June 2017 and in order to prevent setting a target that the Supervisory Board did not feel was realistic or in the interests of the company given the resources at its disposal, the Supervisory Board had set a target of 0 percent for the period leading up to 30 June 2017. This corresponds to the current

status quo. The Supervisory Board reviewed the target when the deadline had been reached and set a target of 20 percent women in the Executive Board for the period from 1 July 2017 to 30 June 2022.

Given the Group's extensive reach across international markets and industry sectors, the Executive Board is also responsible for ensuring that this diversity is reflected at management level. The goal is to put together the best teams worldwide. The Group's HR strategy includes the definition, delivery and continuous evolution of Group-wide talent development programmes. Linde supports intercultural diversity by adopting an international human resources policy and making appointments across national borders. Another of Linde's main priorities in the area of diversity is the promotion of female managers. The Executive Board is supporting numerous measures, also prompted by employee initiatives, to promote women. These include networking events, training programmes for women with management responsibility or leadership potential, and internal mentoring schemes. The Executive Board has set targets regarding the proportion of women working at the two levels of management below Executive Board level. Linde reached its target of increasing the proportion of women in the first management tier below the Executive Board to 14 percent (11 percent at Linde AG) by 30 June 2017. In 2017, the proportion of female senior managers in this tier was 15 percent (2016: 16 percent). In the second management tier below the Executive Board, Linde was aiming for a proportion of women of 17 percent (15 percent at Linde AG) by 30 June 2017. This figure was 14.5 percent in 2017 (2016: 18 percent). This drop in a year-on-year comparison is also due to the programme to boost efficiency (LIFT programme). By 30 June 2022, the proportion of women in the first management tier below the Executive Board is to come to 18 percent (18 percent at Linde AG) and to 22 percent (20 percent at Linde AG) in the second management tier below the Executive Board.

As at the reporting date, no member of the Executive Board other than Professor Dr Aldo Belloni was a member of supervisory boards of listed companies outside The Linde Group or of comparable supervisory bodies of other business entities. Professor Dr Aldo Belloni is a member of a statutory supervisory board of a listed company outside of the Group with its registered office in Germany. Information about memberships held by the members of the Executive Board who were in office in the 2017 financial year on other German statutory supervisory boards or comparable German and foreign boards of business entities is given in ► [NOTE \[35\]](#) of the Notes to the Group financial statements.

The Executive Board has no committees.

Information on the composition of the Executive Board and on individual Board members, including their responsibilities and duties, may be found in the overview on ► [PAGE 4](#) or on the Linde website. The CVs

of Executive Board members, including an overview of their main additional functions, are available on the Linde website.

Supervisory Board

Equal numbers of shareholder representatives and employee representatives sit on the Supervisory Board of Linde AG, which comprises, in accordance with the company's articles of association, the minimum number of members as specified in the relevant regulations. Currently, the minimum number specified by law is twelve. The appointment of the members of the Supervisory Board is also governed by the relevant legal regulations. The current term of office of the members of the Supervisory Board ends with the closure of the Annual General Meeting in 2018. The shareholder representatives are elected individually at the election to the Supervisory Board at the Annual General Meeting. The Supervisory Board's Nomination Committee prepares for the election of shareholder representatives by the Annual General Meeting. When proposing candidates to the Supervisory Board, it takes into account not only the requirements set out in the German Stock Corporation Act (AktG), the German Corporate Governance Code and the Supervisory Board's procedural rules, but also the targets set by the Supervisory Board in terms of its composition, giving due consideration to the skills profile for the Board as a whole set out therein, including the targets for international expertise and impartiality, as well as requirements and targets relating to diversity and, in particular, to the inclusion of women in the Supervisory Board. New members are provided with comprehensive induction documents and information upon their appointment to the Supervisory Board. The members of the Supervisory Board and the Supervisory Board committees complete the training or professional development measures necessary for the performance of their duties on their own initiative. Also during their meetings and at specialist lectures conducted by internal and external experts that are organised specifically for the Supervisory Board, they take an in-depth look at issues that are of fundamental significance to the company. In 2017, these issues included, by way of example, the changes in legal requirements due to the German Act to Strengthen the Non-Financial Reporting of Companies in their Management Reports and Consolidated Management Reports (CSR Directive Implementation Act), as well as developments and their strategic impact on key markets in the Healthcare sector and in the electronic gases business.

The Supervisory Board appoints the Executive Board and monitors and advises the Executive Board in the running of its business operations. Executive Board decisions that are of fundamental importance to the Group require the approval of the Supervisory

Board. The Supervisory Board regularly meets to discuss Executive Board and Supervisory Board matters without the Executive Board.

The Chairman of the Supervisory Board coordinates the work of the plenary Supervisory Board and chairs its meetings. He is responsible for ensuring that resolutions passed by the Supervisory Board and its committees are duly executed and he is authorised to issue the statements on behalf of the Supervisory Board required to implement the resolutions of the Supervisory Board and its committees. He is prepared to talk to investors, to an appropriate extent, about Supervisory Board-specific topics. The Chairman of the Supervisory Board maintains close contact with the Executive Board and the Chairman of the Executive Board in particular throughout the year, sharing information and ideas.

In its procedural rules, the Supervisory Board has set out regulations governing regular reviews to determine the efficiency of its activities. In accordance with the procedural rules, the last review was conducted at the end of 2015. Based on the outcome of this efficiency review, suggestions regarding, in particular, future personnel changes and additional topics to be addressed by the Supervisory Board were implemented on an ongoing basis as of 2016.

All Supervisory Board members must ensure that they have sufficient time to perform those duties. When submitting proposals to the Annual General Meeting regarding the election of new Supervisory Board members, the Supervisory Board checks that the candidates are able to invest the time likely to be required.

At present, one member of the Supervisory Board, Dr Thomas Enders, is a member of the executive board of a listed company. Dr Thomas Enders currently has another mandate outside of the Group. This means that he complies with the limits on Supervisory Board mandates set out in the German Corporate Governance Code. Information about the members of the Supervisory Board and their memberships of other legally prescribed German supervisory boards and/or comparable German or foreign boards of business entities is given in ► [NOTE \[35\]](#) of the Notes to the Group financial statements. The CVs of Supervisory Board members are available on the Linde website. These also include an overview of the main activities in addition to the Supervisory Board mandate at the company.

Skills profile, targets of the Supervisory Board regarding its composition and diversity concept for the Board as a whole

The composition of the Supervisory Board is to be balanced to ensure that its members collectively possess the knowledge, skills and professional experience necessary to enable them to discharge their duties in a group with global operations in a fit and proper manner. All in all, the Supervisory Board should have the skills that are deemed important given the global activities of The Linde Group as a capital market-oriented gases and engineering company. The Supervisory Board should also, in particular, include individuals with leadership experience in a major industrial company with international operations. In addition, the Supervisory Board should have knowledge and experience relating to Linde's key business areas. All of the members of the Supervisory Board should be familiar with the sector in which the company operates. The Supervisory Board should have sufficient international experience. The Chairman of the Audit Committee should be impartial and have particular knowledge and experience in the application of accounting principles and internal control procedures. One member of the Audit Committee must always be impartial and have specialist expertise in accounting or auditing. The Supervisory Board has defined the following specific targets for its composition in accordance with clause 5.4.1 of the German Corporate Governance Code. These take into account the particular situation of the Group, the Group's international reach, potential conflicts of interest, the number of independent Supervisory Board members, an age limit for Supervisory Board members, a regular limit on the length of membership of the Supervisory Board and the need for diversity.

→ **International expertise**

With operations in more than 100 countries, The Linde Group has a global footprint. To reflect this, at least five of the Supervisory Board members should have extensive international expertise.

→ **Potential conflicts of interest and independence**

At least 75 percent of the Supervisory Board members should have no direct or indirect business, financial or personal ties with the company or its corporate bodies, a controlling shareholder or a company affiliated with the latter, that could constitute a significant and not just temporary conflict of interest or give rise to concerns regarding partiality. The mere existence of an employment relationship between employee representatives and the company or its affiliated companies does not preclude impartiality as described above. Supervisory Board members should not have management or advisory roles on the executive bodies of the main competitors of The Linde Group. No more than two former Executive Board members should sit on the Supervisory Board.

- **Age limit for Supervisory Board members**
Supervisory Board members should be no older than 72.
- **Standard threshold for membership of the Supervisory Board**
The Supervisory Board has set three terms of office as the maximum period of membership of the Supervisory Board. This maximum threshold is to be adhered to as a general rule.
- **Diversity**
The Supervisory Board is committed to diversity in its composition and to the fair representation of women in particular. As Linde Aktiengesellschaft is a listed stock corporation that is subject to the provisions of the German Co-Determination Act (MitbestG), the Supervisory Board comprises at least 30 percent female members and at least 30 percent male members in line with the principles set out in § 96 (2) of the German Stock Corporation Act (AktG).

Status of implementation of the targets, skills profile and diversity concept

The current composition of the Supervisory Board matches the above-stated objectives. The Supervisory Board matches the skills profile and the areas of expertise covered by its membership include engineering, law and economics, as well as finance, accounting and financial control. All of the members of the Supervisory Board are familiar with the sector in which the company operates.

Thanks to professional experience gained during their careers to date, all of the current Supervisory Board members have special international expertise. No conflicts of interest arose for any member of the Supervisory Board during the 2017 financial year. Where such conflicts of interest do occur, they must be disclosed immediately to the Supervisory Board. No Supervisory Board members currently have management or advisory roles on the executive bodies of any of Linde's major competitors. Four Supervisory Board members, Anke Couturier, Gernot Hahl, Andrea Ries and Frank Sonntag, are company employees. No other consultancy, service or work contracts have been concluded between Supervisory Board members and the company. One Supervisory Board member, Professor Dr Wolfgang Reitzle, is a former member of the company's Executive Board. When he was elected by the 2016 Annual General Meeting, the two-year cooling-off period required for Executive Board members of a listed company in accordance with § 100 (2) No. 4 of the German Stock Corporation Act (AktG) was taken into account. No member of the Supervisory Board reached the age limit. The Supervisory Board currently has three members in the over-40 age category, five members in the over-50 category and four members in the over-60 category. One of the Supervisory Board members elected by the employees, Gernot Hahl, has

been a member of the Supervisory Board since 1998. Otherwise, no Supervisory Board members exceed the standard threshold for membership of the Supervisory Board adopted in 2016. Due to the resignation of the Supervisory Board member Hans-Dieter Katte on 31 December 2017, the proportion of women on the Supervisory Board has increased to 33 percent. The minimum gender distribution levels set out in § 96 (2) sentence 1 AktG have been met. The Supervisory Board currently includes a total of four women, Professor Dr Ann-Kristin Achleitner and Dr Victoria Ossadnik on the shareholder representative side, and Anke Couturier and Andrea Ries on the employee representative side. This means that women account for 33 percent of the Supervisory Board on both the shareholder and the employee representative side. Professor Dr Ann-Kristin Achleitner is a member of the Nomination Committee and Audit Committee. The Chairman of the Audit Committee, Professor Dr Clemens Börsig, is impartial and, like Professor Dr Ann-Kristin Achleitner, has specialist knowledge and many years experience of financial reporting and the application of accounting principles and internal control systems.

The procedural rules of the Supervisory Board include rules regarding the independence of its members. No member of the Supervisory Board is in a personal or commercial relationship with the company or its bodies that could represent a conflict of interests. Dr Thomas Enders and Dr Victoria Ossadnik currently hold leadership functions at companies with which Linde has business relationships. Transactions with these companies take place under the same conditions as for non-related third parties. The values of all ongoing transactions with these companies in the 2017 financial year corresponded to less than 0.1 percent of Linde's Group revenue in the 2017 financial year and, in each case, to less than 0.1 of the consolidated revenue of the companies in question. In the opinion of the Supervisory Board, the impartiality of Dr Thomas Enders and Dr Victoria Ossadnik is not affected by these transactions. Linde AG has no controlling shareholder whose relationship with a member of the Supervisory Board could jeopardise that member's independence. Consequently, the Supervisory Board is composed exclusively of individuals with a sufficient level of independence.

Supervisory Board committees

The Supervisory Board has four committees, which lay the groundwork for the plenary Supervisory Board. The committees prepare the work of the plenary Supervisory Board. If it is permitted by law and laid down in the procedural rules of the Supervisory Board, decision-making powers may in individual cases be delegated by the Supervisory Board to these committees. The Chairman of the Supervisory Board chairs all the committees with the exception of the Audit Committee. The committee chairmen report back to the Supervisory Board on the work of their committees, doing so at the first plenary Supervisory Board meeting following the committee meeting.

The Standing Committee, which comprises three shareholder representatives and two employee representatives, advises the Supervisory Board in particular on the appointment and removal of members of the Executive Board and on decisions regarding the remuneration system for the Executive Board, including the terms and conditions of employment contracts, pension contracts and any other contracts pertinent to the remuneration of Executive Board members, and the total remuneration of individual Executive Board members. Moreover, the Standing Committee is responsible for approving transactions with Executive Board members and related parties, as well as for approving other activities of the Executive Board members, especially the holding of positions on supervisory boards and comparable boards of business entities that are not part of The Linde Group. It also provides advice on long-term succession planning for the Executive Board and reviews the efficiency of the work of the Supervisory Board on a regular basis.

The Audit Committee similarly comprises three shareholder representatives and two employee representatives. It monitors the impartiality of the auditors and looks at the additional services they provide, the awarding of the audit mandate, the definition of audit focal points and the fee agreement. The Audit Committee lays the groundwork for the decisions of the Supervisory Board regarding the adoption of the annual financial statements and the approval of the Group financial statements, taking account of the auditors' reports, and makes arrangements with the auditors. It supports the Supervisory Board in the execution of its supervisory duties and monitors, in particular, the accounting process and the effectiveness of the internal control system, risk management system and internal audit system, as well as the statutory audit. It also deals with compliance issues. The Executive Board also discusses the interim and half-year financial reports with the Audit Committee prior to publication. The Audit Committee also submits a substantiated recommendation to the plenary Supervisory Board regarding the proposal for the election of the company's auditors.

The Nomination Committee comprises the Chairman of the Supervisory Board, the Second Deputy Chairman of the Supervisory Board and one other shareholder representative. It makes recommendations to the Supervisory Board on proposed candidates for the election of shareholder representatives at the Annual General Meeting.

The Mediation Committee, formed under the provisions of the German Co-Determination Act (MitbestG), comprises the Chairman of the Supervisory Board, the Deputy Chairman of the Supervisory Board (elected by the employee representatives on the Supervisory Board), one shareholder representative and one employee representative. It makes suggestions to the Supervisory Board regarding the appointment of Executive Board members if the required majority of two-thirds of the votes cast by Supervisory Board members is not obtained in the first ballot.

The Supervisory Board and its committees pass resolutions at meetings which are convened on a regular basis.

The names of those sitting on the Supervisory Board and on the Supervisory Board committees when the annual financial statements were being prepared are given on ► [PAGES 6 TO 7](#) or may be consulted on the Internet at ► WWW.LINDE.COM/SUPERVISORYBOARD. Information about the activities of the Supervisory Board and its committees, about the work it has done with the Executive Board, as well as a disclosure regarding participation in meetings by the individual Supervisory Board members in the 2017 financial year is provided in the Report of the Supervisory Board. ► [SEE PAGES 8 TO 14](#).

Additional corporate governance information

Annual General Meeting

The shareholders assert the rights accorded to them by law and by the articles of association either before or during the Annual General Meeting by exercising their right to vote. Each share entitles the shareholder to one vote.

The Annual General Meeting takes place within the first six months of each financial year. Notice of the Annual General Meeting, together with the reports and documents required by law for the meeting, including the financial report, is published, along with the agenda for the meeting, the conditions governing participation, an overview of shareholder rights, forms for voting by post, plus shareholder counter-motions and nominations, on the Linde website in both German and English, and is thus easily accessible for shareholders. Notice of the Annual General Meeting and the associated documents may also be transmitted electronically to shareholders if they so wish.

Shareholders who are unable to attend the Annual General Meeting or who leave the meeting before voting has commenced have the option of exercising their vote through a proxy of their choice or a proxy appointed by the company who then votes in accordance with their instructions. Proxy forms may also be submitted in electronic form. Moreover, shareholders have the option of casting their votes without appointing a proxy in writing or using electronic media (ballot by mail).

The Executive Board of Linde AG presents the annual financial statements and Group financial statements, together with the combined management report, for approval at the Annual General Meeting. The Annual General Meeting passes resolutions regarding the appropriation of profits, the ratification of the acts of the Executive Board and Supervisory Board, the appointment of the auditors and generally also the election of shareholder representatives to the Supervisory Board. Decisions are also made at the Annual General Meeting about the content of the articles of association, key structural measures, capital measures and the authorisation to repurchase shares. The meeting has the opportunity to approve the remuneration system for Executive Board members. Once the Annual General Meeting has closed, the results of the votes on each agenda item are published on the company's website without delay.

Consequential loss and liability insurance

The company has taken out consequential loss and directors and officers liability insurance (D & O) for the members of the Executive Board and Supervisory Board. For members of the Executive Board, the retention in accordance with legal rules is 10 percent of the claim, up to a figure of one and a half times the fixed annual emoluments of the Board member in question. An appropriate retention has been agreed for members of the Supervisory Board in accordance with the recommendation set out in the German Corporate Governance Code.

Directors' dealings

Linde AG publishes without delay as stipulated by law transactions subject to notification pursuant to Article 19 of the Market Abuse Regulation which have been executed by the persons named therein, in particular transactions carried out by members of the executive bodies of the company and related parties involving shares in, and debt instruments issued by, in the company or related financial instruments. The transactions reported to Linde AG in the past financial year can be accessed on the company's website.

Interests in share capital

The total holdings of all the members of the Executive Board and Supervisory Board in Linde AG shares or related financial instruments during the financial year did not exceed 1 percent of the shares issued by the company. On 31 December 2017, Executive Board members held a total of 70,000 shares in Linde AG submitted for exchange, while Supervisory Board members held a total of 13,000 shares in Linde AG submitted for exchange.

Remuneration of the Executive Board and Supervisory Board

The remuneration report, which also includes information on the share-based emoluments, can be found on ► [PAGES 24 TO 39](#) of this financial report.

Communications and stakeholder relations

Linde AG complies with the legal requirement to treat all its shareholders equally. Transparency plays an important role and the company always aims to provide shareholders and the public with comprehensive, consistent and up-to-date information. Linde makes extensive use of the Internet as a reporting tool. Comprehensive facts and figures about Linde are available online. Interested parties can also seek information on the latest Linde developments via social media.

A financial calendar, which is also published on Linde AG's website, keeps our shareholders and the general public informed about the dates of the company's main recurring publications, the Annual General Meeting, the Press Conference on the annual results and analyst conferences. Linde AG publishes ad-hoc announcements, press releases and notifiable securities transactions (directors' dealings) in the media specified by the law and on its website. The company's articles of association are also available on its website. Four times in the financial year, Linde reports to its shareholders on its business performance, the net assets, financial position and results of operations of the Group, the forecast for the future, and opportunities and risks. Linde provides information to the capital market and to the public every quarter through analyst conferences and press conferences or in the form of teleconferences. These coincide with the publication of quarterly, half-year and annual results. Regular events where the CEO and CFO meet institutional investors and financial analysts also ensure a continual exchange of information with the financial markets. The dates and locations of roadshows and investor conferences are published on the Linde website. The presentations given at these events are also available to view on the website, which additionally contains video and audio recordings of major events.

Linde considers not only the interests of its shareholders but also the concerns of its stakeholders, who are a key element in the Group's success. As far as possible, all stakeholders are included in corporate

communications. Linde's stakeholders include all its employees, customers and suppliers, as well as trade associations and government bodies.

Accounting, audit and risk management

Linde AG prepares its Group financial statements and the Group half-year financial report and interim financial reports in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The preparation of the statutory annual financial statements of Linde AG, on which the dividend payment is based, complies with German commercial law (HGB). The annual financial statements and the Group financial statements are prepared by the Executive Board, examined by the Supervisory Board and audited by the auditors. As obliged by law, the members of the Executive Board confirm that, to the best of their knowledge, the annual financial statements, the Group financial statements and the combined management report provide a true and fair view, describing the main opportunities and risks associated with the likely future development of the Group and the company. The audit procedures are in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (the Institute of Public Auditors in Germany) and, in the case of the Group financial statements, in supplementary compliance with International Standards on Auditing. The audit procedures also include a review of the system for the early identification of risks. The Audit Committee meets the Executive Board to discuss the interim and half-year financial reports in detail prior to publication.

In May 2017, the Supervisory Board issued the mandate for the audit of the annual financial statements and Group financial statements to KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, who had been appointed at the Annual General Meeting as auditors of the annual financial statements and Group financial statements for the 2017 financial year and had also been appointed to conduct audit reviews of the interim and half-year financial reports for the 2017 financial year. KPMG/a predecessor company has been the auditor of the annual financial statements of Linde AG since 31 December 1984. Since the 2013 financial year, Mr Klaus Becker has been signing the annual financial statements, with Mr Harald von Heynitz providing his signature, as the auditor responsible for the audit (Global Lead Partner), since the annual and Group financial statements for 2015. The auditors issued a detailed declaration confirming their independence to the Audit Committee of the Supervisory Board. There were no conflicts of interest. It was agreed with the auditors that the Chairman of the Supervisory Board and the Chairman of the Audit Committee would be informed immediately during the audit of any potential reasons for the disqualification

of the auditors or for their lack of impartiality, unless these could be eliminated without delay. The auditors were obliged to report immediately all the significant audit findings and events that came to either attention while conducting the audit that have an impact on the duties of the Supervisory Board. The auditors have also undertaken to inform the Supervisory Board if they discover facts in the course of their audit which reveal any inaccuracies in the company's declaration of compliance with the German Corporate Governance Code.

Linde has reporting, monitoring and risk management systems in place which are continually being updated and adapted by the Executive Board to take account of changing circumstances. The internal audit department performs reviews at regular intervals of the efficiency and effectiveness of the risk management system and the internal control system. The auditors also assess the system in place for the early identification of risk and provide regular reports on their findings at a global level to the Executive Board and Supervisory Board. Additionally, the Audit Committee supports the Supervisory Board in monitoring the activities of executive management and also deals with risk management issues in this context. It receives regular reports from the Executive Board about risk management, the risk position, and the identification and monitoring of risks. In addition, it is informed on a regular basis about existing risks and the evolution of those risks. Moreover, the Audit Committee has agreed with the auditors that, if necessary, they will report to the Committee any significant weaknesses that they identify in the internal control system in relation to the accounting process and in the system for the early identification of risks. Further details about risk management in The Linde Group are provided in the Opportunity and risk report on [▶ PAGES 75 TO 89](#). This includes the report on the accounting-related internal control system.

REMUNERATION REPORT

(PART OF THE COMBINED MANAGEMENT REPORT)

The remuneration report sets out the structure, basic features and amount of the remuneration payable to members of the Executive Board and Supervisory Board. It forms part of the combined management report for Linde AG and The Linde Group and takes account of the recommendations of the German Corporate Governance Code. The remuneration report also contains the information which is legally required under the provisions of the German Commercial Code (HGB). This information is therefore not repeated in the Notes to the Group financial statements.

Remuneration of the Executive Board

The full Supervisory Board is responsible for determining the total emoluments of each individual member of the Executive Board. In line with the procedural rules of the Supervisory Board, it is incumbent upon the Standing Committee to do the groundwork so that the Supervisory Board can pass resolutions relating to remuneration.

The remuneration system for the Executive Board, described in more detail below, has applied since 1 January 2012. It was approved at the 2012 Annual General Meeting of Linde Aktiengesellschaft with a majority of 96.45 percent. With effect from 1 January 2014, the Supervisory Board made minor amendments to take account of the corresponding changes to the German Corporate Governance Code.

The amount and structure of the remuneration payable are based on the size and international reach of the Group, its economic and financial situation, its performance and prospects and the unit of the Group for which the Executive Board member is responsible, as well as on customary remuneration practice among peers and the remuneration structure which applies elsewhere in the company. To gauge customary practice among peers, Linde compares its remuneration system with that of several other groups of companies (DAX 30

companies, similar German and international companies). As regards the remuneration structure which applies elsewhere in the company, the Supervisory Board considers when determining the emoluments of the Executive Board the relationship between the remuneration of the Executive Board and that of senior management and the staff overall, also in terms of its development over time. To do so, it has established how to identify members of senior management and the relevant members of staff. The emoluments also depend on the duties of each individual member of the Executive Board, and on his or her personal performance and the performance of the Executive Board as a whole. The remuneration is calculated so that it is competitive at international level and gives Board members an incentive to create sustainable performance and sustainable growth in a dynamic environment. In its evaluation and weighting of various criteria, the Supervisory Board was advised by an independent external expert on executive pay. The amounts of the fixed cash emoluments and the variable remuneration components were subject to a scheduled review as at 1 April 2017 and some adjustments were made.

The remuneration system places particular emphasis on sustainable business development. There is a significant focus on multi-year remuneration components. As a result of the obligation to invest part of the variable cash emoluments in Linde shares and to hold those shares for several years and as a result of the granting of a Long Term Incentive Plan in the form of options to purchase Linde shares (performance shares) and bonus shares (matching shares) after compulsory personal investment by the Executive Board member, the remuneration of the members of the Executive Board is linked to the price of Linde shares. This creates a long-term incentive to achieve a positive Group performance.

The members of the Executive Board receive no remuneration for any Group offices held.

Remuneration components

In the 2017 financial year, the remuneration system for the Executive Board comprised the following components:

- fixed monthly cash emoluments;
- benefits in kind/other benefits;
- variable cash emoluments which are paid in cash in April of the following year linked to an obligation to use 40 percent of the cash amount (after the deduction of tax) to acquire Linde shares and hold them for a period of at least four years;
- a Long Term Incentive Plan, which provides for multi-year share-based remuneration in the form of options to purchase shares (performance shares) and bonus shares linked to personal investment by the Executive Board member (matching shares);
- pension commitments.

Of these components, the fixed cash emoluments, the benefits in kind/other benefits and the pension commitments are not performance-related, while the variable cash emoluments and the Long Term Incentive Plan are performance-related.

The regular target remuneration for a year (i.e. the total of fixed cash emoluments, variable cash emoluments and entitlements under the Long Term Incentive Plan) comprises the following targets for the performance-related entitlements:

- 25 percent fixed cash emoluments;
- 30 percent one-year variable cash emoluments;
- 45 percent multi-year variable emoluments, of which:
 - around 50 percent obligatory investment in Linde shares required to be held for at least four years;
 - around 50 percent share-based remuneration components from the Long Term Incentive Plan, of which:
 - 80 percent performance shares;
 - 20 percent matching shares.

Within the variable remuneration components, around 40 percent is determined solely on a one-year basis and around 60 percent on a multi-year basis.

Fixed cash emoluments

Each member of the Executive Board receives fixed monthly cash emoluments.

Benefits in kind/other benefits

Benefits in kind are also provided which are taxed in accordance with the fiscal regulations applicable in each case. They comprise mainly the cost or monetary advantage of insurance benefits at normal market rates and the provision of company cars.

Variable cash emoluments

Variable cash emoluments are based on two equally-weighted key ratios, return on capital employed (ROCE) and the operating margin, based on the customary definitions used by the Group which are given on ► [PAGE 45](#). For each of the two measurement factors, a minimum target is defined in the form of an ambitious performance hurdle. If this hurdle is not reached in respect of one of the measurement factors, the variable cash emoluments linked to this factor are not paid. If neither minimum target is reached, there is no entitlement at all to variable cash emoluments. The amount of the variable cash emoluments based on reaching the ROCE and operating margin targets may be modified by an individual performance component.

If the entitlement to variable cash remuneration is met as a result of target achievement, 60 percent of the variable cash remuneration calculated on this basis is paid in cash, with no further obligation attached to the amount (cash component). 40 percent of the total

amount of the one-year variable remuneration is paid in cash at the same time as the cash component, but there is an obligation on the Executive Board member to re-invest this portion of the total amount in Linde shares (deferral component). The member of the Executive Board must invest the net amount of the deferral component (estimated to be 50 percent of the gross amount) in Linde shares and must hold these shares (or the Linde plc shares received for these shares) for a period of at least four years.

Measurement factors for variable cash emoluments Group ROCE

The variable cash remuneration for all the members of the Executive Board is based on the Group ROCE achieved in the financial year, to the extent that each member receives a fixed euro amount for each 0.1 percent of Group ROCE achieved. The variable cash remuneration is only paid if Group ROCE exceeds or equals an ambitious minimum return on capital which has been defined (performance hurdle).

Operating margin

The variable cash remuneration is based on the operating margin achieved in the area for which the Executive Board member is responsible. The operating margin is calculated as the ratio of operating profit to revenue. A fixed euro amount is paid to each Board member for each 0.1 percent of operating margin achieved. For the Chief Executive Officer and Chief Financial Officer, this is based on the operating margin of the Group. For those members of the Executive Board responsible for operations, the margin in the gases segments or the Engineering Division for which he or she is responsible is relevant. In both cases, payment is only made if ambitious minimum margins derived from specific market conditions are met. The Supervisory Board may attach additional conditions to the establishment and the amount of the remuneration entitlement linked to the operating margin. These conditions should be set in the light of the prevailing market situation.

Individual performance component

To reflect the personal performance of Executive Board members, the amounts calculated on the basis of the two measurement factors (Group ROCE and the operating margin) are multiplied using a performance multiplier of between 0.8 and 1.2. The Supervisory Board may exercise its discretion to reduce or increase the amounts calculated as a result of the achievement of one or both targets by up to 20 percent, to take account of the individual performance of the Executive Board member.

Deferral component

Of the variable cash remuneration, 40 percent is paid but effectively deferred, as the Executive Board member has an obligation to invest the net amount in Linde shares (or the Linde plc shares received for these shares) and to hold these shares for a period of at least four years from the date they are transferred to a securities account (deferral shares). The net amount of the deferral component is paid directly to a bank with instructions to acquire the deferral shares for the Executive Board members in a block order on the third stock exchange trading day after the Annual General Meeting of Linde AG, to transfer the shares to a separate securities account and to manage them. The shares must be newly acquired in the market. It is not possible to use shares for this purpose which are already held by the Executive Board members. The deferral shares carry dividend rights during the blocked period. The dividend is paid to the Executive Board members.

Cap

The cash component (i.e. 60 percent of the variable cash remuneration, calculated on the basis of one or both the targets being met and payable in cash) is capped at 250 percent of the fixed cash emoluments. The deferral component (the remaining 40 percent of the variable cash remuneration) is capped at 165 percent of the fixed cash emoluments as at the date on which it is paid.

In exceptional circumstances which lead to an unforeseen increase in the value of the deferral shares by the end of the blocked period, where this is not due to the performance of the Executive Board member, the Supervisory Board has the right to offset this by reducing the amount of the cash and/or deferral components in subsequent years.

Regular reviews

The Supervisory Board conducts regular reviews of the targets set and the calibration of the variable remuneration, including the performance hurdles, in order to prevent potential distortions. It may also take into account special items or the specific impact on both measurement factors (Group ROCE and the operating margin) of any investment or acquisition projects.

Share-based emoluments

Long Term Incentive Plan 2012 (LTIP 2012)

The scheme agreed upon at the Annual General Meeting held on 4 May 2012 provides for the granting of options to purchase shares in Linde (performance shares) in annual tranches. Executive Board members and selected executives are required to make a compulsory personal investment in shares of the company at the beginning of the scheme. For the shares acquired by a scheme participant as a personal investment, bonus shares (matching shares) are granted at the end of the

four-year qualifying period if certain conditions are met. The members of the Executive Board are granted options and rights to matching shares for a specified sum. The target value for each tranche is EUR 1,000,000 for the CEO and between EUR 375,000 and EUR 625,000 for the Executive Board members. The number of options or matching share rights to be allocated to each member of the Executive Board is determined on the basis of the fair value per option or per right to a matching share at the grant date calculated in an actuarial report. Of the remuneration, 80 percent of the amount which may be earned as a result of participating in the LTIP 2012 if the target is reached relates to performance shares and 20 percent to matching shares. The company has the option of making a payment in cash to the scheme participants instead of issuing performance shares and/or matching shares. In exceptional circumstances, the Supervisory Board may restrict the option rights and matching rights granted to the Executive Board members in terms of content, either in full or in part. The first tranche under the LTIP 2012 was issued after the 2012 Annual General Meeting. The last tranche under the LTIP 2012 was issued in June 2017. This means that the LTIP 2012 has expired.

Options to purchase performance shares

Each option confers the right, if certain targets are met, to purchase one share in Linde AG (performance shares) at the exercise price, which is equivalent in each case to the lowest issue price, currently EUR 2.56. The options in a tranche have a five-year term. If the conditions required for the exercise of the options are met, they may first be exercised once a four-year qualifying period calculated from the issue date has expired (the performance period). Options may only be exercised if certain performance targets are reached, which are based on movements in earnings per share and relative total shareholder return. Equal weighting is given to these two performance targets in terms of the total options allocated. Within each of these performance targets, a minimum target must be reached if the options in a particular tranche are to become exercisable, and there is also a stretch target. If the stretch target for one of these performance targets is reached, all the options relating to that performance target in that particular tranche become exercisable.

Further information about the value of the options, and about the structure, conditions and, in particular, the performance targets of the scheme is given in ► [NOTE \[26\] OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS.](#)

Personal investment and matching shares

The number of the Linde shares to be contributed as a personal investment by the Executive Board members corresponds to the number of the rights to matching shares granted to them per tranche. For each share in Linde contributed by a scheme participant as a personal investment and held by the participant during the four-year qualifying period for the options, one matching share in Linde is granted free of charge. Conditions for granting matching shares are a personal investment in

shares of the company by the scheme participant at the appropriate time, the unrestricted holding of such shares during the qualifying period and the existence of a service contract at the end of the qualifying period in respect of which no notice has been given.

Movements in the options and rights to matching shares issued to members of the Executive Board under the Long Term Incentive Plan 2012 were as follows in the period under review:

OPTIONS, MATCHING SHARES – LONG TERM INCENTIVE PLAN 2012

2

Executive Board members in office at 31.12.2017

		Options					Matching shares				
		At 01.01.	Granted in the financial year	Exercised in the financial year	Forfeited in the financial year	At 31.12.	At 01.01.	Granted in the financial year	Forfeited in the financial year	Allocated in the financial year	At 31.12.
		in units	in units	in units	in units	in units	in units	in units	in units	in units	in units
Professor Dr Aldo Belloni (CEO) (as of 08.12.2016)	2016	21,220 ¹	–	–	8,419	12,801	2,376 ¹	–	–	915	1,461
	2017	12,801	10,201	–	6,649	16,353	1,461	1,255	–	747	1,969
Dr Christian Bruch	2016	7,062	5,373	–	673	11,762	766	618	–	73	1,311
	2017	11,762	5,101	–	997	15,866	1,311	628	–	111	1,828
Bernd Eulitz	2016	7,651	5,373	–	1,262	11,762	830	618	–	137	1,311
	2017	11,762	5,101	–	997	15,866	1,311	628	–	111	1,828
Sanjiv Lamba	2016	27,180	7,165	–	8,419	25,926	3,009	824	–	915	2,918
	2017	25,926	5,611	–	6,649	24,888	2,918	690	–	747	2,861
Dr Sven Schneider (as of 08.03.2017)	2016	–	–	–	–	–	–	–	–	–	–
	2017	3,887 ²	3,826	–	997	6,716	435 ²	471	–	111	795
TOTAL	2016	63,113	17,911	–	18,773	62,251	6,981	2,060	–	2,040	7,001
TOTAL	2017	66,138	29,840	–	16,289	79,689	7,436	3,672	–	1,827	9,281

¹ Rights outstanding at the beginning of the reporting period from the time spent as member of the Executive Board of Linde AG before rejoining on 8 December 2016.

² Rights outstanding at the beginning of the reporting period from their time spent as executives within The Linde Group.

The qualifying period for the options held on 31 December 2017 has not yet expired. The exercise price of all the options is currently EUR 2.56 per option. During the reporting period, no Executive Board options expired.

In 2016, the matching shares relating to the 2013 tranche were allocated in the form of the payment of the equivalent value of the matching shares in cash.

The weighted average remaining term of the options and rights to matching shares of the Executive Board is 2.2 years (2016: 1.7 years).

As a prerequisite for participation in the 2017 tranche of the Long Term Incentive Plan 2012, the Executive Board members in office in the 2017 financial year made the following personal investment in Linde shares: Professor Dr Aldo Belloni 1,255 (2016: 0), Dr Christian Bruch 628 (2016: 618), Bernd Eulitz 628 (2016: 618), Sanjiv Lamba 690 (2016: 824) and Dr Sven Schneider 471 (2016: 0).

Information about the rules which apply to the option schemes in the event of a change of control is given on ► [PAGES 95 TO 98](#) of the combined management report for Linde AG and The Linde Group (Disclosures in accordance with § 289 (4), § 315 (4) of the German Commercial Code (HGB)).

Total cost of share-based emoluments and remeasurement of virtual shares

The total cost of share-based emoluments in 2017 was EUR 30 m (2016: EUR 13 m). During the financial year, the following cost was recognised in respect of share-based payment instruments held by members of the Executive Board currently in office and the gain on remeasurement of current entitlements to virtual shares in Linde:

COST OF SHARE-BASED PAYMENTS AND CHANGE IN VALUE OF EXISTING ENTITLEMENT TO VIRTUAL SHARES

3

Executive Board members in office at 31.12.2017

<i>in EUR</i>		<i>Cost of share-based payments (without virtual shares)</i>	<i>Change in value of virtual shares¹</i>
	2016	–	–
Professor Dr Aldo Belloni (CEO) (as of 08.12.2016)	2017	215,677	–
	2016	166,129	–
Dr Christian Bruch	2017	317,181	–
	2016	168,929	–
Bernd Eulitz	2017	317,181	–
	2016	334,848	25,390
Sanjiv Lamba	2017	421,225	41,526
	2016	–	–
Dr Sven Schneider (as of 08.03.2017)	2017	126,114	–
TOTAL	2016 ²	–161,942	–133,253
TOTAL	2017	1,397,378	41,526

¹ In 2012 and 2013, 40 percent of the variable cash remuneration was converted as at the reporting date into virtual shares with dividend entitlement and not paid for at least another three years. (The amounts paid in each case are dependent on movements in the Linde share price.)

² 2016 including Thomas Blades (Member of the Executive Board up until 30 June 2016), Dr Wolfgang Büchele (Chief Executive Officer until 7 December 2016) and Georg Denoke (Member of the Executive Board up until 13 September 2016): Thomas Blades expense –761,136, change in value –115,903; Dr Wolfgang Büchele expense –541,731, change in value –; Georg Denoke expense 471,019, change in value –42,740.

Regulations relating to the planned merger between Linde and Praxair Long Term Incentive Plan 2012 ("LTIP")

In accordance with the Business Combination Agreement concluded with Praxair, Inc. and other parties on 1 June 2017 and in line with the regulations that apply to the LTIP 2012, the LTIP 2012 and the outstanding options and rights to matching shares will be terminated following the conclusion of the exchange offer made by Linde plc to the shareholders of Linde AG. Upon termination, each stock option that has not yet been exercised and each right to matching shares that has not yet fallen due will be settled in cash, and the part that is attributable to the ongoing qualifying period will be replaced with Linde plc stock options and what are known as Linde plc RSUs (restricted share units). Their vesting depends on ongoing employment until the end of the four-year qualifying period that applies to the individual options and rights to matching shares of Linde AG. The extent to which individual options and rights to matching shares are not replaced with Linde plc stock options and Linde plc RSUs, but rather are settled in cash, depends on the qualifying period that has passed for the individual options and rights to matching shares at the time of the exchange offer. The amount of the cash payment to be granted for each Linde stock option will be defined in accordance with the LTIP 2012 of Linde AG at the latter's own due discretion and taking into account certain criteria set out in the terms and conditions of the Linde LTIP 2012, including (i) the extent to which the success targets set out in the Linde LTIP 2012 have been reached at the time the exchange offer is completed, (ii) the qualifying period for the Linde LTIP tranches that has expired at the time the exchange offer is completed and (iii) the expected market capitalisation and business outlook of Linde AG (in each case without taking the exchange offer and its completion into account). These criteria also apply to rights to matching shares subject to the necessary adjustments.

Each member of the Executive Board of Linde AG has agreed that, in respect of their options and rights to matching shares, the LTIP 2012 will not already be terminated when the exchange offer is completed. Instead, Linde AG will terminate the LTIP 2012 and the outstanding options and rights to matching shares for the members of the Executive Board immediately after certain restructuring measures between Linde plc and Linde AG become effective following the completion of the exchange offer, provided that these restructuring measures are implemented within 18 months of the completion of the exchange offer. When the LTIP 2012 is terminated, the Executive Board members will receive the abovementioned cash payments for their Linde stock options and rights to matching shares. If the restructuring measures are not implemented with the 18-month period, then the termination referred

to above will not become effective for the members of the Executive Board of Linde AG. If the qualifying period for a Linde stock option or a right to matching shares held by a member of the Executive Board expires before the termination of the LTIP 2012 (if it is terminated at all), then the following applies: The member of the Executive Board can exercise this stock option in return for the receipt of a cash payment within (x) 18 months of the completion of the exchange offer or (y) up until the termination date of the LTIP 2012, whichever is earlier. If a Linde stock option has not been exercised by the termination date of the LTIP 2012, it will be terminated and the member of the Executive Board will receive the abovementioned cash payment and, where appropriate, Linde plc stock options. Rights to matching shares will be settled in cash pursuant to the LTIP 2012.

Personal investment shares

Linde AG allowed the beneficiaries of the LTIP 2012 to submit their individual personal investment shares exchange offer without this resulting in the loss of the stock options and rights to matching shares awarded under the LTIP. This is, however, subject to the proviso that the members of the Executive Board continue to hold the shares in Linde plc that they receive for the personal investment shares when the exchange offer is completed. This holding obligation applies to all Linde plc shares until the end of the qualifying period defined for the corresponding tranche in the LTIP, as long as the options and matching shares rights have not yet been terminated. Following termination and the granting of Linde plc stock options and Linde plc RSUs, the holding obligation only applies to the portion of Linde plc shares that is attributable to these Linde plc stock options and Linde plc RSUs. In such cases, the holding obligation applies up until the end of the qualifying period that applies to the corresponding Linde plc stock options and Linde plc RSUs. The current members of the Executive Board have made use of this option and submitted their personal investment shares for exchange.

Deferral shares

The members of the Executive Board have undertaken, vis-à-vis Linde AG, to submit their deferral shares for the exchange offer without the submission constituting a breach of the individual obligations under their contract of employment or resulting in a loss of rights under the contract of employment, and the deferral component for the 2017 financial year, which is paid out in April 2018, will be invested in those Linde shares that have been exchanged as part of the exchange offer made by Linde plc on 15 August 2017 as part of the planned merger with Praxair, Inc. This applies subject to the proviso that the members of the Executive Board hold the Linde plc shares that they receive in return for

the deferral shares when the exchange offer is completed until the end of the qualifying period defined in the contract of employment of the Executive Board member in question and that they purchase Linde plc shares after the completion of the exchange offer as part of their obligation to purchase deferral shares.

New Linde plc plan

Following the termination of the LTIP 2012 and the options and matching shares rights of the members of the Executive Board in accordance with the information set out above, Linde plc will grant the members of the Executive Board and the other LTIP participants Linde plc equity awards. With regard to the terminated Linde stock options, these will be granted in form of Linde plc stock options. Linde plc RSUs will be granted for the terminated rights to matching shares. The number of Linde plc stock options and Linde plc RSUs granted to an eligible individual will be calculated taking the following parameters into account: (i) Number of the individual type of equity awards being terminated (ii) multiplied by the exchange ratio (iii) adjusted to reflect the remaining part of the four-year qualifying period for the tranche (iv) also adjusted to reflect the LTIP criteria to be considered by Linde AG at its own due discretion when determining the cash payment at the time the exchange offer is completed (where applicable). The exercise price for the Linde plc stock options will correspond to the exercise price that applied to the terminated Linde stock options (i.e. EUR 2.56 per share) and will be adjusted to reflect the exchange ratio. The qualifying period for the Linde plc equity awards corresponds to the remaining qualifying period for the Linde equity awards based on the calculation of the number of Linde plc equity awards set out above. The exercise of Linde plc stock options and Linde plc RSUs will depend on an employment relationship being in place during the qualifying period in question (subject to certain "good leaver regulations"). In order to be able to exercise Linde plc stock options and receive Linde plc RSUs, the members of the Executive Board must hold a certain number of Linde plc shares until the end of the qualifying period that applies to the corresponding Linde plc RSUs.

Planned modifications in 2018

Given the planned completion of the merger with Praxair, Inc. in the second half of 2018, there are currently no plans to launch a plan similar to the LTIP 2012 for the 2018 financial year and, in particular, there are no plans to link the performance targets that have applied to date, namely "earnings per share" and "relative total shareholder return", to the multi-year variable remuneration component of the members of the Executive Board. Given the acceptance ratio of the exchange offer made by Linde plc in connection with the planned merger with Praxair, Inc. of 92.05 percent, it is impossible to

rule out a scenario in which, following the completion of the merger, integration measures are performed by way of a squeeze-out under merger law or a control and/or profit transfer agreement. A squeeze-out under merger law would result in Linde AG ceasing to exist as a legal entity, meaning that no shares in Linde AG that the performance target could be linked to would be traded anymore. In the event of a control and/or profit transfer agreement, the share price of Linde AG would be largely determined by the amount of the ongoing compensation pursuant to § 304 AktG, the amount of the settlement offered pursuant to § 305 AktG, in the event that shares in Linde plc are offered as a settlement, on the price of shares in Linde plc and, where appropriate, on the prospect of a future squeeze-out. As a result, the price of shares in Linde AG would not be a criterion of informational value for assessing performance and determining the remuneration to be paid to the Executive Board. The variable remuneration component granted to date as part of the LTIP 2012 is therefore likely to be linked to the performance targets for the one-year variable emoluments set out in the contracts of employment of the members of the Executive Board, which are described in further detail in the section entitled "Variable cash emoluments".

Pension commitments

For members joining the Executive Board of the company on or after 1 January 2012, a defined contribution pension scheme was introduced in the form of a direct commitment, which will provide benefits comprising old age pensions, disability pensions and surviving dependants' pensions. For new members, the annual contributions made by the company during the period of employment will be 45 percent of the fixed cash emoluments (and therefore around 11 percent of the target emoluments). After 15 years of service on the Board, a target pension level of around 50 percent of the final fixed cash emoluments would be achieved as an old age pension. The capital is invested with an external provider. The pension commitment is designed to be similar to the Linde Pension Plan (Linde Vorsorgeplan) for employees. Insolvency insurance is provided as a result of the integration of the pension commitments into the existing Contractual Trust Arrangement (CTA). The contributions participate in the performance of the CTA and also participate in potential CTA surpluses. The model provides for guaranteed minimum interest of 3 percent plus any overperformance. The regular old age pension is payable from the age of 65 and in the case of early retirement from the age of 62. The employers contributions are legally non-forfeitable in accordance with the German Company Pension Act (BetrAVG). When the benefits fall due, the Executive Board member is entitled to the account balance inclusive of guaranteed interest. In the case of death or invalidity, a minimum benefit is payable for a period

of service on the Board of less than ten years. In this case, the amount payable is topped up by the missing contributions to the amount that would have been payable if the Executive Board member had served on the Board for ten years (up to a maximum age of 65), as long as the period served on the Board was at least three years. Those entitled to the full pension account are, firstly, the widow, widower or surviving civil partner of the Executive Board member and, secondly, orphans of the Executive Board member if there is no widow, widower or surviving civil partner.

The pension payable is calculated on the basis of the mortality tables and interest rates which are valid when the pension is drawn. In all cases, the Executive Board member may choose to have his or her pension paid in one of three ways:

- as a lump sum;
- in five to ten annual instalments with the accrual of interest (depending on the term) until the payments are due;
- in the form of payments for life including an annual increase of 1 percent per annum.

On request and with the Group's agreement, the Executive Board member may opt for other payment variants.

Pension commitments for Sanjiv Lamba, who was already on the Executive Board of the company at 1 January 2012, are set out in an individual contract. The pension is based on a particular percentage of the last fixed monthly pensionable emoluments paid. The percentage rate on entry is 20 percent. This percentage increases by 2 percent for every year of service completed by the Executive Board member. The maximum percentage that can be achieved for the pension is 50 percent of the last fixed monthly emoluments paid. Payments are made on a monthly basis once the member has retired from the Group and is eligible for his or her pension (old age pension from the age of 65, pension for medical disability or incapacity for work, and surviving dependants' pension in the event of death). Widowed spouses receive 60 percent of the pension of the deceased member of the Executive Board. The commitment also includes benefits for any orphans or children who have lost one parent. Each child entitled to maintenance receives 10 percent (in the case of children who have lost one parent) up to a maximum of 25 percent (in the case of orphans) of the pension of the contracting party, generally until his or her 18th year, although maintenance may continue to be paid until he or she reaches the age of 27. If the deceased has left several children, the amounts are reduced proportionately and limited in total to half the pension to which the contracting party was entitled. The total maintenance payments to surviving dependants must not exceed the full amount of the

pension of the contracting party. Current pensions are adjusted annually to take account of the change in the consumer price index for private households based on information provided by the German Statistical Office. If a member of the Executive Board has reached the age of 55 and completed ten years of service on the Executive Board, and his or her employment contract is terminated early by the Supervisory Board or his or her term of office is not extended for reasons beyond the control of the Executive Board member, he or she would immediately receive the pension earned, taking into account other income. If, however, an Executive Board member has not completed ten years of service or if the employment contract is terminated before he or she reaches the age of 55, he or she acquires entitlement by law to a pension as a supplement to the occupational pension in the amount specified by law, provided the Executive Board member was employed by the company for a minimum period of three consecutive years.

In his contract of employment concluded on 7 December 2016, the Executive Board member Professor Dr Aldo Belloni was not granted any occupational pension benefits.

Emoluments of the Executive Board for 2017

With regard to the composition of the Executive Board, the following changes were made in the 2017 financial year: On 8 March 2017, Dr Sven Schneider was appointed to the Executive Board for a three-year term, in other words until 7 March 2020. In 2016, three members left the Executive Board during the year (Thomas Blades, Dr Wolfgang Büchele, Georg Denoke). The contract of employment of Georg Denoke ended on 28 February 2017. The contract of employment of Dr Wolfgang Büchele ended on 30 April 2017. Information relating to the payments made to members of the Executive Board whose contracts of employment ended during the 2017 financial year can be found in the section entitled "Payments made to former Executive Board members".

The total cash remuneration for members of the Executive Board for performing their duties at Linde AG and its subsidiaries in and/or for the 2017 financial year was EUR 9,375,800 (2016: EUR 10,070,838). Of this amount, EUR 3,479,379 (2016: EUR 3,772,668) related to fixed remuneration components which are not performance-related and EUR 5,896,421 (2016: EUR 6,298,170) to variable short-term or long-term performance-related remuneration components. The measurement of benefits in kind and other benefits was based on their value for tax purposes. 60 percent of the variable cash emoluments, i.e. EUR 3,537,853 (2016: EUR 3,778,902) is paid out. 40 percent, i.e. EUR 2,358,568 (2016: 2,519,268) is required to be invested (after the deduction of tax) in Linde shares which must be held for a qualifying period of four years. This therefore constitutes a long-term

remuneration component. The total remuneration of the members of the Executive Board in 2017 was EUR 12,300,839 (2016: EUR 12,945,883). Included in the total remuneration are options and rights to matching shares which were granted to members of the Executive Board under the Long Term Incentive Plan. In each case, the options and matching shares are included at their value on allocation. In the 2017 financial year, members of the Executive Board were granted a total of 29,840 (2016: 41,196) options with a value on allocation of EUR 78.42 (2016: EUR 55.83) per option and 3,672 (2016: 4,737) rights to matching shares with a value on allocation of EUR 159.31 (2016: EUR 121.40) per right to matching share.

Subject to the approval of the annual financial statements of Linde AG for the year ended 31 December 2017, the emoluments for the individual members of the Executive Board for 2017 (including variable emoluments calculated on the basis of Group ROCE after special items of 8.7 percent) are as follows:

TOTAL REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD

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Executive Board members in office at 31.12.2017

		Cash emoluments				Long Term Incentive Plan		Total	Pensions		
		Fixed emoluments	Benefits in kind/Other benefits	Variable cash emoluments	Total cash emoluments ²	Options	Matching shares	Total emoluments	Service cost in financial year ³ IFRS	Service cost in financial year ³ HGB	
						Value on the grant date	Value on the grant date				
<i>in EUR</i>			Current ¹ (60%)	Non-current ² (40%)							
Professor Dr Aldo Belloni (CEO) (as of 08.12.2016)	2016	77,419	153	70,769	47,179	195,520	-	-	195,520	-	-
	2017	1,200,000	3,560	1,115,820	743,880	3,063,260	799,962	199,934	4,063,156	0	0
Dr Christian Bruch	2016	500,000	28,025	470,850	313,900	1,312,775	299,975	75,025	1,687,775	274,210	221,028
	2017	575,000	23,521	578,089	385,392	1,562,002	400,020	100,047	2,062,069	312,134	233,466
Bernd Eulitz	2016	500,000	24,207	533,700	355,800	1,413,707	299,975	75,025	1,788,707	261,243	220,542
	2017	575,000	25,123	626,781	417,854	1,644,758	400,020	100,047	2,144,825	290,189	232,884
Sanjiv Lamba	2016	600,000	18,404	739,320	492,880	1,850,604	400,022	100,034	2,350,660	252,223	177,952
	2017	636,000	16,681	801,422	534,281	1,988,384	440,015	109,924	2,538,323	288,799	176,696
Dr Sven Schneider (as of 08.03.2017)	2016	-	-	-	-	-	-	-	-	-	-
	2017	407,258	17,236	415,741	277,161	1,117,396	300,035	75,035	1,492,466	221,700	199,530
TOTAL	2016 ⁴	3,627,083	145,585	3,778,902	2,519,268	10,070,838	2,299,973	575,072	12,945,883	953,525	736,174
<i>(in percent)</i>		28	1	29	20	78	18	4	100		
TOTAL	2017	3,393,258	86,121	3,537,853	2,358,568	9,375,800	2,340,052	584,987	12,300,839	1,112,822	842,576
<i>(in percent)</i>		27	1	29	19	76	19	5	100		

¹ 60 percent of the variable cash remuneration is paid directly in the year following the reporting date.

² 40 percent of the variable cash remuneration is paid out in the year following the reporting date with the obligation to acquire Linde shares (or the Linde plc shares received for these shares) and to hold them for at least four years.

³ No past service cost arose in the 2016 or 2017 financial years.

⁴ 2016 including Thomas Blades (Member of the Executive Board up until 30 June 2016), Dr Wolfgang Büchele (Chief Executive Officer until 7 December 2016) and Georg Denoke (Member of the Executive Board up until 13 September 2016).

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At the reporting date, the present value for accounting purposes of pension commitments accruing to the individual Board members was as follows: Professor Dr Aldo Belloni EUR 4,951,813 (2016: EUR 4,745,363) (Group), EUR 4,124,916 (2016: EUR 3,755,068) (Linde AG); Dr Christian Bruch EUR 1,625,906 (2016: EUR 1,221,132) (Group), EUR 1,226,684 (2016: EUR 848,899) (Linde AG); Bernd Eulitz EUR 1,551,499 (2016: EUR 1,182,177) (Group), EUR 1,236,545 (2016: EUR 877,330) (Linde AG); Sanjiv Lamba EUR 1,983,822 (2016: EUR 1,576,405) (Group), EUR 1,304,885 (2016: EUR 946,275) (Linde AG); Dr Sven Schneider EUR 1,369,145 (2016: EUR 0) (Group), EUR 1,010,646 (2016: 0) (Linde AG). On the basis of his contract of employment dated 7 December 2016, Professor Dr Aldo Belloni did not acquire any new pension entitlements. The change in the present value of the pension commitments is the result of changes in holdings, the unwinding of interest of entitlements acquired in previous years and actuarial gains/losses. The present values of the pension commitments accruing to Dr Christian Bruch and Bernd Eulitz, who were appointed to the Executive Board on 1 January 2015, and for Dr Sven Schneider, who was appointed to the Executive Board on 8 March 2017, include their vested rights from their time spent as executives within The Linde Group.

Disclosures in accordance with the requirements of the German Corporate Governance Code

Disclosed in the table below, in accordance with the requirements set out in the German Corporate Governance Code, is the allocated remuneration of the Executive Board for the 2017 financial year including other benefits and including the maximum and minimum emoluments attainable in the case of variable remuneration components. In contrast to the [▶ TABLE ENTITLED "TOTAL REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD"](#), the one-year variable remuneration is disclosed in the table below at the target value, which is the value that would apply if all the targets were fully met. As in the [▶ TABLE ENTITLED "TOTAL REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD"](#), the options and rights to matching shares included in the share-based remuneration (Long Term Incentive Plan) are reported at fair value on the grant date. The option rights and rights to matching shares only become exercisable or are only allocated after a four-year qualifying period has elapsed. In each case, the number of option rights or rights to matching shares is determined by the actual targets met after the qualifying period has expired. Therefore, the value of the rights may be higher or lower than the figures disclosed in the table below, depending on the prevailing share price at the date of transfer. Moreover, in contrast to the [▶ TABLE ENTITLED "TOTAL REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD"](#), the total remuneration in the table below includes the pension expense.

REMUNERATION ALLOCATED DURING THE YEAR

Executive Board members in office at 31.12.2017

Remuneration allocated during the year, in EUR	Professor Dr Aldo Belloni Member of the Executive Board from 08.12.2016 Chief Executive Officer from 08.12.2016				Dr Christian Bruch Member of the Executive Board from 01.01.2015			
	2016	2017	2017 (Min.)	2017 (Max.)	2016	2017	2017 (Min.)	2017 (Max.)
Fixed emoluments	77,419	1,200,000	1,200,000	1,200,000	500,000	575,000	575,000	575,000
Other benefits	153	3,560	3,560	3,560	28,025	23,521	23,521	23,521
TOTAL	77,572	1,203,560	1,203,560	1,203,560	528,025	598,521	598,521	598,521
One-year variable emoluments								
Short-term cash emoluments ^{1,2}	71,315	1,069,020	0	3,000,000	447,900	518,699	0	1,437,500
Multi-year variable emoluments	47,544	1,712,576	0	4,182,796	673,600	845,866	0	2,049,841
including long-term cash emoluments (deferral) ^{3,4}	47,544	712,680	0	1,980,000	298,600	345,799	0	948,750
including Long Term Incentive Plan (qualifying period: 4 years) ⁵								
Options	-	799,962	0	1,958,510	299,975	400,020	0	978,851
Matching shares	-	199,934	0	244,286	75,025	100,047	0	122,240
TOTAL	196,431	3,985,156	1,203,560	8,386,356	1,649,525	1,963,086	598,521	4,085,862
Service cost	-	0	0	0	274,210	312,134	312,134	312,134
TOTAL EMOLUMENTS	196,431	3,985,156	1,203,560	8,386,356	1,923,735	2,275,220	910,655	4,397,996

¹ 60 percent of the variable cash remuneration is paid in cash with no further obligation incumbent on the Executive Board member.

² Capped at 250 percent of the fixed emoluments. The individual maximum values disclosed are the potential maximum values in terms of amount in accordance with the agreed upper limit: i.e. 250 percent of the fixed emoluments.

³ 40 percent of the variable cash remuneration is paid out in cash with the obligation to acquire Linde shares (or the Linde plc shares received for these shares) and to hold them for at least four years.

⁴ Capped at 165 percent of the fixed emoluments. The individual maximum values disclosed are the potential maximum values in terms of amount in accordance with the agreed upper limit: i.e. 165 percent of the fixed emoluments.

⁵ The value of the options and rights to matching shares are not limited in terms of amount once the qualifying period has elapsed. The amounts disclosed are the individual maximum amounts if both the performance targets are met in full and are based on the closing price of Linde shares submitted for exchange on 29 December 2017 (EUR 194.65).

Disclosed in the table below, in accordance with the requirements set out in the German Corporate Governance Code, is remuneration received, comprising fixed emoluments, other benefits, one-year variable emoluments and multi-year variable emoluments, set out according to the relevant reference year, and the pension expense in and/or for the 2017 financial year. The remuneration received table does not include any remuneration for former members of the Executive Board.

During the term of his contract of employment, Professor Dr Aldo Belloni does not have any entitlement to retirement benefits that he would otherwise have on the basis of his previous activity as a member of the company's Executive Board. In contrast to the multi-year variable emoluments granted disclosed above, this table shows the actual value of multi-year emoluments granted in prior years and received in 2017.

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	Bernd Eulitz Member of the Executive Board from 01.01.2015				Sanjiv Lamba Member of the Executive Board from 09.03.2011				Dr Sven Schneider Member of the Executive Board from 08.03.2017			
	2016	2017	2017 (Min.)	2017 (Max.)	2016	2017	2017 (Min.)	2017 (Max.)	2016	2017	2017 (Min.)	2017 (Max.)
	500,000	575,000	575,000	575,000	600,000	636,000	636,000	636,000	-	407,258	407,258	407,258
	24,207	25,123	25,123	25,123	18,404	16,681	16,681	16,681	-	17,236	17,236	17,236
	524,207	600,123	600,123	600,123	618,404	652,681	652,681	652,681	-	424,494	424,494	424,494
	525,960	616,853	0	1,437,500	738,240	775,302	0	1,590,000	-	398,243	0	913,978
	725,640	911,302	0	2,049,841	992,216	1,066,807	0	2,260,526	-	640,566	0	1,428,841
	350,640	411,235	0	948,750	492,160	516,868	0	1,049,400	-	265,496	0	603,225
	299,975	400,020	0	978,851	400,022	440,015	0	1,076,817	-	300,035	0	733,936
	75,025	100,047	0	122,240	100,034	109,924	0	134,309	-	75,035	0	91,680
	1,775,807	2,128,278	600,123	4,087,464	2,348,860	2,494,790	652,681	4,503,207	-	1,463,303	424,494	2,767,313
	261,243	290,189	290,189	290,189	252,223	288,799	288,799	288,799	-	221,700	221,700	221,700
	2,037,050	2,418,467	890,312	4,377,653	2,601,083	2,783,589	941,480	4,792,006	-	1,685,003	646,194	2,989,013

REMUNERATION RECEIVED DURING THE YEAR

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Executive Board members in office at 31.12.2017

Remuneration received during the year, in EUR	Professor Dr Aldo Belloni Member of the Executive Board from 08.12.2016 Chief Executive Officer from 08.12.2016		Dr Christian Bruch Member of the Executive Board from 01.01.2015		Bernd Eulitz Member of the Executive Board from 01.01.2015		Sanjiv Lamba Member of the Executive Board from 09.03.2011		Dr Sven Schneider Member of the Executive Board from 08.03.2017	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Fixed emoluments	77,419	1,200,000	500,000	575,000	500,000	575,000	600,000	636,000	-	407,258
Other benefits	153	3,560	28,025	23,521	24,207	25,123	18,404	16,681	-	17,236
TOTAL	77,572	1,203,560	528,025	598,521	524,207	600,123	618,404	652,681	-	424,494
One-year variable emoluments										
Short-term cash emoluments ¹	70,769	1,115,820	470,850	578,089	533,700	626,781	739,320	801,422	-	415,741
Multi-year variable emoluments	47,179	1,698,684	323,331	403,326	373,499	435,788	1,100,414	1,135,358	-	295,095
including long-term cash emoluments (deferral 2016/2017) ¹	47,179	743,880	313,900	385,392	355,800	417,854	492,880	534,281	-	277,161
(deferral 2012/2013) ²	-	834,111	-	-	-	-	489,325	480,384	-	-
including Long Term Incentive Plan 2012 (qualifying period: 2012-2016/2013-2017)	-	120,693	9,431	17,934	17,699	17,934	118,209	120,693	-	17,934
Others	0	0	0	0	0	0	0	0	-	0
TOTAL	195,520	4,018,064	1,322,206	1,579,936	1,431,406	1,662,692	2,458,138	2,589,461	-	1,135,330
Service cost	-	0	274,210	312,134	261,243	290,189	252,223	288,799	-	221,700
TOTAL EMOLUMENTS	195,520	4,018,064	1,596,416	1,892,070	1,692,649	1,952,881	2,710,361	2,878,260	-	1,357,030

¹ 60 percent of the variable cash remuneration is paid in cash with no further obligation incumbent on the Executive Board member. 40 percent of the variable cash remuneration is paid out in cash with the obligation to acquire Linde shares (or the Linde plc shares received for these shares) and to hold them for at least four years.

² In 2012 and 2013, 40 percent of the variable cash remuneration was converted as at the reporting date into virtual shares with dividend entitlement and not paid for at least another three years.

Other remuneration-related arrangements

The Supervisory Board has the right, at its own discretion, to award a special payment to an Executive Board member for exceptional performance. Again in the 2017 financial year, no such payment was granted. Any potential special payment is capped at an amount which, when taken together with the cash component and deferral component for that financial year, does not exceed the cap in terms of the amount for the one-year variable emoluments.

Benefits in the event of termination of a contract

In the event that he is not reappointed between the age of 55 and 63 for reasons beyond his control, the Executive Board member Sanjiv Lamba will receive, in accordance with an existing contract, a lump sum severance payment of 50 percent of his annual cash remuneration (fixed emoluments and that portion of the variable cash emoluments which is to be paid in cash with no obligation to invest in shares (60 percent)) for the last full financial year before the termination of his employment.

In compliance with the German Corporate Governance Code, all contracts with members of the Executive Board, with the exception of the contract with Professor Dr Aldo Belloni, include the following provision. In the event of the early termination of the employment contract of a member of the Executive Board without due cause for that termination, his or her severance pay will be capped at twice the annual cash emoluments (fixed emoluments and that portion of the variable cash emoluments which is to be paid in cash with no obligation to invest in shares (60 percent)) ("severance cap"). The calculation is based on the annual cash emoluments for the last full financial year prior to the removal of the member from the Executive Board. If the annual cash emoluments of the member of the Executive Board for the financial year in which his or her employment is terminated are likely to be significantly higher or lower than the annual cash emoluments for the last full financial year, the Supervisory Board may at its discretion make an adjustment to the calculation of the annual cash emoluments. If the remaining term of the employment contract is less than two years, the severance pay is calculated pro rata. For the period on the basis of which the severance pay is determined, the Executive Board members receive no pension payments. The contract of employment with Professor Dr Aldo Belloni does not provide for any severance payment in the event that it is terminated prematurely.

If Linde AG is acquired by another company and there is a change of control, and an employment contract is terminated within nine months of that date by mutual consent or as a result of a failure to renew the contract at the appropriate time or as a result of the resignation of the Executive Board member due to his

or her position on the Board being unduly compromised by the takeover, members of the Executive Board, with the exception of Professor Dr Aldo Belloni, have an entitlement to benefits based on their contractual cash emoluments but limited in extent. The contract of employment of Dr Sven Schneider states that a change of control in connection with the planned merger with Praxair Inc. does not constitute a change of control within this meaning of this provision. However, the burden of proof is on the member of the Executive Board to demonstrate the actual circumstances of his or her dismissal as a result of which his or her position has been unduly compromised. The recommendation of the German Corporate Governance Code relating to severance caps in the event of a change of control is also being complied with. In accordance with the Code, the Executive Board contracts provide for severance pay in the event of a member resigning from the Board early due to a change of control equivalent to the amount payable in the event of early retirement from the Board without cause under any other circumstances. Moreover, the Executive Board member would receive additional compensation equivalent to his or her annual cash emoluments (fixed emoluments and that portion of the variable cash emoluments which is to be paid in cash with no obligation to invest in shares (60 percent)). The additional compensation would not be payable if the member of the Executive Board had served on the Board for less than three years or if he or she had not yet reached the age of 52 or had already reached the age of 63 when the employment contract ended. If the member of the Executive Board receives benefits on the occasion of or in connection with the acquisition by a majority shareholder, a controlling interest or another legal entity, these are taken into account when the compensation and severance pay benefits are calculated. The pension entitlement is determined in accordance with the rules for the early termination of an employment contract without cause.

If the employment contract of a member of the Executive Board is terminated with due cause, no payments are made to the Board member.

Executive Board members are generally bound by a restraint clause for a period of two years following the termination of their contracts. By way of compensation, the company undertakes to pay former Board members an amount equivalent to 50 percent of their fixed emoluments during the period of restraint. The compensation qualifies in full for pension benefits. The contract of employment with Professor Dr Aldo Belloni does not contain a restraint clause.

If the member of the Executive Board leaves the company's service as a result of death or incapacity for work, the Executive Board member or his or her heirs are entitled to the fixed monthly emoluments for the month in which the employment contract ended, and for the following six months. Moreover, the Executive

Board member or his or her heirs are entitled to that proportion of the variable cash emoluments in respect of that part of the year in which the member of the Executive Board was active. In this case, 100 percent of the amount is paid in cash.

Loans and advances

During the financial year, no loans or advances were made to members of the Executive Board.

Total emoluments of former members of the Executive Board

Former members of the Executive Board and their surviving dependants received total emoluments of EUR 2,944,748 in the 2017 financial year (2016: EUR 10,202,212). The total emoluments also include changes in the value of annual tranches of share-based remuneration that have been recognised as an expense, previous claims under virtual shares and provisions set up in the previous year for the 2017 variable emoluments paid to former Executive Board members. They do not, on the other hand, include payments to former members of the Executive Board whose contract of employment ended in 2017. Provisions for these amounts had already been set up in full at 31 December 2016 and are described in detail in the remuneration report for the 2016 financial year. These relate to the fixed monthly cash emoluments set out in the contract of employment and the pro rata variable emoluments for Dr Wolfgang Büchele, whose contract of employment ended on 30 April 2017, and the fixed monthly cash emoluments, the pro rata variable emoluments and the severance payment set out in the contract of employment for Georg Denoke, whose contract of employment ended on 28 February 2017.

A provision has been made in the Group financial statements for current pensions and future pension benefits in respect of former members of the Executive Board and their surviving dependants of EUR 58,364,954 (2016: EUR 59,710,818). In the annual financial statements of Linde AG, a provision of EUR 47,625,733 was made (2016: EUR 46,747,736). The differences in the amounts disclosed are attributable to different accounting parameters being used to calculate the figures included in the Group financial statements and the annual financial statements.

In the period from 1 May 2017 until the end of the 2017 financial year, Dr Wolfgang Büchele received the compensation for adherence to a contractually agreed post-contractual restraint clause set out in his contract of employment, while the former Executive Board member Georg Denoke received this compensation for the period from 1 March to 13 March 2017 due to the decision made by the company not to require him to adhere to a post-contractual restraint clause.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is determined at the Annual General Meeting based on a proposal from the Executive Board and Supervisory Board. It is governed by Article 11 of the articles of association.

Under the new system approved at the 2013 Annual General Meeting, the remuneration of the Supervisory Board changed so that it comprises only fixed emoluments.

Annual fixed emoluments

Each member of the Supervisory Board receives annual fixed emoluments of EUR 150,000.

Emoluments of the Chairman and Deputy Chairmen of the Supervisory Board

The Chairman of the Supervisory Board receives annual fixed emoluments of EUR 450,000 and each of the Deputy Chairmen receives annual fixed emoluments of EUR 225,000. These fixed amounts also include the recompense for chairing and serving on committees.

Emoluments of the Standing Committee and Audit Committee

Each member of the Standing Committee and the Audit Committee (excluding the Chairman and Deputy Chairmen of the Supervisory Board) receives EUR 30,000 in addition to his or her annual fixed emoluments, and the Chairman of the Audit Committee receives EUR 60,000 in addition to his or her annual fixed emoluments.

Attendance fees

The company pays members of the Supervisory Board an attendance fee of EUR 1,000 every time they attend a Supervisory Board meeting or committee meeting. This amount remains unchanged if several meetings take place on the same day.

Payment date, VAT and reimbursement of expenses

The remuneration of the Supervisory Board is paid after the end of the relevant financial year. The company reimburses members of the Supervisory Board for their expenses and also for VAT on their emoluments and on their expense reimbursements. The company can take out liability insurance for the benefit of members of the Supervisory Board to cover the legal liability arising from their activities as members of the Supervisory Board.

Voluntary personal investment

The members of the Supervisory Board made a personal commitment to the Supervisory Board that, in return for 25 percent of the fixed gross emoluments payable in each financial year, they would purchase shares in Linde

and in each case hold these shares for the duration of their membership of the Supervisory Board of Linde AG. This does not apply if the Supervisory Board members remit at least 85 percent of their fixed emoluments to the Hans Böckler Foundation in accordance with the guidelines of the Confederation of German Trade Unions (DGB) or to the employer as a result of an obligation under a service or employment contract. If in these cases the proportion of fixed emoluments transferred is less than 85 percent, the personal commitment applies to the proportion of the fixed emoluments which has not been transferred.

The last time the Supervisory Board members fulfilled their personal commitment was in the 2015 financial year. Given the possible restrictions due to insider information and insider trading, Linde AG has suspended the obligation of the Supervisory Board members to purchase further shares until further notice during the negotiations conducted between Linde AG and Praxair, Inc. on a merger of the two companies. In connection with the conclusion of a Business Combination Agreement between Linde AG and Praxair, Inc., Linde AG subsequently released the members of the Supervisory Board from their obligations to hold shares in Linde that they had acquired previously. The shareholder representatives on the Supervisory Board then each submitted the Linde shares they held as part of their personal commitment for the exchange offer made by Linde plc.

Emoluments of the Supervisory Board for 2017

The total emoluments of the Supervisory Board (fixed emoluments and attendance fees) amounted to EUR 2,556,616 (2016: EUR 2,537,574) plus VAT of EUR 485,757 (2016: EUR 482,139). The total cost for the attendance fees was EUR 126,000 (2016: EUR 112,000).

The following table lists the remuneration of the individual members of the Supervisory Board by component in the 2017 and 2016 financial years:

EMOLUMENTS OF THE SUPERVISORY BOARD

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<i>in EUR</i>		<i>Fixed emoluments¹</i>	<i>Emoluments for sitting on committees¹</i>	<i>Attendance fees¹</i>	<i>Total emoluments¹</i>
Professor Dr Wolfgang Reitzle (Chairman) (as of 21.05.2016)	2016	276,639	–	8,000	284,639
	2017	450,000	–	13,000	463,000
Hans-Dieter Katte ² (Deputy Chairman)	2016	225,000	–	13,000	238,000
	2017	225,000	–	14,000	239,000
Michael Diekmann (Second Deputy Chairman) (up until 10.05.2017)	2016	225,000	–	8,000	233,000
	2017	80,137	–	4,000	84,137
Franz Fehrenbach ³ (Second Deputy Chairman as of 10.05.2017)	2016	150,000	28,033	9,000	187,033
	2017	198,493	10,603	11,000	220,096
Professor Dr Ann-Kristin Achleitner	2016	150,000	30,000	11,000	191,000
	2017	150,000	30,000	12,000	192,000
Professor Dr Clemens Börsig	2016	150,000	60,000	10,000	220,000
	2017	150,000	60,000	11,000	221,000
Anke Couturier	2016	150,000	–	7,000	157,000
	2017	150,000	–	8,000	158,000
Dr Thomas Enders (as of 10.05.2017)	2016	–	–	–	–
	2017	96,986	19,397	7,000	123,383
Gernot Hahl ²	2016	150,000	60,000	13,000	223,000
	2017	150,000	60,000	14,000	224,000
Dr Martin Kimmich ²	2016	150,000	–	7,000	157,000
	2017	150,000	–	8,000	158,000
Dr Victoria Ossadnik (as of 07.01.2016)	2016	147,541	–	7,000	154,541
	2017	150,000	–	8,000	158,000
Xaver Schmidt ²	2016	150,000	–	7,000	157,000
	2017	150,000	–	8,000	158,000
Frank Sonntag ²	2016	150,000	–	7,000	157,000
	2017	150,000	–	8,000	158,000
TOTAL⁴	2016	2,247,541	178,033	112,000	2,537,574
<i>(in percent)</i>		89	7	4	100
TOTAL	2017	2,250,616	180,000	126,000	2,556,616
<i>(in percent)</i>		88	7	5	100

¹ Amounts excluding VAT.

² The employee representatives have decided to forward their remuneration to the Hans Böckler Foundation in accordance with the guidelines of the Confederation of German Trade Unions.

³ Member of the Standing Committee as of 25 January 2016; Second Deputy Chairman of the Supervisory Board as of 10 May 2017.

⁴ This includes the remuneration paid to the Chairman of the Supervisory Board Dr Manfred Schneider, who left his position with effect from the end of the Annual General Meeting held on 20 May 2016 (fixed emoluments: EUR 173,361, attendance fees: EUR 5,000, total emoluments: EUR 178,361).

Loans, advances and other emoluments

At 31 December 2017, there were no advances or loans to members of the Supervisory Board. This was also the case throughout the whole of 2017 and in 2016. Moreover, the members of the Supervisory Board received no payments or advantages in 2017 or 2016 for services they provided individually, in particular advisory or agency services.

LINDE IN THE CAPITAL MARKET

DAX achieves positive annual result despite global political uncertainty

In the 2017 stock market year, the recovering global economy and the ongoing loose monetary policy pursued by international central banks had a positive effect on Germany's leading index. The year was also, however, once again characterised by concerns regarding political stability: the inauguration of Donald Trump in the US, tension with North Korea, the presidential elections in France and the drive for independence in Catalonia, Spain, had an impact on the development of the stock market barometer.

Nevertheless, Germany's leading index, the DAX, was able to hold its own in a challenging international environment. In the first few months, the inauguration of Donald Trump triggered an initial downward trend, with the DAX sliding to a low of around 11,510 points in February.

In the second quarter, Germany's leading index showed a largely positive development. The difficult Brexit negotiations, however, sparked another downward trend in the summer.

In the autumn, the leading index started to pick up, recording an all-time high of 13,525 points in November. The main driver behind this trend was the positive economic development. Investors also kept a watchful eye on the monetary policy pursued by the US Federal Reserve (the Fed) in the third quarter. The Fed initially, however, left its key rate unchanged in September, waiting until December to lift it slightly by 0.25 percentage points.

On 29 December 2017, the DAX closed the 2017 stock market year at 12,918 points, up by 12.5 percent.

This means that the DAX outperformed most of Europe's major stock market indices. The MSCI Europe Index only gained 10.0 percent. The FTSEurofirst 300 Index, London, gained 7.1 percent, with the DJ EURO STOXX increasing by 10.1 percent. The CAC 40 Index in Paris rose by 9.3 percent.

The US stock markets outperformed the DAX: The S&P 500 Index climbed by 19.5 percent in a year-on-year comparison. The technology index NASDAQ (NASDAQ composite) achieved an even better performance, rising by 28.2 percent. The emerging markets showed

similarly positive development. The MSCI Emerging Markets Index, for example, rose by 34.3 percent in the year under review.

Much more positive trend sees Linde shares outperform the DAX leading index

At the beginning of the stock market year, Linde shares slightly underperformed the DAX on the whole. Their development, however, was largely in sync with Germany's leading index. Like the DAX, Linde shares also reached their low point in February, sliding to EUR 146.60.

15 August marked the start of the acceptance period for the exchange offer made to shareholders of Linde AG. From then on, two classes of shares in Linde AG were traded on the stock markets – the shares submitted for exchange and the shares not submitted for exchange – whose development was well in excess of the DAX level in the weeks that followed. Linde's shares increased in value by 27.5 percent, clearly outperforming the DAX, which closed the stock market year up by 12.5 percent. This was due primarily to the fact that the market considered a successful merger with Praxair to be increasingly likely as the acceptance ratio rose.

Following the conclusion of the exchange offer on 24 November 2017 with an acceptance ratio of 92 percent, however, both share prices varied in their development. The price of the shares submitted for exchange continued to rise, reaching a high of EUR 197.00 on 11 December 2017. The price of the shares not submitted for exchange came to EUR 184.35 on this date, which corresponds to a discount of 6.9 percent. This difference is due, among other things, to the admission of the shares submitted for exchange to the key indices (e.g. DAX, MSCI und FTSE), as well as to the lower trading volume and lower liquidity of the shares not submitted for exchange.

The fact that the acceptance ratio exceeded the 90 percent threshold means that, if the merger is completed, Linde plc could trigger a squeeze out in accordance with § 62 (5) of the German Transformation of Companies Act (UmwG). A decision has yet to be made on such a move.

In addition to the news regarding a possible merger with Praxair, Linde shares also continued to benefit from the Group's solid and stable business model. This business model is characterised by long-term contractual structures, a broad-based customer portfolio and a stable cash flow.

The capital market is increasingly evaluating responsible behaviour in the corporate sector and taking the principles of sustainable management into account when making investment decisions (Socially Responsible Investment, SRI). Linde is represented in a number of SRI funds, indices and ranking systems. Among others, Linde forms part of the global Dow Jones Sustainability

CORPORATE GOVERNANCE
LINDE IN THE CAPITAL MARKET

Index (DJSI World), the FTSE4Good Index series, the Ethibel Sustainability Index (ESI) and the STOXX Global ESG Leaders Index.

CAPITAL MARKET-BASED FIGURES¹

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		2016	2017
Number of shares with dividend entitlement for the financial year	Units	185,638,071	185,638,071
Year-end closing price	EUR	156.10	194.65
Year high	EUR	163.55	197.00
Year low	EUR	115.85	155.50
Total dividend of Linde AG for the financial year	EUR m	687	1,299
Market capitalisation ²	EUR m	28,978	36,134
Average weekly volume	Units	2,817,454	949,326
Volatility ² (200 days)	%	27.3	30.4
Information per share			
Cash dividend	EUR	3.70	7.00
Dividend yield	%	2.4	3.6
Cash flow from operating activities	EUR	18.32	18.74
Earnings (reported EPS)	EUR	6.50	7.56

¹ The share price-related information for the 2017 financial year is based on the shares in Linde that were submitted for exchange (ISIN DE000A2E4L75), which have been listed since 15 August 2017.

² Calculation at 31 December.

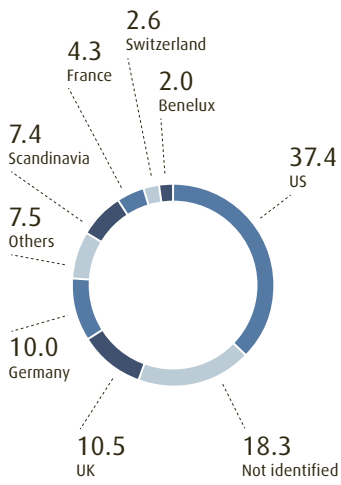
LINDE PERFORMANCE IN COMPARISON WITH
THE MOST IMPORTANT INDICES¹

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	2017 in percent
Linde (including dividend)	27.5
Linde (excluding dividend)	24.7
DAX	12.5
CAC 40	9.3
S&P 500	19.5
Prime Chemical	12.5
DJ EURO STOXX	10.1
DJ EURO STOXX Chemical	10.6
FTSEurofirst 300	7.1
FTSE E300 Chemical	11.0
MSCI Europe	10.0

¹ The figures are based on the difference between the shares in Linde that were not submitted for exchange (ISIN DE0006483001) at 1 January 2017 and the shares in Linde that were submitted for exchange (ISIN DE000A2E4L75) at 31 December 2017.

INSTITUTIONAL INVESTOR HOLDINGS
BY REGION IN %



Dividend payment

At the Annual General Meeting on 3 May 2018, the Executive Board and Supervisory Board will propose the payment of a dividend of EUR 7.00 per share.

The proposed dividend reflects the provisions of the Business Combination Agreement signed by Linde and Praxair on the planned combination of the two companies. While Linde generally pays its shareholders an annual dividend with respect to the previous financial year, Praxair provides quarterly dividend payments to its shareholders with regard to the respective current financial year. In order to balance the different timing of the dividend payments of the two companies with respect to the 2018 financial year, the Business Combination Agreement provides that Linde may, in respect of the 2017 financial year, pay a dividend which economically covers the 2017 financial year and, on a pro rata basis, every quarter for which Praxair is expected to pay a dividend to its shareholders in 2018 before the completion of the business combination. For purposes of the determination of the pro rata dividend payments in 2018, Linde and Praxair currently expect that Praxair will pay a dividend to its shareholders for three quarters of the 2018 financial year before the business combination is completed.

The Executive Board and Supervisory Board will therefore propose a dividend payment to the Annual General Meeting that economically comprises a distribution for the 2017 financial year of EUR 3.90 per Linde share and, in addition, a pro-rata distribution for three quarters of the dividend expected for the 2018 financial year of EUR 3.10 per Linde share. This is an increase of 89.2 percent compared with last year's dividend of EUR 3.70. In relation to the profit for the year from continuing operations (attributable to Linde AG

shareholders), this results in a dividend payout ratio of 92.5 percent (2016: 57.0 percent). The dividend yield based on the year-end closing price of the shares submitted for exchange was around 3.6 percent (2016: 2.4 percent).

Stable shareholder structure

In the annual shareholder identification survey, Linde identified the shareholders of around 81 percent (2016: around 78 percent) of the outstanding shares on the reporting date of 31 December 2017. These are solely institutional investors.

High level of investor relations (IR) activities sustained

In the 2017 financial year, Linde continued its intensive communication with capital market participants. At almost 40 conferences and roadshows around the world, several events for private investors and in the course of plant visits, Linde offered its shareholders and potential investors the opportunity to speak personally to representatives of the Group, including members of the Executive Board.

Communications focused on the merger with Praxair. The Investor Relations team, as well as the Chief Executive Officer and the Chief Financial Officer, kept shareholders and potential investors informed of current developments in connection with the share exchange offer and other fundamental issues.

All current information about Linde shares can be found at the Group's website at ► WWW.LINDE.COM in the Investor Relations section. If you have any questions or require information, the IR team is available at your service at +49.89.35757-1321. You can also direct your questions to Linde online by sending an e-mail to ► INVESTORRELATIONS@LINDE.COM.

LINDE SHARE INFORMATION

Type of share	Bearer shares submitted for exchange	Bearer shares not submitted for exchange
Stock exchanges	All German stock exchanges	All German stock exchanges
Security reference numbers	ISIN DE000A2E4L75	ISIN DE0006483001
	CUSIP A2E4L7	CUSIP 648300
Reuters (Xetra)	LIN1.DE	LING.DE
Bloomberg	LINU GR	LIN GR

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Combined Management Report

SECTION 2

FUNDAMENTAL INFORMATION ABOUT THE GROUP

BUSINESS MODEL OF THE LINDE GROUP

The Linde Group

The Linde Group is a gases and engineering company with global operations. At 31 December, the company had 57,605 employees (2016: 59,715). The Group comprises two divisions:

- Gases Division
- Engineering Division

Gases Division

The company offers a wide range of compressed and liquefied gases as well as chemicals, and is the partner of choice across a huge variety of industries. Within the Gases Division, Linde allocates its activities to the following product areas:

- On-site
- Healthcare
- Cylinder gases
- Liquefied gases

In the case of the on-site business, customers are generally supplied via an on-site production plant, while in the other product areas gases are delivered to the customer in gas cylinders or tankers.

Operational management

On the organisational front, the Gases Division comprises three segments: EMEA, Asia/Pacific and the Americas. Responsibilities are allocated on the basis of a regional structure. Within the three segments, Regional Business Units (RBUs) are responsible for the operating business.

There is also a Centre of Excellence (CoE) which is managed centrally and acts on a Group-wide basis. This unit is responsible, by way of example, for establishing

best practices, and ensures that the process standards which have been defined are implemented and continually enhanced across the Group. The Group-wide Opportunity & Project Development (OPD) function is responsible, in particular, for the development of new projects.

The Corporate & Support Functions provide assistance to the business units of the Group. ► [SEE MANAGEMENT ORGANISATION, PAGES 198 TO 199.](#)

Engineering Division

Linde's Engineering Division offers its customers worldwide an extensive range of gas production and processing services. The focus is on promising market segments such as olefin, natural gas, air separation, hydrogen and synthesis gas plants. In contrast to virtually all competitors, the company can rely on its own extensive process engineering know-how in the planning, project development and construction of turnkey industrial plants. The Engineering Division either supplies plant components and services directly to the customer or to the Gases Division, which operates the plants on behalf of the customer under a gases supply contract.

The Engineering Division is centrally managed and assisted by the Corporate & Support Functions. At Group level, one of the members of the Executive Board is responsible for the Engineering Division. ► [SEE MANAGEMENT ORGANISATION, PAGES 198 TO 199.](#)

Other Activities & Corporate Activities

In the past, Other Activities included the business of the logistics service provider Gist and Corporate Activities. As Gist is reported as a discontinued operation, it has no longer formed part of the segment report since 2017, meaning that it is no longer a reportable segment. Further information can be found in ► [NOTE \[29\] SEGMENT INFORMATION OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS.](#)

The Corporate Activities comprise holding companies that do not include any operating business and are attributable to neither the Gases Division nor the Engineering Division.

Corporate management

The Executive Board is international in composition and is responsible for the management of the company. Each operational member of the Executive Board is responsible for one segment. ► [SEE MANAGEMENT ORGANISATION, PAGES 198 TO 199.](#) By reflecting the operating model in the allocation of responsibilities to individual members of the Executive Board, the Group ensures that the individual strengths and skills of the Executive Board members are used effectively at both regional and product level.

VALUE-BASED MANAGEMENT OF THE LINDE GROUP

Core financial performance indicators

One of the key elements of Linde's corporate strategy is the pursuit of sustainable earnings-based growth, with the aim of achieving a steady increase in corporate value. To measure the medium-term and long-term financial success of this value-based management strategy, the Group uses the following core performance indicators:

- Group revenue and the revenue of the Gases Division and the Engineering Division,
- Group operating profit (Earnings Before Interest, Tax, Depreciation and Amortisation, EBITDA) and the operating profit of the Gases Division and the Engineering Division,
- Group operating margin and the operating margin for the Engineering Division and for the segments EMEA, Asia/Pacific and Americas and
- Return On Capital Employed (ROCE) for the Group.

These performance indicators are submitted on a regular basis to the entire Executive Board and are used for internal management purposes. The variable remuneration of the Executive Board is also based on these performance indicators. ► [SEE REMUNERATION REPORT, PAGES 24 TO 39.](#)

Just like the other financial and non-financial indicators, the core financial performance indicators only include profits and losses from continuing operations. Profits and losses from discontinued operations are not included in the calculation.

Other financial and non-financial indicators

To manage its operating business and represent its performance, Linde also uses other indicators such as EBIT (earnings before interest and tax), free cash flow before financing activities (operating free cash flow) and segment-specific performance indicators, such as order intake in the Engineering Division. Order intake is a key indicator of future business performance in the plant construction business, which is geared towards the long term. Another financial indicator used

is earnings per share (EPS). Since this figure is based on post-tax earnings, it also takes account of financing and fiscal components.

The calculations of operating free cash flow and of earnings per share are given on ► [PAGES 64 AND 128](#) of this financial report.

Other non-financial indicators include the number of serious transport incidents, the number of work-related accidents, CO₂ emissions, and water and energy consumption. Further information on these figures is given on ► [PAGES 208 TO 218](#) of this financial report.

Calculation of the core financial performance indicators

The core performance indicator ROCE is calculated as EBIT adjusted for special items divided by capital employed. ► [SEE TABLE 12.](#)

Group operating profit (EBITDA) is calculated by adjusting Group EBIT for special items and for the amortisation of intangible assets and depreciation of tangible assets. The amortisation of intangible assets and depreciation of tangible assets are included in functional costs. They are disclosed in the segment information on ► [PAGES 108 TO 109.](#)

The operating margin is derived from the two performance indicators "revenue" and "operating profit".

EBIT is calculated as Group revenue less cost of sales and other functional costs (marketing and selling expenses, research and development costs, administration expenses) less other operating expenses. In addition, the figure includes other operating income and the share of profit or loss from associates and joint ventures. ► [SEE TABLE 15, PAGE 52.](#) EBIT is also adjusted for special items. Special items are items which, due to their nature, frequency and/or extent, are likely to have an adverse impact on how accurately the key financial figures reflect the sustainability of the earning capacity of The Linde Group in the capital market.

In the 2017 financial year, the special items related to restructuring costs and expenses in connection with the planned merger with Praxair.

A reconciliation between the reported performance indicators and the performance indicators after adjusting for special items is given in the Notes to the Group financial statements. ► [NOTE \[38\].](#)

DEFINITION OF ROCE

12

Return

+/- EBIT

+/- Special items

Capital employed¹

Equity

+ Financial debt

+ Liabilities from finance leases

+ Net pension obligations

- Cash, cash equivalents and securities

- Receivables from finance leases

¹ Calculated as the average of the figures as at 31 December of the current year and 31 December of the prior year.

TARGETS AND STRATEGY OF THE LINDE GROUP

Merger with Praxair

Linde AG is planning a merger among equals with Praxair, Inc. The Executive Board and Supervisory Board of Linde expect the merger to open up a number of key strategic opportunities, in particular:

- Linde expects the merged company, which will operate using the “Linde” name and brand, to be a global leader in the field of industrial gases and engineering on the basis of the combined revenues and joint market capitalisation of the two companies.
- The new company is to benefit from the extended geographic reach of the merged group resulting from the complementary regional footprints of Linde and Praxair.
- Linde and Praxair have common roots, as well as shared values and visions, and expect the merged company to have a keen interest in promoting talent and value creation, combining Linde’s solution-oriented competencies, innovative strength in the field of engineering and reliability with Praxair’s strong ability to put solutions into practice.
- Linde and Praxair will benefit from the consolidation of their technological strengths, expertise and skills in the field of research and development. They will expand their presence in a large number of end markets and regions and with regard to many products in order to exploit the opportunities resulting from growth and new trends.
- The financial strength of the merged company, resulting from what is likely to be a solid statement of financial position and high cash flows, is expected to enable it to invest in opportunities for future, profitable growth.
- Both companies expect the shares in the merged company to be given a better capital market rating than Linde’s shares if Linde remains an independent company, as the aim is to have the shares in Linde plc listed on both the New York Stock Exchange and the Frankfurt Stock Exchange and to have Linde plc admitted to the S & P 500 and the DAX 30.

Boosting efficiency

Linde launched the LIFT programme to boost efficiency in the autumn of 2016. The company is using this initiative to further optimise its portfolio, which includes plans to sell the logistics service provider Gist. In addition to a review of the range of products and services on offer, Linde’s regional activities are also being put under the microscope. The company will be withdrawing from unattractive regional markets. In general, regional responsibility will be strengthened further in order to accelerate any necessary local restructuring measures. Linde intends to streamline cross-sectional functions and bring decision-making processes and competencies even closer to the operating business. In general, LIFT aims to establish flatter hierarchies and increase the scope of management responsibility. Processes will be streamlined and be made more decision-oriented. Linde will be investing in digital distribution channels to fully exploit the opportunities that digital customer relationships offer. It will forge ahead with process standardisation and automation, for example by making use of opportunities for electronic invoicing and payment. Savings potential not relating to personnel will also be exploited.

REPORT ON THE ECONOMIC POSITION OF THE GROUP

MACROECONOMIC ENVIRONMENT

GROSS DOMESTIC PRODUCT (GDP) IN REAL TERMS¹

13

	% Weighting ²	% Growth				
		2013	2014	2015	2016	2017
EMEA	32.3	1.1	2.0	2.0	1.7	2.5
Eurozone	17.2	-0.2	1.4	2.0	1.8	2.4
Germany	4.8	0.6	1.9	1.5	1.9	2.5
Asia/Pacific	24.6	5.9	5.9	5.6	5.7	5.7
China	12.7	7.8	7.3	6.9	6.7	6.9
Americas	30.8	2.0	2.2	1.9	0.9	2.1
USA	21.7	1.7	2.6	2.9	1.5	2.3
WORLD	100.0	2.6	2.9	2.8	2.4	3.0

¹ Source: Oxford Economics, in respect of countries in which Linde operates. The prior-year figures have been adjusted on the basis of the latest available data (as at 1 February 2018).

² Weighting is based on GDP 2017.

INDUSTRIAL PRODUCTION (IP)¹

14

	% Growth				
	2013	2014	2015	2016	2017
EMEA	-0.2	1.3	1.7	1.4	2.7
Eurozone	-0.7	0.8	2.1	1.5	2.7
Germany	0.1	1.5	0.5	1.2	3.5
Asia/Pacific	5.2	5.5	4.0	4.8	4.8
China	8.0	7.4	6.2	6.1	6.1
Americas	1.8	2.1	-1.4	-1.5	2.0
USA	2.0	3.1	-0.7	-1.2	1.8
WORLD	2.4	3.3	1.6	1.8	3.7

¹ Source: Oxford Economics, in respect of countries in which Linde operates. The prior-year figures have been adjusted on the basis of the latest available data (as at 1 February 2018).

Global economic trends

Linde operates in more than 100 countries worldwide and offers its customers a diverse portfolio of products and services. Macroeconomic trends and economic conditions in the various regions therefore have a significant influence on the Group's business situation. To put the business performance of Linde into perspective, a summary is given below of the economic trends in 2017.

Based on data from the British economic forecasting institute Oxford Economics, global economic growth was slightly higher in 2017 than in 2016. In a global economy characterised by macroeconomic and political uncertainty, initial estimates suggest that global real gross domestic product (GDP) rose by 3.0 percent (2016: 2.4 percent). Global industrial production (IP), an important indicator for Linde's business, showed considerable momentum again after two weaker years, with initial estimates pointing towards an increase of 3.7 percent (2016: 1.8 percent). This means that both the values for gross domestic product and the values for industrial production outstrip the expectations from the first quarter of 2017 (GDP: 2.6 percent; IP: 3.1 percent). The new momentum driving the global economy came from both sustained positive economic development in the emerging markets and a return to more dynamic development in the industrialised nations. Growth in the US was once again bolstered by strong consumption, with industrial production also increasing. This resulted in a recent slight improvement in the outlook for the global economy again – confidence levels among consumers and the corporate sector remained stable.¹

EMEA (Europe, Middle East and Africa)

The economy in the EMEA region as a whole saw a growth rate of 2.5 percent in 2017 (2016: 1.7 percent). Industrial production rose by 2.7 percent, up in a year-on-year comparison (1.4 percent). Similar to the previous year, there were variations in economic trends in the various sub-regions. In western Europe, economic growth improved slightly as against the previous year, coming in at 2.3 percent (2016: 1.8 percent). The major western European economies showed relatively robust developments. In Germany, GDP rose by 2.5 percent in 2017, significantly higher than the prior-year level of 1.9 percent. France and Italy reported similar growth impetus in a year-on-year comparison – albeit at a slightly lower level: France reported growth of 1.9 percent (2016: 1.1 percent), with the Italian economy growing by 1.6 percent (2016: 1.1 percent). Spain once again showed particularly strong growth of 3.1 percent (2016: 3.3 percent). The UK, on the other hand, reported growth of 1.8 percent (2016: 1.9 percent).

Eastern Europe continued on the path to recovery in 2017, too. The region as a whole grew by 3.8 percent (2016: 1.6 percent). Russia put the recession behind it

last year, reporting growth of 1.7 percent (2016: –0.2 percent). The countries in the region that reported the highest levels of GDP growth were Romania and Turkey (7.0 percent each), Slovenia (4.9 percent) and the Czech Republic (4.5 percent). Growth in the Middle East came to 0.1 percent in 2017, down considerably on the previous year (2.2 percent).

After a weak 2016, many African economies were able to continue with many positive developments. The region grew by 1.6 percent in 2017 (2016: 0.3 percent). This development was also driven by South Africa, which reported a return to slight growth momentum with growth of 1.0 percent in 2017 after a mediocre previous year (0.3 percent).

Asia/Pacific

The most favourable economic trends in 2017 were once again to be seen in the Asia/Pacific region. GDP growth in this region came in at 5.7 percent, on a par with the previous year (2016: 5.7 percent). Industrial production showed growth of 4.8 percent, which is also similar to the prior-year level (2016: 4.8 percent).

China's growth was slightly more dynamic than in the previous year at 6.9 percent (2016: 6.7 percent); growth is still in the Chinese government's target corridor. Chinese industrial production rose by 6.1 percent (2016: 6.1 percent). Both figures are ahead of the forecasts released at the beginning of the year, largely due to the continuation of expansive monetary and fiscal policy.

GDP in South-East Asia grew by 5.7 percent in 2017 (2016: 6.1 percent). At 4.6 percent, industrial production was also down slightly on the prior-year value (2016: 4.8 percent).

In Australia, the economic situation clouded over slightly in 2017 in a year-on-year comparison. While gross domestic product was slightly weaker than in the previous year at 2.2 percent (2016: 2.6 percent), industrial production growth increased to 1.7 percent (2016: 1.5 percent).

¹ The growth values set out below for individual regions correspond to the average values for the countries in which Linde operates, weighted by economic output ("Linde regions").

Americas

GDP growth in the Americas region reached 2.1 percent, up considerably on the prior-year rate (2016: 0.9 percent) – a direct consequence of the strong development in the US and the recovery in Brazil. US GDP increased by 2.3 percent in 2017 (2016: 1.5 percent). Industrial production grew by 1.8 percent, more than compensating for the negative growth of –1.2 percent witnessed in the weak previous year. Brazil managed to emerge from the recession with a macroeconomic growth rate of 1.1 percent (2016: –3.5 percent). This is also evident from the solid growth in industrial production of 2.6 percent (2016: –6.7 percent).

The macroeconomic data presented here for GDP and industrial production is based on the dataset from Oxford Economics as at 1 February 2018.

SECTOR-SPECIFIC BACKGROUND

Gases industry

In 2017, the global gases market showed similar growth to that of the previous year. Demand varied from region to region and from industrial sector to industrial sector. The competitive situation was characterised by consolidation and efficiency increases. North America, Europe and Asia remain the largest sales markets for industrial gases. The fastest rate of growth in 2017 was once again in Asia.

Profitability and production volumes in the global steel industry recently bounced back. This was due to increased demand, lower exports from China and closures of individual Chinese steelworks. According to information released by the World Steel Association, global steel production in 2017 was up by 5.3 percent year-on-year, with a capacity utilisation rate of 72.3 percent (2016: 69.3 percent). Developments in the chemical and energy sector (oil and gas) were still characterised by considerable challenges. Although oil and gas prices have stabilised again of late, there are no signs of any sustained recovery in investment activity. In the long term, however, investment activity is expected to bounce back due to the ongoing rise in the demand for fossil resources.

The overall conditions for refineries improved slightly again in 2017 compared with the previous year. Slightly higher commodities prices recently resulted in a modest increase in margins again. At the same time, however, market participants were reluctant to make new investments.

In 2017, the manufacturing industry once again showed slightly more dynamic growth across the board than in the previous year. Some areas and regions were still showing positive demand impetus generated by new technologies such as additive manufacturing processes. The construction industry reported ongoing growth across the globe last year. The demand for applications in the glass industry to reduce energy consumption and avoid emissions continued to rise in 2017. The electronics industry showed unchanged dynamic development in 2017, too. The demand for high-purity gases increased further on the back of improvements in production processes in semiconductor manufacturing. New fields of application relating to

digitalisation, SSD storage media and automotive electronics should, however, supply positive demand impetus in the future, too.

The environment for LEDs continues to improve. The market is benefiting from growing public awareness of lighting applications which are environmentally friendly and energy-efficient.

The performance of the food and beverage industry was once again relatively steady in 2017. This development is being driven by the ongoing trend towards healthier eating, higher consumption of meat protein and more processed foods. Other drivers include increasingly stringent food safety requirements calling for more efficient transportation and storage systems, as well as the trend towards greater vertical integration between manufacturers and the retail sector, which could increase the production capacities of individual plants in the long term. At the same time, the demand for convenience products remains on the rise.

The global healthcare market remained very stable again in 2017 thanks to constant patient numbers. The market is still, however, facing headwind as a result of the mounting cost and price pressure due to moves to step up cost saving and greater regulation, particularly in the US as a result of competitive bidding in public tenders. Long-term growth drivers remain the ongoing population growth and population ageing, the increase in chronic conditions such as asthma or chronic obstructive pulmonary disease (COPD) and the general trend towards greater prevention and more intensive patient care, also outside of a hospital environment.

Plant construction

The international large-scale engineering business was once again characterised by weak demand and intense competition in 2017. Investments and, as a result, the market volume remained at a similarly low level to the previous year. Political instability in the Middle East and North Africa, coupled with what are still low oil and natural gas prices, as well as ongoing weaker growth rates in up-and-coming markets such as India and China, are key factors behind the weak demand in the plant construction sector.

Air separation plants

The market for air separation plants grew slightly in a year-on-year comparison, but still fell considerably short of the level seen in earlier years. The increasing demand for air separation plants came primarily from China, where there was increased demand within the electronics industry and among refineries, as well as an increased number of CTO and MTO projects. Despite the ongoing intense competitive and price pressure, Linde was able to secure a significant share of the available global market for air separation, e.g. in China, South-East Asia, Europe and the CIS countries.

Olefin plants

The market for olefin plants also remained marked by a general reluctance to invest in 2017. Due to the combination of oil prices which showed only a moderate increase but remain very low in relative terms and considerable new capacities for olefins already under construction, investors across the globe postponed or reassessed some of their projects. This did not, however, affect ongoing projects at Linde in 2017. One success story in 2017 was the awarding of an order for a large polypropylene plant in the US to Linde.

Natural gas plants

Due to the low prices for oil, natural gas and LNG, capital expenditure in the oil and gas industry remained at a low level in 2017. Nevertheless, Linde once again managed to secure a significant share of strategic investments in Russia with an order for a natural gas liquefaction plant.

Hydrogen and synthesis gas plants

2017 once again saw no significant increase in the demand for basic chemicals. As a result, the chemical industry remains very restrained in its willingness to invest across the globe. An overall lower level of demand is increasing the relatively intense competitive pressure. In this difficult environment, Linde was able to secure several contracts for CO cold boxes and desulphurisation plants for coal gasification projects in China.

BUSINESS REVIEW OF THE LINDE GROUP

RESULTS OF OPERATIONS OF THE LINDE GROUP (CONTINUING OPERATIONS)

15

	2016	2017	Change	
	in EUR m	in EUR m	in EUR m	in percent
Revenue	16,948	17,113	165	1.0
Cost of sales	10,847	11,274	427	3.9
GROSS PROFIT	6,101	5,839	-262	-4.3
Research and development costs, marketing, selling and administration expenses	4,228	4,116	-112	-2.6
Other operating income and expenses	189	202	13	6.9
Share of profit or loss from associates and joint ventures (at equity)	13	19	6	46.2
EBIT	2,075	1,944	-131	-6.3
Financial result	-324	-265	59	18.2
Income tax expense	424	143	-281	-66.3
PROFIT FOR THE YEAR	1,327	1,536	209	15.7
attributable to Linde AG shareholders	1,206	1,404	198	16.4
attributable to non-controlling interests	121	132	11	9.1
Restructuring and merger costs (special items)	126	373	247	196.0
Amortisation of intangible assets/depreciation of tangible assets	1,897	1,896	-1	-0.1
OPERATING PROFIT	4,098	4,213	115	2.8
OPERATING MARGIN in %	24.2	24.6	-	+40 bp
EARNINGS PER SHARE FROM CONTINUING OPERATIONS				
in EUR – UNDILUTED	6.50	7.56	1.06	16.3
EARNINGS PER SHARE FROM CONTINUING OPERATIONS				
in EUR – UNDILUTED (BEFORE SPECIAL ITEMS)	7.00	9.04	2.04	29.1
RETURN ON CAPITAL EMPLOYED (BEFORE SPECIAL ITEMS) in %	9.4	10.2	-	+80 bp

Revenue and operating profit

Despite negative exchange rate effects, Linde achieved a 1.0 percent increase in Group revenue from continuing operations in the 2017 financial year to EUR 17.113 bn (2016: EUR 16.948 bn). The strong performance was mainly driven by the continued positive development in the EMEA and Asia/Pacific segments, as well as the higher contribution to revenue made by the Engineering Division.

Group operating profit from continuing operations increased by 2.8 percent to EUR 4.213 bn (2016: EUR 4.098 bn).

After adjustments to reflect exchange rate effects resulting from the translation of the various local currencies into the reporting currency (euro), Group revenue was up by 2.1 percent year-on-year. Group operating profit increased by 4.1 percent after adjusting for exchange rate effects.

The Group operating margin came in at 24.6 percent, up by 40 basis points on the prior-year value (2016: 24.2 percent). This improvement was also driven by the measures taken as part of the Group-wide efficiency programmes (Focus and LIFT). As of 2019, the two programmes combined are to result in savings of around EUR 550 m a year. The expenses of EUR 280 m incurred in this regard during the reporting period were classified as special items (2016: EUR 116 m). Expenses of EUR 93 m in connection with the planned merger with Praxair have also been reported as special items (2016: EUR 10 m). This brings the total special items to EUR 373 m (2016: EUR 126 m). Note: The reconciliation of the key financial figures before special items is given in ► [NOTE \[38\] OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS](#).

Results of operations

The cost of sales increased at a faster rate than revenue. This is due not only to higher special items, but also to higher natural gas prices and energy costs than in the previous year. Exchange rate effects of around EUR 90 m, on the other hand, reduced costs. As a result, the gross margin in the 2017 financial year came to 34.1 percent (2016: 36.0 percent).

The other functional costs were down by EUR 112 m in a year-on-year comparison. Two contrary developments in particular have to be taken into account in this regard: First, the special items included in the other functional costs were much higher than in the previous year at EUR 292 m (2016: EUR 99 m). Second, the measures taken to boost efficiency resulted in savings in the 2017 financial year.

The balance of other operating income and expenses includes profit on disposal of non-current assets in the amount of EUR 134 m (2016: EUR 150 m).

The financial result improved primarily due to lower financing costs and the decrease in financial debt.

Income tax expense decreased mainly due to the impact of the tax reform in the US. The Tax Cuts and Jobs

Act provides, among other things, for a reduction in the federal corporate income tax rate from 35 percent to 21 percent effective as of 1 January 2018. With regard to its subsidiaries in the US, Linde has an excess of future tax liabilities over future tax receivables, the valuation of which was based on a federal corporate income tax rate of 35 percent. Due to the reduction in the tax rate a remeasurement of these deferred taxes was required. This resulted in a positive effect of EUR 250 m that reduced the income tax expense accordingly and brings the income tax rate to 8.5 percent. Without the effect of the remeasurement of the deferred taxes in the US, the effective tax rate amounted to 23.4 percent.

The information provided above relates exclusively to continuing operations. As the business of the logistics service provider Gist is to be sold in the current year, it has been reported as a discontinued operation. The profit for the year from discontinued operations came to EUR 30 m in 2017 (2016: EUR -52 m). The prior-year figure includes a loss resulting from valuation at fair value, less costs to sell, in the amount of EUR 75 m. Further information about these costs is given in ► [NOTE \[19\] OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS](#).

GASES DIVISION

GASES DIVISION

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	2016	2017	Change	
	in EUR m	in EUR m	in EUR m	in percent
Revenue	14,892	14,988	96	0.6
Operating profit	4,210	4,268	58	1.4
Operating margin in percent	28.3	28.5	-	+20 bp
Capital expenditure (excluding financial assets)	1,660	1,752	92	5.3
Number of employees (at the reporting date)	52,907	51,138	-1,769	-3.5

Currency-adjusted revenue growth in the Gases Division came to 1.8 percent in 2017. After additional adjustments to reflect the price of natural gas, i.e. on a comparable basis, revenue increased by 1.2 percent.

GASES DIVISION: REVENUE AND OPERATING PROFIT BY SEGMENT

17

in EUR m	2016			2017		
	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	5,736	1,807	31.5	5,876	1,874	31.9
Asia/Pacific	4,109	1,084	26.4	4,378	1,202	27.5
Americas	5,232	1,319	25.2	4,908	1,192	24.3
Consolidation	-185			-174		
GASES DIVISION	14,892	4,210	28.3	14,988	4,268	28.5

GASES DIVISION: REVENUE DEVELOPMENT ON A COMPARABLE BASIS BY SEGMENT

18

in EUR m	31.12.2016	31.12.2017	Exchange rate effect	Exchange rate-adjusted revenue development	Natural gas price effect	Comparable revenue development
				in percent		in percent
EMEA	5,736	5,876	-46	3.3	18	2.9
Asia/Pacific	4,109	4,378	-31	7.4	25	6.7
Americas	5,232	4,908	-99	-4.4	53	-5.4
GASES DIVISION	14,892	14,988	-172	1.8	96	1.2

EMEA (Europe, Middle East, Africa)

Revenue in the EMEA region came to EUR 5.876 bn in the 2017 financial year, up by 2.4 percent on the previous year (2016: EUR 5.736 bn). On a comparable basis, after adjusting for exchange rate effects and changes in the price of natural gas, Linde achieved revenue growth of 2.9 percent. The operating profit also increased, coming in at EUR 1.874 bn (2016: EUR 1.807 bn). The strong performance was also driven by the measures to boost efficiency. As in the previous year, the company recognised income arising from changes to pension schemes and profit on disposal of non-current assets totalling EUR 46 m in the 2017 financial year (2016: EUR 64 m). The operating margin rose to 31.9 percent (2016: 31.5 percent).

In the EMEA segment, all product areas showed positive development. In the on-site business, i.e. the supply of gases on site to major customers, Linde was able to report revenue growth in Germany, Northern Europe and in the Middle East & Eastern Europe, in particular due to the ramp-up of new plants. In the liquefied gases and cylinder gas product areas, revenue increased in virtually all regions.

In the 2017 financial year, Linde brought an ammonia plant on stream as part of a joint venture with JSC KuibyshevAzot. The plant will supply the chemicals company in Tolyatti (Russia) with a production capacity of 1,340 tonnes of ammonia a day in the long term. The plant was constructed by the Engineering Division with a total investment volume of around EUR 275 m. Linde and JSC KuibyshevAzot each hold 50 percent of the shares in the company set up for this purpose: "OOO Linde Azot Togliatti".

In addition, Linde brought an air separation plant in Eisenhüttenstadt (Germany) on stream in the 2017 financial year. The plant will supply oxygen and nitrogen to the steel company ArcelorMittal in Eisenhüttenstadt in the long term. It will also make liquefied products available for the regional market. The amount of the investment in the plant, which was built by the Engineering Division, was around EUR 85 m.

The most state-of-the-art filling plant of The Linde Group went on stream in the Dorsten/Marl industrial park (Germany). The fully automated plant fills cylinders and cylinder bundles with industrial gases and carbon dioxide mixtures. The filling plant in the Rhine-Ruhr region is playing a pioneering role within the Group: the innovative concept is to be used in other Linde locations in various countries.

Linde Gas Germany and Total-Raffinerie Mitteldeutschland, which has its registered office in Leuna, have extended their existing collaboration for another 15 years. The total order value comes to around EUR 1 bn. A corresponding agreement, which came into effect on

1 January 2018 was signed in the 2017 financial year. It will see both companies continue their two-decade long collaboration in the long term. Since the refinery in Leuna commenced operations in 1997, Linde has been supplying it with hydrogen, oxygen and nitrogen from its on-site facilities. With annual consumption of more than 560 million standard cubic metres of oxygen, more than 180 million standard cubic metres of hydrogen and 120 million standard cubic metres of nitrogen, Total's central German location ranks as Linde's largest single customer in Germany. The agreement also covers the operation of a gas separation plant at the refinery site, which recovers carbon dioxide (CO₂) from the refinery's flue gases for resale to Linde customers.

Linde also signed an agreement in the 2017 financial year on the establishment of a joint venture with the Turkish steel manufacturer, Erdemir Group, for the construction of an air separation plant in Iskenderun in southern Turkey. The new plant – the biggest air separation plant operated by a gas producer in Turkey – is to supply a steelworks belonging to the Erdemir subsidiary Isdemir with up to 1,700 tonnes of oxygen and nitrogen a day from early 2018 onwards.

Linde will be constructing another air separation plant for ArcelorMittal, the world's largest steel corporation, at its Temirtau site in Kazakhstan. The on-site plant will have a capacity of 840 tonnes of oxygen per day. The plant is scheduled to come on stream at the end of 2019. This is the second air separation plant Linde will have built and operated for ArcelorMittal in Kazakhstan. The total investment in the new plant is around EUR 70 m.

Linde reached an agreement with its joint venture partner ADNOC in the 2017 financial year to explore the expansion of nitrogen production for natural gas production in Ruwais (Abu Dhabi). As a first step under the agreement, Linde will carry out a Front-End Engineering Design (FEED) study.

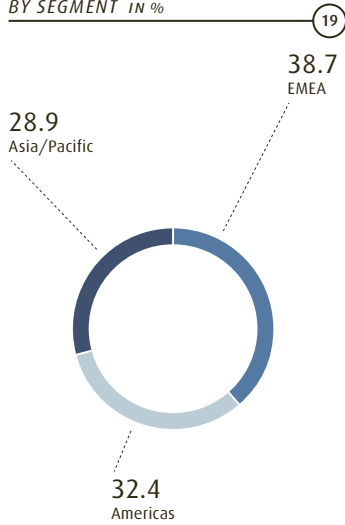
Asia/Pacific

Linde boosted both its revenue and earnings in the Asia/Pacific segment. Particularly due to the positive development of its business in China revenue was up by 6.5 percent year-on-year to EUR 4.378 bn (2016: EUR 4.109 bn). The comparable revenue growth came in at 6.7 percent.

Operating profit rose by 10.9 percent to EUR 1.202 bn (2016: EUR 1.084 bn). The disposal of assets in the 2017 financial year produced a positive one-off effect of EUR 75 m in this respect. The operating margin rose to 27.5 percent (2016: 26.4 percent).

All product areas in all regions of Asia showed positive development with the exception of the cylinder gas product area in the South Pacific region. Solid volume and revenue growth was once again achieved in the

ANALYSIS OF REVENUE
BY SEGMENT IN %



liquefied gases and on-site product areas, in particular. The commissioning of air separation plants in Rupganj (Bangladesh) and Fujian (China) in the fourth quarter of 2017 also contributed to this development. The plant in Rupganj is the biggest of its kind in Bangladesh and will produce 100 tonnes of liquefied gases per day to supply several customers from various different sectors of industry. The plant in Fujian will supply the electronic gases customer CPT with liquefied gases.

In the South Pacific region, the ongoing weak economic environment in the manufacturing industry and declining investment in the mining industry had an adverse impact on growth. This was offset by corresponding cost-cutting measures which were identified and implemented as part of the Focus initiative and subsequently the efficiency programme LIFT. The increase in LPG prices had a negative impact on the operating margin.

In the 2017 financial year, Linde signed an agreement on the establishment of another joint venture with SINOPEC Zhenhai Refining & Chemical Company (ZRCC). Investment by the joint venture will be around EUR 145 m. This strategic investment expands the Ningbo industrial cluster in China positioning Linde for future growth in the cluster. ZRCC and Linde will each hold 50 percent of the shares in the newly formed company, Ningbo Linde-ZRCC Gases Company Ltd. (Linde-ZRCC). Under the agreement, Linde-ZRCC will acquire two existing air separation plants from ZRCC and will construct a third. The new plant will be designed and built by the Engineering Division. These three additional air separation plants will double Linde's production capacity of air gases in the Ningbo cluster and will be connected to Linde's pipeline supply network across Ningbo. This is the sixth such joint venture with SINOPEC in China.

The electronic gases company in China, Linde LienHwa, is also significantly expanding its operations in China, investing in excess of EUR 110 m. In this context, Linde will build new production plants for the on-site supply of gases to select key customers in major manufacturing clusters for semiconductors and flat screens in the eastern and central provinces of China. The investment goes hand in hand with numerous long-term contracts to supply electronic gases, which have been concluded by Linde with new and existing customers. Linde LienHwa will work together with the Group's Engineering Division to build the new on-site plants. The new orders cover the construction of several plants with a cumulative production capacity in excess of 110,000 standard cubic metres of gaseous nitrogen per hour and other supply systems for liquefied gases. The plants are expected to come on stream in the second half of 2018.

In the 2017 financial year, Linde concluded an agreement with its long-standing customer Wanhua Chemical Group in China to build two more air separation plants

to meet the rising demand for industrial gases from Wanhua Chemical in Yantai in Shandong province. Linde will invest around EUR 100 m in this project. The plants are expected to come on stream in 2019.

In Malaysia, Linde will invest around EUR 30 m in the construction of an air separation plant. The plant will be connected to the existing pipeline network in the Hicom industrial complex and will also supply liquefied gases to customers located there.

Americas

In the Americas segment, revenue fell in the period under review by 6.2 percent to EUR 4.908 bn (2016: EUR 5.232 bn). On a comparable basis, revenue fell by 5.4 percent. Operating profit fell by 9.6 percent to EUR 1.192 bn year-on-year (2016: EUR 1.319 bn). The operating margin came to 24.3 percent (2016: 25.2 percent). This development is also due to higher natural gas prices.

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

The economic situation in the individual South American countries is characterised by high inflation and low growth. Although almost all product areas in South America showed positive development – in particular, there was growth in the business with liquefied gases in Brazil – the rates of growth are based on a relatively low prior-year level. The overall conditions in Venezuela continued to deteriorate in the 2017 financial year.

Product areas

On a comparable basis, revenue in the Healthcare business dropped by 8.5 percent in the 2017 financial year, mainly due to the impact of government price cuts, particularly in North America, to EUR 3.361 bn (2016: EUR 3.673 bn). After adjustments to reflect effects relating to the companies included in the consolidated financial statements, revenue in this product area was down by 5.7 percent year-on year.

In the on-site product area, revenue increased on a comparable basis by 5.1 percent to EUR 3.994 bn (2016: EUR 3.800 bn).

Trends in the liquefied gases business were positive. Revenue here increased by 5.7 percent to EUR 3.767 bn (2016: EUR 3.563 bn). Revenue relating to cylinder gases came to EUR 3.866 bn on a comparable basis, which was 2.3 percent higher than the figure for the previous year (2016: EUR 3.780 bn).

GASES DIVISION: REVENUE BY PRODUCT AREA

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<i>in EUR m</i>	<i>2016¹</i>	<i>2017</i>	<i>Change in percent</i>
Liquefied gases	3,563	3,767	5.7
Cylinder gases	3,780	3,866	2.3
On-site	3,800	3,994	5.1
Healthcare	3,673	3,361	-8.5
GASES DIVISION	14,816	14,988	1.2

¹ Adjusted for exchange rate effects and changes in the price of natural gas.

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 rose by 1.6 percent in the 2017 financial year to EUR 2.388 bn (2016: EUR 2.351 bn).

Operating profit also improved to EUR 220 m (2016: EUR 196 m). The operating margin came in at 9.2 percent, up considerably on the prior-year value (2016: 8.3 percent) and on the target Linde had set itself for the 2017 financial year of around 8 percent. This is due both to better results from individual engineering projects and to the improved capacity utilisation situation. As at the end of December 2017, the order backlog was still at a solid level of EUR 4.178 bn (2016: EUR 4.386 bn). Although the international large-scale engineering business was once again characterised by weak demand and intense competition, the Engineering Division managed to increase its order intake as against the prior-year period to EUR 2.390 bn (2016: EUR 2.257 bn). The order intake related primarily to natural gas plants (around 35 percent), air separation plants (around 26 percent) and olefin plants (around 23 percent).

ENGINEERING DIVISION

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<i>in EUR m</i>	2016	2017	Change	
	<i>in EUR m</i>	<i>in EUR m</i>	<i>in EUR m</i>	<i>in percent</i>
Revenue	2,351	2,388	37	1.6
Order intake	2,257	2,390	133	5.9
Order backlog	4,386	4,178	-208	-4.7
Operating profit	196	220	24	12.2
Operating margin	8.3%	9.2%		+90 bp
Capital expenditure (excluding financial assets)	30	30	-	0.0
Number of employees (at the reporting date)	6,432	6,144	-288	-4.5

ENGINEERING DIVISION: REVENUE AND ORDER INTAKE BY PLANT TYPE

22

<i>in EUR m</i>	Revenue		Order intake	
	2016	2017	2016	2017
Olefin plants	819	848	374	543
Natural gas plants	448	639	796	839
Air separation plants	419	494	651	619
Hydrogen and synthesis gas plants	485	236	284	210
Other	180	171	152	179
ENGINEERING DIVISION	2,351	2,388	2,257	2,390

Olefin plants

Although the market for olefin plants is still marked by a general reluctance to invest, Linde was able to establish a solid competitive position.

By way of example, the Engineering Division was engaged by its customer Braskem America to build a new plant for the production of polypropylene in La Porte, Texas (USA). Linde will be providing comprehensive project development services for industrial polyolefin plants, from front end engineering design (FEED) to execution, procurement and construction (EPC). The project will use the UNIPOL™ polypropylene process technology for which Linde is an approved contractor. The order intake for the plant, which will have an annual production capacity of 450 kilotonnes of polypropylene, was around EUR 295 m in the 2017 financial year. The construction work started in the summer of 2017, and the plant is expected to have been completed by the first quarter of 2020.

The Engineering Division has also been commissioned by the customer Inter Pipeline Ltd. to supply a front end engineering design for a plant to produce polypropylene in Alberta (Canada). The order intake in the 2017 financial year came to EUR 16 m. Further contract components such as procurement, construction and commissioning are expected to be awarded in 2018. The project was launched in 2017, with the plant expected to have been completed by the end of 2021. Finally, the Engineering Division has been awarded a major contract by PJSC Nischnekamskneftekhim (NKNK) to supply an olefin plant in Nischnekamsk, Republic of Tatarstan, Russian Federation. A memorandum on strategic cooperation between Linde and the TAIF Group was also signed. PJSC Nischnekamskneftekhim is one of the largest petrochemical companies in Europe and belongs to the TAIF Group. As part of this major contract, Linde is responsible for licensing, design, material procurement and technical engineering consulting for the plant. In the first expansion stage, NKNK's new olefin complex will have the capacity to produce 600,000 tonnes of ethylene and over 600,000 tonnes of other chemical products per year. The order intake in the 2017 financial year only includes the initial engineering activities, which is why it amounts to around EUR 1 m. The new olefin plant is expected to come on stream in 2022.

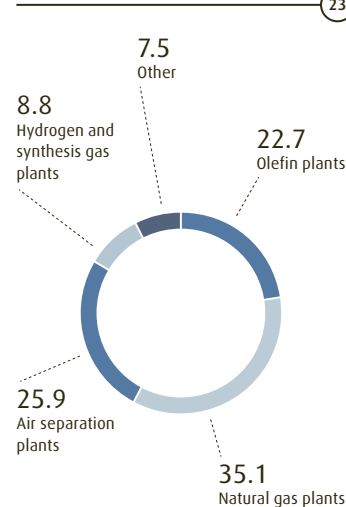
Natural gas plants

Due to the low prices for oil, natural gas and LNG, global investment in the oil and gas industry remained at a low level, with the exception of Russia. Linde Engineering once again managed to secure a large share of strategic investments in Russia.

By way of example, Linde's large-scale plant technology for the liquefaction of natural gas (multi fluid cascade, MFC) was selected by Novatek, the second-largest natural gas producer in Russia, for the construction of the "Arctic LNG II" LNG complex on the Gydan Peninsula, Western Siberia (Russia). A licence agreement has been signed with Novatek for this and future expansion stages. In addition, Linde Engineering will be working with Technip FMC (France) and Nipigaz Pererabotka (Russia) as a joint venture company ("Nova Engineering") to develop the Front End Engineering Design (FEED) for the Arctic LNG II LNG complex. The first phase of the Arctic LNG II project includes a total of three modular LNG trains with a production capacity of 6.5 million tonnes of LNG a year. In the 2017 financial year, Nova Engineering issued sub-contracts to Linde Engineering in the amount of around EUR 16 m for parts of the Front End Engineering Design.

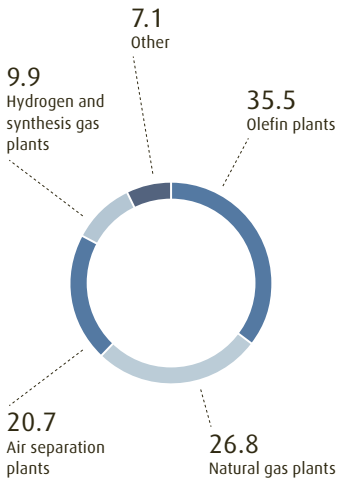
In addition, Gazprom and its general contractor SRDI Peton Oil & Gas selected the Engineering Division as the licensor of a mid-scale natural gas liquefaction (LNG) plant in Portovaya on the Russian Baltic Sea coast back in the fourth quarter of 2016. The plant is to liquefy natural gas from the nearby compressor station, which belongs to the Nord Stream pipeline. As part of its contract with Peton, Linde is responsible for the basic engineering of the LNG plant and is also responsible for providing the equipment and all cryogenic components. In the 2017 financial year, the Engineering Division won new orders worth around EUR 290 m for the second engineering phase, for the supply of an LNG tank, the supply of vacuum-insulated pipeline material and the procurement of additional plant components. In addition, Linde was selected as the licensor of the natural gas processing technology for the Amur GPP project in eastern Russia back in 2015. The plant will be erected in five phases in the period leading up to 2024. For the third phase of the project, which started in 2017, an amount of around EUR 356 m was recognised in the order intake. Once it is completed, Amur GPP will be one of the world's largest gas processing projects, with a processing capacity of up to 49 billion cubic metres of natural gas per year.

ORDER INTAKE
BY PLANT TYPE IN %



REVENUE
BY PLANT TYPE IN %

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Air separation plants

The market for air separation plants grew slightly in a year-on-year comparison, but still fell considerably short of the level seen in earlier years. Despite the ongoing intense competitive and cost pressure, Linde was able to secure a significant share of the available global market for air separation.

The Engineering Division has been commissioned to build an air separation plant for its customer Hengli Petrochemical Refinery Co., Ltd. in China. This comprises a package unit with six trains. The plant will also produce argon. Linde is responsible for the engineering and procurement. In total, the contract is worth around EUR 140 m. Construction will take place in two phases, with the first phase due to be completed in the fourth quarter of 2019 and the second phase in the first quarter of 2020.

The customer Sauerstoffwerke Friedrichshafen GmbH commissioned the Engineering Division to build an air separation plant in Bielefeld (Germany). The plant will produce very high-purity liquefied oxygen and liquefied nitrogen. Linde is responsible for the engineering, procurement, assembly and installation supervision. The order is worth around EUR 42 m in total. The plant is expected to come on stream in the fourth quarter of 2019. In addition, the customer Shanghai Baosteel Gases Co. Ltd. has commissioned the Engineering Division to construct an air separation plant in the northern Chinese province of Shandong. The plant will produce gaseous nitrogen, as well as crude krypton and xenon gas. Linde is responsible for the engineering and procurement. The order is worth around EUR 31 m in total. The plant is scheduled for completion in mid-2019. The Engineering Division has been commissioned by the Gases Division to construct another air separation plant in China's Shandong province, namely in Yantai City. This plant consists of two trains and is designed to supply the end customer Wanhua Chemical Group Co. Ltd. The Engineering Division is responsible for the engineering and procurement. Construction will take place in two phases, with the first train due to be completed in the second quarter of 2019 and the second train in the third quarter of 2019.

Hydrogen and synthesis gas plants

The market for hydrogen and synthesis gas plants remained characterised by subdued demand and intense competitive pressure in 2017. This was due to a largely saturated market for petrochemicals and an excess supply of basic chemicals. Nevertheless, Linde was able to secure several contracts for CO cold boxes and desulphurisation plants for coal gasification projects in China in this difficult market environment.

The Engineering Division was engaged by SNC Lavalin International Inc. to supply key components for the construction of an ammonia plant. The order is worth around EUR 41 m and involves, among other things, the supply and construction of an air separation and adsorption plant. Completion is expected in the second quarter of 2020. SNC Lavalin is the general contractor of the ammonia plant in Salalah, Oman, which is being built for the end customer Salalah Methanol Company, and will have a capacity of 1,000 tonnes of ammonia per day. The ammonia plant is based on the Linde Ammonia Concept (LAC), which was developed by Linde Engineering back in 2014 as part of the Front End Engineering Design.

The Gases Division also issued an order for the construction of a CO₂ liquefaction plant in Keyes, south of Modesto, California (USA). The construction will involve replacing an existing plant with another one in the same position. The plant will have a capacity of around 360 tonnes of liquefied carbon dioxide per day. Linde is responsible for the engineering, procurement and construction of the plant. The order is worth around EUR 22 m. The plant is scheduled for completion in the fourth quarter of 2018.

NET ASSETS AND FINANCIAL POSITION OF THE LINDE GROUP

GROUP STATEMENT OF FINANCIAL POSITION (SUMMARY)

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<i>in EUR m</i>	31.12.2016	31.12.2017	Absolute change	Change in percent
Goodwill	11,405	10,681	-724	-6.3
Other intangible assets	2,440	2,047	-393	-16.1
Tangible assets	12,756	11,756	-1,000	-7.8
Other non-current assets	1,362	1,188	-174	-12.8
Other current assets	5,763	6,409	646	11.2
Cash and cash equivalents	1,463	1,432	-31	-2.1
TOTAL ASSETS	35,189	33,513	-1,676	-4.8
Equity	15,480	15,059	-421	-2.7
Provisions for pension plans	1,564	1,280	-284	-18.2
Financial liabilities	8,528	8,019	-509	-6.0
Other liabilities	7,951	7,568	-383	-4.8
Other provisions	1,666	1,587	-79	-4.7
TOTAL EQUITY AND LIABILITIES	35,189	33,513	-1,676	-4.8

Net assets

Goodwill fell by EUR 724 m, primarily due to exchange rate effects. Acquisitions made during the financial year increased this item in the statement of financial position by EUR 37 m.

The drop in other intangible assets, which comprise customer relationships, brands and other intangible assets, was largely attributable to exchange rate effects in the amount of EUR 142 m and to amortisation totalling EUR 264 m. This development was countered by additions (including additions from acquisitions) amounting to EUR 18 m.

As far as tangible assets are concerned, additions from capital expenditure totalling EUR 1.666 bn were offset by depreciation of EUR 1.614 bn. Negative exchange rate effects resulted in a drop of EUR 822 m. In addition, tangible assets with a net carrying amount of EUR 266 m were reclassified to assets held for sale.

Within current assets, trade receivables were the biggest item at EUR 2.668 bn (31 December 2016: EUR 2.755 bn). The increase in receivables was more than compensated for by negative exchange rate effects

in the amount of EUR 199 m. The non-current assets held for sale increased by EUR 331 m in a year-on-year comparison to EUR 941 m (31 December 2016: EUR 610 m). This largely includes the business of the logistics service provider Gist and the gases business in Pakistan, as well as parts of a production site in EMEA. Securities also increased, mainly due to acquisitions, by EUR 492 m to EUR 623 m (31 December 2016: EUR 131 m).

At EUR 15.059 bn, equity was down on the prior-year level. The profit for the year of EUR 1.566 bn and positive effects from the remeasurement of pension schemes in the amount of EUR 246 m resulted in an increase in equity. Exchange rate effects of EUR 1.782 bn and the payment of the dividend to the shareholders of Linde AG for 2016, in the amount of EUR 687 m, had a negative impact. The equity ratio has increased slightly and came to 44.9 percent at 31 December 2017 (31 December 2016: 44.0 percent).

Provisions for pensions and similar obligations fell to EUR 1.280 bn as at 31 December 2017. This drop is mainly due to the change in the actuarial assumptions. 83.2 percent of the pension obligations (defined benefit obligation (DBO)) of The Linde Group (31 December 2016:

80.3 percent) are covered by assets. The increase in the coverage ratio is mainly attributable to the drop in the pension obligation, which is largely the result of plan settlements.

For off-balance sheet commitments, see ► [NOTE \[36\]](#) of the Notes to the Group financial statements.

Financial position

Group Treasury controls centrally the global financial management of all the Group companies. This comprises capital structure management, the financing of Group companies, cash and liquidity management, the management of financial risks (counterparty default, interest rate, currency, country and liquidity risks) and the management of pension assets.

Financing principles and objectives

The aim of external financing and liquidity management is to ensure that the Group has adequate liquidity at all times.

For Linde, external financial headroom is maintained primarily by the capital markets and a major international banking group. Within the Group, the principle of internal financing applies, i.e. the financing requirements of subsidiaries are covered wherever possible, and by intra-Group loans wherever it makes financial sense. Group companies are financed either by the cash surpluses of other business units in cash pools, or by Group loans from Linde Finance B.V. and/or Linde AG, taking into consideration any risks specific to that particular country.

Group Treasury also negotiates credit facilities with local banks to take account of legal, fiscal or other requirements. Especially in countries with currency restrictions, local financing is used to finance small amounts or for projects that involve specific local circumstances.

Linde maintained an adequate liquidity position again in 2017. In addition to cash and cash equivalents of EUR 1.432 bn, Linde also holds securities totalling EUR 623 m. These securities are mainly German government bonds with maturities of less than one year.

Euro Commercial Paper Programme

The Linde Group uses a Euro Commercial Paper Programme for short-term financing. Under the programme, the issuers are Linde AG and Linde Finance B.V. with a guarantee from Linde AG. The volume of the programme is EUR 2 bn. At 31 December 2017, there were no euro commercial papers outstanding under this programme.

Syndicated credit facility

Linde also has a EUR 2.5 bn syndicated revolving credit line at its disposal, which is available until 2020. In total, 33 major German and international banks used by Linde are involved in the syndicated facility. The facility is unutilised at the end of the 2017 financial year and also serves as back-up for Linde's Euro Commercial Paper Programme. This means that the Group has a high level of flexibility in its financing.

Capital market activities

In January 2017, Linde Finance B.V. made an issue with a total volume of EUR 1 bn under the EUR 10 bn Debt Issuance Programme with a term of five years and a fixed coupon of 0.25 percent. The proceeds from the issue were used for the redemption of a bond in the amount of EUR 1 bn that had fallen due.

Under the EUR 10 bn Debt Issuance Programme, issues totalling EUR 7.108 bn in various currencies were outstanding at 31 December 2017 (2016: EUR 7.488 bn) (nominal value converted at the exchange rates on the reporting date). ► [SEE ALSO NOTE \[23\] OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS.](#)

Rating

The Group's declared objective remains a strong "investment grade" rating. The agencies confirmed their ratings for Linde in 2017.

RATING 2017

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Rating agencies	Long-term rating	Outlook	Short-term rating
Moody's	A2	Stable	P-1
Standard & Poor's	A+	Stable	A-1
Scope	A+	Stable	S-1+

Capital structure

The capital structure of the Group is determined in such a way as to optimise cost and risk. Financial debt fell during the reporting period by EUR 509 m to EUR 8.019 bn (31 December 2016: EUR 8.528 bn). In the 2017 financial year, a bond in the amount of EUR 1 bn and a 2 bn NOK bond were repaid. Exchange rate effects also contributed to the drop in financial debt. The issue of a bond in the amount of EUR 1 bn had the opposite effect.

The Linde Group continues to be financed on a long-term basis. Non-current liabilities came to EUR 6.089 bn on 31 December 2017 (31 December 2016: EUR 6.674 bn). Current financial liabilities came to EUR 1.930 bn on 31 December 2017 (31 December 2016: EUR 1.854 bn).

Net financial debt comprises financial debt less short-term securities and cash and cash equivalents. At 31 December 2017, net financial debt came to EUR 5.964 bn (31 December 2016: EUR 6.934 bn). The decrease of EUR 970 m was due to a variety of sometimes contrary effects. The payment of the dividend to the shareholders of Linde AG in the amount of EUR 687 m resulted in an increase in net financial debt. By contrast, net financial debt was reduced by the operating free cash flow, which was up by EUR 516 m, and by exchange rate and valuation effects.

The dynamic indebtedness factor (net financial debt to operating profit over the past twelve months) was 1.4 at 31 December 2017. This is once again down on the figure as at the end of the previous financial year (31 December 2016: 1.7) and remains well below the upper limit Linde had set itself of 2.5.

The Group's gearing (the ratio of net debt to equity) was 39.6 percent as at 31 December 2017 (31 December 2016: 44.8 percent).

The available liquidity results from the short-term securities of EUR 623 m, the cash and cash equivalents of EUR 1.432 bn and the syndicated credit facility of EUR 2.5 bn, less the current financial liabilities. This means that the available liquidity amounted to EUR 2.625 bn as at 31 December 2017 (31 December 2016: EUR 2.240 bn).

GROUP STATEMENT OF CASH FLOWS

The cash flow from operating activities from continuing operations rose by 2.3 percent in the 2017 financial year, largely due to the solid operating profit. At EUR 216 m,

the change in working capital also made a positive contribution to the cash flow from operating activities. This is due to higher advance payments received from customers in the engineering business and good working capital management in the Gases Division. The other changes include non-cash valuation effects, as well as cash outflows in connection with restructuring and the planned merger with Praxair.

The cash inflows from the disposal of assets also include proceeds on the disposal of consolidated companies. In addition to the cash inflows from the sale of the subsidiary Shenzhen South China Industrial Gases Co. Ltd. and of the Australian subsidiary Flexihire Pty., these also include the cash inflow from the sale of the gases business in Slovenia, Bosnia and Croatia.

GROUP STATEMENT OF CASH FLOWS (SUMMARY, CONTINUING OPERATIONS)

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<i>in EUR m</i>	2016	2017	Absolute change	Change in percent
OPERATING PROFIT	4,098	4,213	115	2.8
Change in working capital	279	216	-63	-22.6
Income taxes paid	-446	-453	-7	-1.6
Other changes	-531	-498	33	6.2
CASH FLOW FROM OPERATING ACTIVITIES – CONTINUING OPERATIONS	3,400	3,478	78	2.3
Cash outflows for investments in tangible assets, intangible assets and financial assets (excluding securities)	-1,836	-1,727	109	5.9
Payments for investments in consolidated companies	-250	-40	210	84.0
Cash inflows from the disposal of assets	323	442	119	36.8
OPERATING FREE CASH FLOW – CONTINUING OPERATIONS	1,637	2,153	516	31.5
Payments for/proceeds from investments in securities	291	-493	-784	
Net cash inflows/outflows from the proceeds/repayment of loans and capital market debt	-763	-516	247	32.4
Cash inflows/outflows due to changes of non-controlling interests	-	25	25	
Dividend payments to Linde AG shareholders and non-controlling interests	-765	-813	-48	-6.3
Net interest payments for debt and interest rate derivatives	-347	-300	47	13.5
Other changes	-21	-17	4	19.0
CHANGE IN CASH AND CASH EQUIVALENTS – CONTINUING OPERATIONS	32	39	7	21.9

REPORT ON THE ECONOMIC
POSITION OF THE GROUPCAPITAL EXPENDITURE
OF THE LINDE GROUPCAPITAL
EXPENDITURE OF
THE LINDE GROUP

CAPITAL EXPENDITURE OF THE LINDE GROUP

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	2016		2017		Change	
	in EUR m	in percent	in EUR m	in percent	in EUR m	in percent
EMEA	753	37.6	698	39.5	-55	-7.3
Asia/Pacific	375	18.7	465	26.3	90	24.0
Americas	532	26.5	589	33.4	57	10.7
GASES DIVISION	1,660	82.8	1,752	99.2	92	5.5
ENGINEERING DIVISION	30	1.5	30	1.7	-	0.0
Reconciliation	22	1.1	-95	-5.4	-117	-
GROUP (EXCLUDING FINANCIAL ASSETS)	1,712	85.4	1,687	95.5	-25	-1.5
Financial assets	292	14.6	79	4.5	-213	-
GROUP	2,004	100.0	1,766	100.0	-238	-11.9

The capital expenditure decision-making and allocation process is centralised in The Linde Group. Every item of capital expenditure which exceeds specific size criteria must be approved by the member of the Executive Board responsible for that area, by a central investment committee or by the full Executive Board. Capital expenditure decisions are carefully reviewed, as they are a critical success factor for a project-based, investment-focused company such as Linde.

On this basis, Linde continued to apply its growth-based capital expenditure strategy in 2017. The Group has again invested specifically in those areas in which opportunities exist for above-average growth and which contribute towards increasing the profitability and competitiveness of the Group. During the reporting period, Linde's investment activity focused not only on the on-site product area, but also particularly on the liquefied gases and cylinder gas product areas.

The investment ratio in the Gases Division in 2017 was 11.7 percent of revenue (2016: 11.1 percent). This put it within the range set out in the prior-year forecast of between 11 percent and 12 percent.

Investments in consolidated companies during the 2017 financial year totalled EUR 55 m (2016: EUR 254 m).

The remaining investment in financial assets of EUR 24 m (2016: EUR 38 m) related mainly to capital increases in joint ventures or non-current loans to associates and joint ventures.

EXECUTIVE BOARD SUMMARY OF THE 2017 FINANCIAL YEAR FOR THE LINDE GROUP

The 2017 financial year was a successful year for Linde. The company reached all of its objectives in full. Group revenue came to EUR 17.113 bn, up by 1.0 percent on the figure for the previous year of EUR 16.948 bn. After adjusting for exchange rate effects, the growth in Group revenue came to 2.1 percent, which falls within the forecast range of between -3 and +3 percent.

Group operating profit came to EUR 4.213 bn (2016: EUR 4.098 bn). After adjustments to reflect exchange rate effects, it increased by 4.1 percent, which also falls within the targeted range of between +/- 0 and +7 percent.

The Group operating margin came to 24.6 percent in 2017, up on the prior year (2016: 24.2 percent).

The return on capital employed (ROCE) after adjusting for special items was 10.2 percent in 2017 (2016: 9.4 percent), slightly ahead of the target of 9 to 10 percent.

Special items arose again in the 2017 financial year. These include restructuring costs of EUR 280 m (2016: EUR 116 m) and expenses in connection with the intended merger with Praxair in the amount of EUR 93 m (2016: EUR 10 m). The measures already initiated, however, had a positive impact on the results of operations. The other functional costs were reduced by EUR 112 m despite higher special items. The profit for the year was up by EUR 209 m on the previous year to EUR 1.536 bn (2016: EUR 1.327 bn). This increase was attributable to the decrease in income tax expense due to the impact of the tax reform in the US. The "Tax Cuts and Jobs Act" provides, among other things, for a reduction in the federal corporate income tax rate from 35 percent to 21 percent, effective as of 1 January 2018. Due to the reduction in the tax rate a remeasurement of deferred taxes was required. This resulted in a positive effect that reduced the income tax expense accordingly.

Against this backdrop, earnings per share rose to EUR 7.56 (2016: EUR 6.50), a 16.3 percent increase. Earnings per share prior to special items stood at EUR 9.04 (2016: EUR 7.00).

In the Gases Division, Linde generated revenue of EUR 14.988 bn in the 2017 financial year (2016: EUR 14.892 bn). After adjustments to reflect exchange rate effects, revenue growth came to 1.8 percent, which falls within the range of between -2 percent and +3 percent that Linde had been aiming for in the 2017 financial year.

As far as operating profit in the Gases Division is concerned, Linde achieved 1.4 percent growth in a year-on-year comparison to EUR 4.268 bn (2016: EUR 4.210 bn). Excluding exchange rate effects, the operating profit in the Gases Division was up by 2.7 percent on the value for 2016. Once again, Linde was able to achieve growth within the range of between +/- 0 percent and +6 percent that it had originally planned.

The operating margins in the segments in the Gases Division were negatively influenced by rising natural gas prices in 2017. Nevertheless, margins showed positive development in EMEA and Asia/Pacific: EMEA 31.9 percent (2016: 31.5 percent), Asia/Pacific 27.5 percent (2016: 26.4 percent). The increase in EMEA and Asia/Pacific was mainly the result of the measures to boost efficiency, which had a positive impact on the margin this year as well. Profits from the disposal of non-current assets also contributed to the increase in the margin. In Asia/Pacific, the business in China also showed positive development in the 2017 financial year. The margin in the Americas segment fell to 24.3 percent (2016: 25.2 percent). It is down slightly, as expected, due to price cuts in the Healthcare business.

In the Engineering Division, Linde generated revenue of EUR 2.388 bn in the 2017 financial year (2016: EUR 2.351 bn). This means that Linde reached the range it was originally aiming for, namely between EUR 2.0 bn and EUR 2.4 bn.

The operating margin of the Engineering Division exceeded expectations at 9.2 percent (2016: 8.3 percent): Linde had sought to achieve a figure of around 8 percent for the 2017 financial year.

At the Annual General Meeting on 3 May 2018, the Executive Board and Supervisory Board will propose the payment of a dividend of EUR 7.00 per share. The proposed dividend comprises, in economic terms, a distribution for the 2017 financial year of EUR 3.90 per Linde share and, in addition, a pro-rata distribution for three quarters of the dividend expected for the 2018 financial year of EUR 3.10 per Linde share. It reflects the provisions of the Business Combination Agreement signed by Linde and Praxair on the planned combination of the two companies which serve to balance the different timing of the dividend payments of the two companies with respect to the 2018 financial year.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF LINDE AG

General information

Linde AG, which comprises the Linde Gas and Linde Engineering Divisions and the Corporate Centre, is the holding company and management company of The Linde Group.

The statutory financial statements of Linde AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The main differences between these financial statements and the Group financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS) are in respect of revenue recognition and the measurement of financial instruments. The core financial performance indicator (and also the sole financial performance indicator) of Linde AG is the profit for the year. The dividend payable to Linde AG shareholders is generally distributed out of the profit for the year. At the Annual General Meeting on 3 May 2018, the Executive Board and Supervisory Board will propose the payment of a dividend of EUR 7.00 per share. The proposed dividend comprises, in economic terms, a distribution for the 2017 financial year of EUR 3.90 per Linde share and, in addition, a pro-rata distribution for three quarters of the dividend expected for the 2018 financial year of EUR 3.10 per Linde share. The total dividend payment therefore amounts to EUR 1,299,466,497.00 (2016: EUR 686,860,862.70).

Net assets of Linde AG

The total assets of Linde AG increased in 2017 by EUR 373 m, from EUR 20.608 bn to EUR 20.981 bn.

Non-current assets increased by EUR 49 m to EUR 18.142 bn. The share of non-current assets in relation to total assets came to 86.5 percent (2016: 87.8 percent). Financial assets make up a significant share of the

non-current assets. This is due to Linde AG's function as the parent company of The Linde Group. In the reporting period, financial assets increased by EUR 34 m. Receivables and other assets fell from EUR 2.110 bn to EUR 1.810 bn. The main contributory factor here was the drop in financial receivables from affiliated companies and in other assets. Linde AG also enters into Credit Support Annexes (CSAs) with banks. Under these agreements, the positive and negative fair values of derivatives held by Linde AG are collateralised with cash on a regular basis. The corresponding amounts due from banks are disclosed under this heading.

Linde AG holds 100 percent of the shares in a special fund. This fund is disclosed in securities held as current assets. In the course of 2017, the holding of securities increased by EUR 499 m. Liquid assets increased by EUR 117 m to EUR 285 m.

Equity (before the appropriation of profit) decreased by EUR 475 m to EUR 9.669 bn. Two contrary effects in particular have to be taken into account in this regard: The profit for the year of EUR 212 m resulted in an increase in equity, while the payout of the dividend for 2016 in the amount of EUR 687 m reduced equity. The equity ratio fell from 49.2 percent to 46.1 percent as a result.

Total provisions came to EUR 1.018 bn, up slightly on the prior year. The liabilities of Linde AG increased in 2017, largely due to the increase in financial liabilities to Linde Finance B.V., namely by EUR 839 m to EUR 10.290 bn.

STATEMENT OF FINANCIAL POSITION OF LINDE AG (SUMMARY)

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	31.12.2016	31.12.2017	Change	
	in EUR m	in EUR m	in EUR m	in percent
Assets				
Financial assets	17,553	17,587	34	0.2
Other non-current assets	540	555	15	2.8
Receivables and other assets	2,110	1,810	-300	-14.2
Securities	107	606	499	466.4
Liquid assets	168	285	117	69.6
Other assets	130	138	8	6.2
TOTAL ASSETS	20,608	20,981	373	1.8
Equity and liabilities				
Equity	10,144	9,669	-475	-4.7
Provisions for pensions	188	226	38	20.2
Miscellaneous provisions	819	792	-27	-3.3
Liabilities	9,451	10,290	839	8.9
Other liabilities	6	4	-2	-
TOTAL EQUITY AND LIABILITIES	20,608	20,981	373	1.8

Financial position of Linde AG

The net financial debt of Linde AG (securities held as non-current assets, securities held as current assets, financial liabilities, financial receivables, liquid assets) increased in 2017 by EUR 251 m, from EUR 5.785 bn to EUR 6.036 bn. This is mainly due to the increase in financial liabilities to affiliated companies of EUR 732 m. The EUR 499 m increase in securities held as current assets had the opposite effect. In addition, the financial receivables from externals fell by EUR 261 m as a result of Credit Support Annexes (CSAs) to EUR 31 m (2016: EUR 292 m).

Results of operations of Linde AG

Revenue of Linde AG in the 2017 financial year was EUR 2.958 bn, slightly higher than the figure for 2016 of EUR 2.917 bn. EBIT fell from EUR 118 m to EUR -21 m.

In the Linde Gas Division, revenue rose by 3.9 percent to EUR 1.507 bn (2016: EUR 1.449 bn). In the Linde Engineering Division, Linde AG reported a year-on-year drop in revenue to EUR 1.518 m in the 2017 financial year (2016: EUR 1.543 m). All in all, Linde AG recognised revenue from contracts mainly in the following countries in the 2017 financial year: India, Russia, China, the US, Finland and Saudi Arabia.

Linde AG generated 36.7 percent (2016: 35.1 percent) of its sales revenue from customers in Germany. Exports accounted for 63.3 percent (2016: 64.9 percent) of revenue, with 41.5 percent (2016: 45.8 percent) relating to Europe, 43.9 percent (2016: 37.6 percent) to the Asia/Pacific region and 13.8 percent (2016: 14.0 percent) to the Americas region. Sales to Africa accounted for 0.8 percent

of Linde AG's revenue in 2017 (2016: 2.6 percent). Most of the export business relates to the Linde Engineering Division. As the international plant construction business is project business and revenue is only received once the project is completed, there are always fluctuations in the regional figures year by year.

The order intake of the Linde Engineering Division increased by 8.4 percent in a year-on-year comparison to EUR 1.651 bn (2016: EUR 1.523 bn). The order backlog reached EUR 6.963 bn at the end of the year under review, up by 2.0 percent on the prior-year value (EUR 6.828 bn). The average duration of a contract is around three years. The gross margin rose from 27.3 percent to 28.4 percent. The main reason behind the margin increase is the year-on-year increase in the proportion of revenue relating to the Linde Gas Division, which generally has higher gross margins than the engineering business.

The increase in functional costs to EUR 843 m (2016: EUR 767 m) is mainly due to restructuring measures. While other income was roughly on a par with the prior-year level, other expenses increased, due primarily to the expenses associated with the planned merger with Praxair. An amount of EUR 88 m was recognised within this context in the reporting year.

Investment income fell in 2017 to EUR 404 m (2016: EUR 871 m). Included in the figure are dividends of EUR 272 m (2016: EUR 689 m) and income from profit-sharing agreements of EUR 132 m (2016: EUR 182 m). Linde AG has direct or indirect profit-sharing agreements with most of its German subsidiaries. For the dividend payments which derive from subsidiaries mainly outside Germany, distributions are voted on in the individual companies.

REPORT ON THE ECONOMIC
POSITION OF THE GROUP
NET ASSETS, FINANCIAL POSITION
AND RESULTS OF OPERATIONS
OF LINDE AG

RESULTS OF OPERATIONS OF LINDE AG (SUMMARY)

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	31.12.2016	31.12.2017	Change	
	in EUR m	in EUR m	in EUR m	in percent
Revenue	2,917	2,958	41	1.4
Cost of sales	2,120	2,117	-3	-0.1
GROSS PROFIT	797	841	44	5.5
Functional costs	767	843	76	9.9
Other income	199	195	-4	-2.0
Other expenses	111	214	103	92.8
EBIT	118	-21	-139	0.0
Investment income	871	404	-467	-53.6
Other financial result	-40	-162	-122	305.0
PROFIT BEFORE TAXES ON INCOME	949	221	-728	-76.7
Income tax expense	10	9	-1	-10.0
PROFIT FOR THE YEAR	939	212	-727	-77.4
Transfer to revenue reserves	-252	-	252	-100.0
Withdrawal from revenue reserves	-	1,087	1,087	0.0
UNAPPROPRIATED PROFIT	687	1,299	612	89.1

The main changes under the heading "Other financial result" relate to the increase in interest expenses from pension obligations in the amount of EUR 82 m (2016: EUR 29 m), which was due to the drop in the discount rate for pension obligations, as well as to gains on the measurement of the plan assets relating to pension obligations of EUR 10 m (2016: gains of EUR 67 m). In addition, the amortisation of financial assets and securities held as current assets increased by EUR 13 m, from EUR 30 m in 2016 to EUR 43 m in 2017.

Profit before tax came to EUR 221 m, which was lower than the prior-year figure of EUR 949 m.

After taking tax into account, Linde AG generated a profit for the year of EUR 212 m in 2017 (2016: EUR 939 m). This was down by 77.4 percent on the prior year, owed to significantly lower investment income. Unappropriated profit increased by EUR 612 m to EUR 1.299 bn, mainly because of the withdrawals from revenue reserves. The original forecast had been profit for the year and unappropriated profits in a range of EUR 700 m to EUR 800 m.

RESEARCH AND DEVELOPMENT

The Linde Group

During the 2017 financial year, Linde spent a total of EUR 112 m on research and development (2016: EUR 121 m). As at 31 December 2017, there were 350 employees in total working in this field (2016: 345), 241 of whom were working in the Gases Division and 109 in the Engineering Division. To protect its innovations from the competition, Linde filed 232 new patents across the Group over the course of the past financial year. On 31 December 2017, 3,766 patents protected various Linde technologies. Many of them feature sustainability aspects, with more than 500 patents relating to chemicals & the environment, clean energy and hydrogen technology. More than half of research and development projects in 2017 were pursued due to a direct or indirect environmental advantage.

In the Gases Division, Linde invested EUR 73 m in research and development in 2017 (2016: EUR 76 m), focusing its activities on the following customer segments: metallurgy & glass, food, manufacturing industry, chemical industry & environmental technologies, as well as oil & gas.

In the 2017 financial year, the Engineering Division spent a total of EUR 39 m on research and development activities (2016: EUR 45 m). This money was primarily allocated to the development of new and existing technologies in the product lines of natural gas plants, air separation plants, olefin plants, and hydrogen and synthesis gas plants. Linde is always looking for ways to make further improvements in the energy efficiency and environmental credentials of its plants.

By drawing on the findings of its research, the Group is continuously tapping into new ways of using its gases and is making constant improvements to its existing processes, plant technologies and applications. Development is almost always set in the context of commissions and therefore involves close liaison with customers, taking into account their requirements. In order to identify new technological and business trends, Linde also enters into targeted cooperation initiatives, allowing it to rely on a network of more than 90 partners in more than 20 countries. By way of example, cooperation opportunities arise with academic institutions, start-ups, small and medium-sized companies and major corporations.

The Technology & Innovation Corporate & Support Function has been able to exploit the innovation strategy implemented in recent years and step up its activities considerably. In addition, processes have been optimised to make the area more effective. Numerous projects have been developed in close collaboration with the specialist areas within the Gases and Engineering Divisions. What is more, Linde now has the "Global Innovation Challenge", a company-wide platform designed to drive the development of innovative ideas and create opportunities for international and cross-functional collaboration. All activities focus on five key areas: advanced materials, efficiency, environment & resources and quality of life, as well as on the fifth and integrative topic of digitalisation.

Digitalisation

Linde stepped up its digitalisation-related activities in the reporting year. A process developed in-house that is designed to accelerate developments considerably (Accelerator Process) played a key role in this regard. This process, which is now established, is used in the Digital Base Camp as the basis for all projects in which small teams work on prototypes for new products and services based on tight deadlines. Only those projects that prove effective over a three-month period are pursued and added to the business portfolio.

The digital data that Linde has collected in various business sectors over the years form the basis for a large number of activities. The information collected by 500,000 sensors in air separation plants across the globe, for example, is being fed into a new, forward-looking maintenance system. In the future, this system is designed to send out warnings regarding imminent malfunctions so that modules can be replaced before they break down. In addition, the digital developments are designed to make customers' business activities easier. The Linde PLANTSERV™ portal, for example, offers plant operators a convenient digital marketplace for the procurement of spare parts, among other things. Further examples of the various digital projects include training sessions for the operators of large-scale plants using virtual reality technology and an algorithm that predicts when a gas customer will require a new delivery.

Advanced materials

As far as advanced materials are concerned, Linde is continuing to focus on the impact that industrial gases have on material characteristics and production processes. In addition to electronics applications, the company looks at the entire additive manufacturing (AM) value chain and has developed various applications in the ADVANCE product family: a storage system for AM powders that keeps powder degradation at a minimum and a system for the subsequent treatment and cleaning of AM-produced parts in order to guarantee optimum surface quality.

Efficiency

Ongoing efficiency gains, even in established procedures, play a key role in allowing us to generate value for customers in the long term in a market environment characterised by increasingly intense competition. One example of this is the international x-ray laser European XFEL, which was successfully inaugurated in Hamburg in September 2017. Linde Kryotechnik AG revamped the existing helium refrigeration plant, transforming it into a higher-performance system that makes helium available at a temperature of $-271\text{ }^{\circ}\text{C}$ to cool the linear accelerator. The revamp allows for a much more efficient cooling process that reduces energy consumption by 50 percent.

Another example is the CRYOLINE CWI freezer, which combines two patented Linde technologies: CRYOWAVE, a controllable vibration system for IQF (individually quick frozen) products, and impingement technology, which uses cryogenic gases to accelerate the freezing of food products.

Environment & resources

Due to their impact on climate change, CO₂ emissions remain a global focal point. Linde Engineering is working with BASF to develop a procedure to improve the use of CO₂. The German Federal Ministry for Economic Affairs and Energy (BMWi) is funding the project, in which newly developed catalysts and processes are being used to produce CO-rich synthesis gas in an energy-efficient manner using natural gas and CO₂ (dry reforming technology). Synthesis gas consists of H₂ and CO and is used as a feedstock for the manufacture of various chemicals. The Linde Pilot Reformer in Munich, the only pilot plant of its kind in the world, is supplying this project with key results.

The company is focusing part of its research and development activities on achieving sustainable improvements in the interplay between environmental compatibility, energy efficiency and cost-effectiveness. Linde is a member of a cooperation initiative comprising 17 companies and institutions from industry and academia, which have come together under the umbrella of the climate protection research project "Carbon2Chem". The project is looking into ways of using smelting gases from steelworks to produce chemical raw materials.

Linde is equally committed to the integration of renewable energy. By way of example, it is involved in the "SynErgie" Copernicus project subsidised by the German federal government, which is designed to make industrial facilities requiring large quantities of electricity, such as air separation plants, more flexible. SynErgie aims to fulfil all of the technical and market-related prerequisites for synchronising the energy requirements of German industry with the volatile energy supply resulting from the rising proportion of renewable energies to the greatest extent possible. Together with the leading universities TU Munich and

RWTH Aachen, Linde is further developing its core cryogenic air separation technology in order to equip it to meet the technical and operational demands of the energy revolution.

Linde is also making a key contribution to the use of hydrogen in rail vehicles. It has signed a contract with partners that will see the company develop the world's first H₂ filling station for fuel cell trains. Fourteen zero-emissions trains are to be used for passenger transportation between Cuxhaven, Bremerhaven, Bremervörde and Buxtehude as of 2021, replacing conventional diesel locomotives. In the future, Linde wants to use hydrogen produced using regenerative energy by way of electrolysis and wind power for this purpose.

Quality of life

Linde Healthcare continued to launch the new Hospital IQ (Cobalt) data platform in several countries. The digital platform exploits the advantages offered by the new generation of medical oxygen cylinders (LIV® IQ). The LIV® IQ cylinders are centrally monitored and the platform offers customers complete transparency regarding the cylinders used. The Hospital IQ platform is being continually expanded to include additional functions and helps our customers to significantly improve the safety and efficiency of mobile oxygen use in a hospital.

RESEARCH AND DEVELOPMENT

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	Expenditure (in EUR m)		Number of employees	
	2016	2017	2016	2017
Gases Division	76	73	228	241
Engineering Division	45	39	117	109
GROUP	121	112	345	350

Linde AG

In the 2017 financial year, Linde AG spent a total of EUR 115 m (2016: EUR 117 m) on research and development (R&D). Where subsidiaries conduct research and development, they charge their costs to Linde AG on a cost-plus basis. This mark-up is eliminated at Group level. Licence fees paid to subsidiaries are also eliminated at Group level.

R & D expenditure in the Linde Gas Division in 2017 was EUR 89 m (2016: EUR 94 m). In the Linde Engineering division, Linde AG invested EUR 26 m (2016: EUR 23 m) in the development of new and existing technologies for all the main types of plant.

As at 31 December 2017, Linde AG employed a total of 208 staff in research and development (2016: 209 employees). 122 of these employees (2016: 115) were in the Linde Gas Division and 86 employees (2016: 94 employees) were in the Linde Engineering Division.

SUSTAINABILITY MANAGEMENT

Strategy

Linde combines long-term business success with ecological and social responsibility, making sustainability a vital component of Linde's corporate strategy. As a result, the company analyses the impact of its business activities on people and the environment on an ongoing basis and incorporates sustainability aspects into its core business. Linde's products and technologies make a contribution to sustainable development.

Linde's sustainable development activities are based on firm principles:

- **Materiality:** Linde focuses on the issues that are of key importance for its business success, and for people and the environment.
- **Core business:** Linde incorporates sustainability aspects into the company's key business processes. The company evaluates the impact of its business activities, be it positive or negative, along the entire value chain.
- **Continuous improvement:** Linde constantly analyses how sustainability could allow business opportunities to be exploited and risks to be minimised. The company sets itself quantitative and qualitative targets and uses indicators to measure its progress.
- **Transparency:** Linde reports on its sustainability activities on a regular basis and engages in dialogue on this subject with its stakeholders. Insights gained as a result of this dialogue are incorporated into the company's sustainability management.

Linde publishes key reportable non-financial indicators and qualitative information on sustainability in a combined non-financial report. ► [PAGE 208](#). In its Corporate Responsibility Report, the company also publishes detailed indicators and supplementary qualitative information based on global standards for sustainability reporting (GRI G4) and the requirements of Linde's main stakeholders.

Sustainability along the value chain

Raw materials

Linde reduces both costs and its environmental impact by making efficient use of resources. The most important raw material used in the production of gases is air. More than 80 percent of the weight of gases sold in 2017 was derived from this natural resource. Carbon dioxide is another major raw material used by Linde. The company generates around 80 percent of its carbon dioxide from recycling processes and around 10 percent of this amount from purely organic processes. In addition to air, Linde's other principal input for product manufacturing is energy. Gas cylinders are the main packaging material used for Linde's products. A typical gas cylinder has a lifespan of many years and is refilled on average four times a year. Linde technologies also underpin the use of renewable energy and renewable raw materials.

Production and transportation

Linde has established management systems for safety and environmental protection based on standards and guidelines that apply worldwide. The focus is on safety for employees, neighbours, business partners and other third parties. The efficient use of energy, resources and materials, as well as efforts to reduce environmental impacts, are another focus area.

Supply chain

When selecting suppliers, Linde considers not only commercial criteria such as quality, price and availability, but also aspects such as safety and the environment. The company has defined binding minimum requirements for its collaboration with suppliers and uses random checks to verify compliance with these standards. Linde also involves its suppliers in its own safety and environmental management processes.

Customers

Linde's products and services support its customers' efforts to make their business processes more efficient and more environmentally friendly. In particular, Linde's gases and technologies help energy consumption and emissions to be reduced to a large extent. A particularly large proportion of these savings is attributable to the use of oxygen in a special combustion process in oxyfuel plants, as well as to the use of hydrogen for fuel desulphurisation in the oil industry. Linde products are also deployed in the mobility sector to reduce environmental pollution. Linde technology is also used in water treatment and to reduce emissions to air.

Social commitment

Linde is involved in a variety of projects around the world. Its main focus is on education and research. The Group also supports selected initiatives in areas such as safety, environmental protection, health and social affairs, as well as individual cultural projects. In 2017, the company made around EUR 6.7 m available for some 200 projects and initiatives worldwide, with around EUR 2.1 m being donated. As a result of its social commitment during the year under review, Linde was able to reach around 960,000 children, school pupils and students.

OPPORTUNITY AND RISK REPORT

Opportunity management

As a group with a global footprint, Linde operates in a dynamic environment in which new market opportunities are constantly emerging. To achieve sustainable profitable growth, it is crucial for the Group to recognise such opportunities when they arise and exploit them effectively, while at the same time properly evaluating risks. In the course of strategic discussions between the Executive Board and those responsible for the operating units, which take place on a regular basis, opportunities and potential investments are identified, evaluated, managed and controlled. The development of the strategy of The Linde Group is based to a large extent on the results of these meetings. In turn, this strategy and the corporate goals derived therefrom are also the starting point for Linde's risk management process. ► [SEE RISK REPORT, PAGES 75 TO 89.](#)

Fundamentally, Linde is seeking to achieve a good balance between opportunities and risks. Its overriding objective is to increase the value of the Group for all stakeholders by tapping into new market opportunities.

To the extent that it is probable that such opportunities will arise, their expected impact has already been recognised in the Group's strategy and goals and in its outlook for 2018, as explained in this report. The following section therefore focuses on potential future developments which might lead to a positive variance from the Group's short-term outlook.

Opportunity areas

Opportunities arising from a better development of the global economy

Linde operates in more than 100 countries worldwide and supplies almost all industry sectors. Particularly in the faster-growing economies, Linde holds significant market shares in the relevant market areas. Global economic growth and worldwide industrial production have a decisive influence on growth in the Group's revenue and earnings. Economists are forecasting a 3.2 percent increase in global real gross domestic product in 2018. Global industrial production is also expected to

increase, namely by 3.8 percent. ► [SEE OUTLOOK, PAGES 90 TO 93.](#) If the economy as a whole were to grow at a faster rate than that originally forecast, this could have a positive impact on revenue and earnings trends in The Linde Group and the earnings trend in Linde AG.

Opportunities arising from the growing importance of natural gas as a fuel

Modern society still depends on energy supplies which are affordable, reliable and environmentally friendly. Achieving a balanced energy economy also necessitates the use of new technologies to ensure that finite resources are utilised in the most environmentally friendly way possible. Linde has the technical skills required to benefit from the market opportunities in this area.

The company is well equipped to meet the rising demand for natural gas. Linde masters technologies covering the entire value added chain, from the liquefaction and transport of natural gas to its safe delivery to the end user. Linde also boasts extensive expertise in the efficient exploitation of oil and natural gas reserves (Enhanced Oil and Gas Recovery: EOR and EGR) through the use of industrial gases such as nitrogen.

Opportunities arising from increased climate protection efforts

The global demand for energy is continuing to rise, and this is also posing a threat to the climate and the environment. Ongoing measures to expand renewable energies and develop applications and solutions to recycle waste gases, for example, or to reduce harmful greenhouse gas emissions are a key step towards achieving balanced environmental outcomes.

Linde is continually developing new procedures and techniques that make a considerable contribution to climate protection. In the context of climate change, the greenhouse gas carbon dioxide (CO₂) has a particular role to play. Linde offers various CO₂ reduction and recycling solutions. By way of example, it is developing plants for the purification of waste gases and capture of CO₂ in power stations. Linde is also involved in a research initiative that has developed a competitive system for converting waste gases from furnaces into hydrogen and synthesis gas.

Hydrogen may assume a key function in the supply of energy in future, not only as a fuel but also as storage for electricity generated from renewable energy sources and for the production of low-sulphur marine fuels. Linde is a pioneer in the ongoing development of hydrogen technology and is supporting the breakthrough of this ecofriendly fuel in a wide variety of fields.

Opportunities arising from regulatory changes in the healthcare sector

The global growth area healthcare is driven by demographic trends and improvements in diagnostics and therapies, especially for chronic respiratory disorders. In addition, increasing numbers of people in the emerging economies are gaining access to healthcare. What is more, rising pressure on healthcare budgets is providing private companies with the opportunity to create new tailor-made offerings. As a result of the targeted acquisitions and investments it has made in the past few years, Linde is now a globally leading gases healthcare company specialising along an integrated respiratory care path.

The healthcare market is largely state-regulated and is governed by specific authorisation and licensing rules. If the relevant reimbursement policy enables more people to be offered access to wide-ranging medical services, also in the emerging economies, this could have a positive impact on revenue and earnings trends in The Linde Group and the earnings trend in Linde AG. Infrastructure investment, progress in medical diagnostic procedures and increasing wealth in the emerging economies might also have a positive impact on revenue and earnings trends.

M & A opportunities

The planned merger of equals with the US company Praxair could prove highly advantageous to both companies. The merged company could have a strong presence in all key regions and end markets with a varied and more balanced global portfolio, and could be able to better exploit long-term growth trends. In addition, the merger could allow significant synergy effects to be exploited.

Opportunities arising from organisational and process-related improvements

Constant improvements in Linde's business processes and strict cost management help to ensure that the Group's profitability and competitiveness continue to be strengthened. Linde has established an ongoing system designed to achieve sustainable efficiency gains and has enshrined the concept in the company ethos. The ongoing LIFT programme was also continued in order to implement additional organisational adjustments. LIFT is linked to measurable targets. Linde believes that the greatest potential for further optimisation lies in strengthening regional responsibility so that the company can react to market and customer requirements in a much more agile manner in the future.

Opportunities resulting from innovation, research and development

A key element in Linde's long-term business success is its ability to bring innovations to the market which offer sustainable value added. Therefore, the Group is constantly working on improving the quality of its research and development activities, exploiting the opportunities offered by increasing digitalisation and increasing the extent of its cooperation with customers and partners. If even greater progress is made in this area than is currently anticipated, this could mean that more new or improved products and services will be launched onto the market or will become available sooner than expected. This might lead to an increase in the revenue and earnings of The Linde Group and a more positive earnings trend in Linde AG.

Additional information about future R&D opportunities can be found in ► [RESEARCH AND DEVELOPMENT, PAGES 70 TO 72.](#)

Financial opportunities

Movements in interest rates have an impact on Linde's financial result and pension obligations. The Group monitors events in the international financial markets on an ongoing basis in order to identify and respond swiftly to any opportunities arising.

Exchange rates also have an impact on Group revenue and Group operating profit. Currency differences arise as a result of the translation of various local currencies into the euro (the reporting currency). The greater the volatility of the euro in relation to other currencies, the more significant the impact of currency translation on Linde's revenue and earnings.

If movements in interest rates and exchange rates prove more favourable to the Group than is currently being forecast, this could have a more positive impact on the financial result and/or the reported revenue and the operating profit of The Linde Group and the earnings of Linde AG than is currently being projected.

Opportunities in purchasing

Purchase prices also have an impact on the profitability of the Group. This applies particularly to material groups which are dependent on raw materials such as steel, aluminium and brass as well as on energy costs. Linde pursues a portfolio purchasing strategy across the entire Group. Within the framework of its measures to achieve sustainable efficiency gains, the Group has taken organisational measures and has introduced improved processes in order to continue to improve its purchasing performance and to make controls in this area even more transparent.

Risk management and internal control system

Risk policy

Linde, a technology company with global operations, is exposed to a great variety of risks in the course of its international business. A willingness to take entrepreneurial risks enables the Group to exploit opportunities as they arise. Therefore, Linde deliberately accepts risks, as long as they are reasonable and can be managed and controlled, if they are expected to provide opportunities to create a sustainable increase in shareholder value.

In this context, the purpose of risk management is to make it more certain that growth and earnings targets as well as strategic objectives are met. Linde uses an ERM (Enterprise Risk Management) system, the general principles of which are laid down in Group guidelines and which is reviewed internally and externally in terms of effectiveness and efficiency at regular intervals.

Enterprise Risk Management (ERM) system

The ERM system is based on the Three Lines of Defence Model (TLoD), proposed in the recommendation issued by the FERMA (Federation of European Risk Management Associations) and the ECIA (European Confederation of Institutes of Internal Auditing) on the implementation of Article 41 of the 8th EU Directive, which seeks to provide a structured account of the interaction between the various actors in compliance management, risk management, internal control and internal audit. The model is based on three lines of defence: "operating business units", "central organisational units" and "independent audit units".

Risk management

The risk management system focuses on the identification and handling of risks. It seeks to address not only those risks that might affect the viability of the Group as a going concern, as required by the German Law on Control and Transparency in Business (KonTraG), but also all significant risks for the Group. The international standard ISO 31000/2009, which sets out best practice for risk management, forms the framework around which Linde's risk management system is built.

Internal control system (ICS)

The aim of the internal control system is to prevent risks arising in the course of operations by adopting appropriate controls, especially with regard to conformity with the law, compliance with strategy, the quality of accounting and reporting, the quality of processes and the protection of assets. Linde does not limit itself to risks that might have a direct impact on the net assets, financial position or results of operations of the Group, but also includes risks which might have an indirect impact on key financial figures, such as risks to the Group's reputation. The internal control system comprises all the controls which are embedded in the Group's business operations. The structure of the internal control system is based around the globally recognised framework published in 2013 by COSO (the Committee of Sponsoring Organisations of the Treadway Commission) and entitled "Internal Control – Integrated Framework".

Compliance management

The Linde Group's Compliance Management System (CMS) encompasses the six elements of a modern CMS including a binding risk analysis process (compliance risk assessment [CRA]), covering the issues of general compliance, antitrust law and corruption. The CRA is closely linked to the compliance monitoring process, which involves monitoring adherence to processes and controls in the risk areas, and, where certain risk values are reached, is coordinated with The Linde Group's risk management system. One key component of the CMS relates to the face-to-face and e-learning training sessions on the compliance guidelines (guidelines on antitrust law compliance, anti-corruption compliance and business partner compliance).

The "Integrity Line" also allows both internal and external stakeholders to report any doubts or suspicions they may have, which are then investigated internally. Appropriate sanctions are imposed in cases where reports prove to be justified.

Internal Audit and external auditors

KPMG AG Wirtschaftsprüfungsgesellschaft, an independent external auditing firm, assesses the effectiveness of the early recognition system for risks and submits regular reports about the outcome of their reviews to the Group Executive Board and Supervisory Board. Alongside the external auditors, the Internal Audit department is also involved in the testing of subsystems of the operating units which are relevant to accounting and reporting, and in the effectiveness and efficiency of the ERM system.



Risk management system

Structure and reporting

Linde distinguishes between risks which relate to the entire Group (Group risks and corporate risks) and risks arising from the activities of the operating segments whose impact and risk management is limited to certain operating segments (business risks).

The central risk management department is responsible for devising a standardised Group-wide risk management process and for risk reporting. Those with local responsibility for risk in the operating units are responsible for the implementation of the centrally devised risk management process. Business risks are managed by those responsible for the operating segments in the divisions. Group risks and corporate risks are identified by members of the Executive Board and/or heads of the Corporate & Support Functions and the Centre of Excellence, and are managed by the personnel to whom the responsibility for those risks has been allocated.

As part of the reporting process, the Executive Board is presented with a risk report prepared by the central risk management department every quarter, which is then discussed at an Executive Board meeting. The Executive Board presents a report on the risk situation of the Group at the quarterly meetings of the Audit Committee.

The risk report submitted to the Executive Board comprises a description of the significant Group, corporate and business risks, as well as the corresponding risk assessments and setting of priorities. Moreover, any risks which arise unexpectedly or which have repercussions for the whole Group are communicated directly to the appropriate Group personnel, irrespective of the normal reporting channels.

The units included in the risk reporting process differs from those included in the consolidation for accounting purposes in accordance with the IFRS to the extent that risk reporting applies to all operating units which are either fully consolidated or included in the Group financial statements on a line-by-line basis, and for which the annual revenue exceeds a certain figure determined internally. In addition, other operating units which do not meet the aforementioned criteria may be included in the risk reporting process on the basis of specific risk assessments. Uniform standards apply throughout the Group to the reporting of the status of any significant risks and any changes in those risks. Local units make their risk reports using Group-wide web-based reporting tools.

Risk management process

At the very heart of all risk management is a cyclical risk management process, involving a series of steps from the identification of a risk, to the analysis, evaluation and treatment of the risk.

Risk workshops involving the management teams of the operating units are an important tool for Linde when identifying and evaluating risks and determining the measures to be taken to treat those risks. When identifying risks, a great variety of areas which might entail risk, both within and outside the Group, are taken into consideration. The areas covered by the risk assessments include not only internal processes and resources as well as the economic, financial, legal and regulatory environment, but also social and ecological aspects. The executives in the various units categorise each risk they have identified and evaluate it in terms of criteria determined centrally, including the potential impact of the risk on the Group and the estimated probability of its occurrence.

When analysing the impact of the risk, Linde considers not only the impact on the results of operations, but also the impact on non-monetary aspects such as safety, reputation and strategy.

When evaluating the potential impact of risks and the expected probability of their occurrence, the operating units use a standard scale devised by the central risk management department. This scale has four different risk ratings ranging from low risk to very high risk. Each risk is awarded a risk rating on this standard scale based on its potential impact and a risk rating based on the expected probability of its occurrence.

For each risk, the next step for those in charge is to plan the measures which can be taken to manage the risk, so that the risk may be reduced to an acceptable level. The management of the risk comprises a selection or a combination of measures to avoid risk, transfer risk, reduce risk and control risk. For each risk, responsibility for the risk is assumed by an individual appointed by management. This person then assesses the risk on a regular basis and monitors any measures taken to manage the risk.

The operating units record the information gathered by the risk management process in risk registers. These registers are updated at least every quarter.

One particular tool designed to transfer risk is insurance. Linde has taken out appropriate insurance against potential losses and liability risks to ensure that the potential financial consequences of any risks which have arisen are eliminated or limited. The Group constantly ensures that its insurance is at the optimum level, based on the specific requirements of the business units.

Accounting-related internal control system

As part of the harmonisation of business processes over the last few years, "global controls" have been defined that have to be implemented by all operating units as a mandatory requirement. These global controls are assessed to check that they have been put in place and are effective, and are centrally reported once a year as part of a self-assessment completed by the individual units. This process is supported by a workflow-based system. If deviations are identified, the individuals responsible for the controls locally have to take measures to restore their effectiveness. This process is monitored by the central ICS department.

The Group accounting-related controls, in particular, help to ensure the proper preparation and reliability of the accounting records. Within this context, the company makes a distinction between automated controls, such as reconciliation routines relating to the figures and systems access controls based on the authorisation concept, and manual controls, such as variance and trend analyses based on defined key figures and comparisons with budget figures, as well as plausibility checks. The reliability of the accounting procedures is also underpinned by monthly discussions with the operating units about the principal key figures.

This process is supported by accounting and reporting guidelines which apply across the Group and set out the minimum requirements for the local units and ensure compliance with legal regulations and the articles of association.

Accounting transactions are recorded by the local subsidiaries of The Linde Group. In connection with the outsourcing of parts of accounting to what are known as shared service centres, the pre-existing controls were also transferred and additional controls put in place to ensure the proper preparation of the accounting records.

This information, recorded either locally or at the shared service centres, is combined with supplementary information into a Group reporting package and submitted by the local units using a standardised Group-wide reporting system.

The reporting and consolidation system is a fully integrated system which not only collects data for the preparation of the quarterly financial statements and Group financial statements on a systematic basis, but also provides data for the monthly management accounts, budget data and data which is relevant to Financial Control and other central departments. All the consolidation procedures are carried out centrally. In particular cases, such as the measurement of pension obligations, external experts are used.

The internal control system procedures, which are geared towards the proper preparation and reliability of the Group accounting records, ensure that business transactions are recorded on a timely basis in accordance with legal regulations and the articles of

association and that the records of these transactions are complete. They also ensure that inventories are properly drawn up, and that assets and liabilities are appropriately recognised, measured and disclosed. The separation of administration, implementation, execution and authorisation functions reduces the chance of fraud.

The accounting-related internal control system ensures that the accounting and reporting process complies with International Financial Reporting Standards (IFRS) as adopted in the European Union, the German Commercial Code (HGB) and other relevant regulations and laws.

Continuous improvement

Linde's risk management system is forward-looking. It is continuously being improved in order to enhance its effectiveness.

The accounting-related internal controls, in particular, are reviewed and optimised on a regular basis to ensure an efficient, functional accounting process.

Risks in connection with the planned merger with Praxair

Due to the topicality of the matter, this section starts by listing the main risks in connection with the planned merger among equals with the company Praxair before going on to explain the standardised risk areas.

The planned merger is subject to certain antitrust and other regulatory approvals that have to be obtained by 24 October 2018. The merger is to be completed in the second half of 2018. There is a risk that the required approvals will not be granted on time, or that disposals of parts of the company that are required in order to obtain antitrust approval will become so extensive that the advantages of the merger will be significantly reduced, or that it will not be possible to realise company disposals based on the expected selling conditions. There is also a risk that the conditions for antitrust approval will not be met by the applicable deadline, i.e. within twelve months of the acceptance of the exchange offer, meaning that the planned merger cannot be completed. A project organisation has been set up to manage these risks. In addition, corresponding threshold values have been defined as of which neither party is obliged to meet further-reaching requirements, and which trigger a review of the advantages associated with the merger together with Praxair. There is also the risk that Linde could be faced with legal, regulatory or contractual effects. In order to combat the risk of antitrust proceedings, corresponding training programmes have been conducted and processes introduced to monitor adherence to antitrust law requirements.

Following the completion of the merger, there is a risk that contracts that are relevant to Linde will not be continued by the contractual partner due to change of control clauses. In order to combat this risk early on, Linde has launched processes to identify the relevant contracts and reach agreements with the contractual partners even before the planned merger is completed in order to ensure that the services associated with the contract can be continued.

Another major risk relates to the possibility of a negative impact on the staff structure prior to the planned merger/during the integration phase following the completion of the merger, meaning that the potential predicted prior to the merger cannot be realised in full. Cultural integration after a successful merger also remains a major challenge. In order to mitigate this risk, measures have been taken early on to prepare, even before the merger is completed, for the development and implementation of a common corporate culture following the merger.

Risk areas

Risks which Linde considers significant and which might have a relevant adverse impact on The Linde Group and on its net assets, financial position and results of operations, were they to occur, are described below.

These comprise, firstly, individual Group and corporate risks or business risks, which, irrespective of the probability of their occurrence, have been allocated the highest of the four ratings in the rating scale in terms of their potential impact. Secondly, they comprise clusters of individual business risks with the same cause which are not significant to The Linde Group in terms of their individual rating for the potential impact of the risk, but might have a significant adverse impact if viewed as a risk cluster and aggregated.

To provide a better overview, the risks are summarised below by risk area. Each risk area highlights the main direct cause of the risk. A description is given not only of the potential impact of the risk but also of the principal strategies currently being employed to manage the risk (from a net perspective). Unless otherwise stated, the risks relate to all segments, although the extent to which they do so may vary.

The order in which the following risk areas are shown is based on the Group's current estimate of the relative overall importance of the risk area compared with the other risk areas, starting with the risk area with the greatest relative importance. This does not apply to the description of the risks within a risk area. The estimate of the relative importance of a risk area is based on a comprehensive assessment of the total number of all the individual risks included in the risk area and the ratings of those risks for their potential impact. The ratings for the risk impact of the risks described above relating directly to the planned merger have been allocated to the "Strategic risks" risk area.

Economic risks

Under economic risks, Linde includes risks arising from uncertainty in the global economy as well as customer and sales risks which relate to specific customer or product segments or sales markets.

Risks associated with the global economy

As a company with global operations, Linde is dependent on cyclical trends in the global economy. A number of risk factors are currently responsible for the uncertainty regarding the future development of the global economy. Although the uncertainty surrounding the global economy due to the high level of sovereign debt in key economies in Europe and the US has faded somewhat into the background due to extensive intervention on the part of the central banks, these issues have not been fundamentally resolved and are associated with increased political uncertainty.

2017 was a special election year, with elections held in countries including the Netherlands, France and Germany. The uncertainty surrounding the possible course charted out by new governments on both this and the other side of the Atlantic could, among other things, put a damper on the investment climate and pose a threat to the forecast growth outlook in the medium term. This could materialise, in particular, when the current special effects on global economic growth, and the expected future special effects, are unwound. These include the general low interest rate level, expansive fiscal policy and, for some sectors, oil prices that remain relatively low. The uncertain future contractual relationship between the United Kingdom and the European Union, as well as the related economic consequences, could also have a negative impact on the investment climate and the growth prospects for Europe. The rising popularity of Eurosceptic parties in many EU member states is another long-term source of uncertainty for the stability of European Monetary Union. The disintegration of monetary union would have a serious impact on both the global real economy and the financial markets.

The uncertainty surrounding the future economic, foreign and security policy stance taken by the US could unsettle the global economy and the financial markets. This also includes, among other things, the future monetary policy pursued by the US Federal Reserve and its impact on the currencies and economies of the emerging markets. Interest rate policy measures could put the economies of other countries under pressure and result in increased volatility on the financial markets, with a potential negative impact on the global economy.

The risk of a more pronounced growth slowdown than expected on the Asian and other high-growth markets, as well as the possibility of a weaker economic environment in the South Pacific region, could have a negative impact on the global economy.

Further economic risks could arise from the uncertain political development of the world's geopolitical crisis spots, for example in the Middle East and also in East Asia.

Should the global economy weaken significantly, there would be the threat of lost sales, a potential lack of new business and an increase in the risk of bad debts in the operating business due to the increasing inability of customers to make payments.

In its function as the parent company of The Linde Group, Linde AG holds investments in Group companies. The carrying amounts of these investments run the risk of a diminution in value should the economic situation or exchange rates of these Group companies deteriorate. This scenario might have an adverse impact on the net income for the year of Linde AG.

Linde operates in many countries and regions, supplying almost all industry sectors. Because of the high level of diversification of its end customers, both in terms of sector and geographical situation, Linde is not exposed to the volatility of a single end customer market. The impact of individual risks on the Group is reduced as a result of Linde's dual focus on its gases business (which comprises a wide variety of application areas) and plant construction (with its diversified product lines). These two sectors may be affected differently in terms of revenue and earnings when there are changes in certain economic conditions.

Risks associated with competition

The competitive pressure facing Linde is mounting both on markets that offer significant growth potential and on more mature markets. This is being fuelled, in particular, by weak growth prospects, excess capacity and the migration of existing industries. Global competition means that the Group is exposed to the risk of losing market share in all product areas, which may in turn result in a fall in revenue and profit.

Linde is responding to these risks associated with competition by taking measures that help to improve the company's competitive standing by allowing it to offer products and services tailored to suit the needs of the market and by putting optimised processes in place.

In the case of industrial gases, for example, Linde is able to stand out from the competition as a result of its technical expertise with gases applications and its profile as an integrated provider of gases and engineering services, which can offer various construction and operating models.

In plant construction, stringent standardisation and modularisation are helping to enhance the competitiveness of the plant portfolio.

In the cylinder gas business, a modular, scalable plant programme for filling plants has been developed, allowing the company to offer filling plants that have been adapted to suit a variety of market conditions, do not require much space, achieve increased productivity and provide optimal occupational safety.

Moreover, Linde is continuing with the rigorous implementation of its schemes to reduce costs and improve the efficiency of its processes, with the aim of enhancing its competitiveness.

Sales risks in the Healthcare product area

In the Healthcare product area, cost pressure in the healthcare sector, the current trend towards outsourcing by government agencies and health insurance funds and possible defaults mean there is a greater risk that the planned growth and profitability targets cannot be met. These factors are especially evident in sales markets in the United States and in Europe.

In order to counter these risks, Linde is focusing on the development of innovative products and services which take account of the increasing downward pressure on costs. These include, for example, new forms of treatment which reduce the length of time patients spend in hospital, and the use of new technologies which make it possible to treat homecare patients more efficiently.

Customer and sales risks associated with the commercialisation of new and existing projects

Customer and sales risks associated with both the commercialisation of new customer projects or follow-up projects and existing projects cannot be eliminated, especially in the growth markets. There might be technical or economic reasons on the customer side or in the sales markets which could require changes being made to the project or contract, as a result of which it may not be possible to produce the quantities originally assumed in the business plan in full, or it may only be possible to produce such quantities behind schedule. This might give rise not only to uneconomic production processes, but also to significant adverse variances from budgeted cash flow, thereby jeopardising the revenue and earnings targets attached to the investment. To ensure that critical shortfalls are identified and remedied at an early stage, Linde has introduced project prioritisation and additional project management measures. Moreover, the Group has taken steps to ensure that all relevant parties are involved in the risk assessment before the project commences. Close customer relationships and market observation, including during the project term, help ensure that any problems can be solved in partnership with the customer early on.

Risks associated with the setting of prices

Risks associated with the setting of prices generally arise in areas where certain cost increases cannot be passed onto the customer through price indexing included in the contract. Here, the high level of volatility in energy prices and the price of raw materials means that there is generally a risk that targets for revenue and earnings might not be met if the resulting increase in costs is either not taken into consideration at all when agreeing contracts and setting prices, not taken into consideration in good time, or taken into consideration only to suffer a loss in market share. In order to counter this risk, processes have been put in place in the regions to ensure that energy market developments are reflected in price policies in a structured manner and early on.

Risks associated with the provision of services

Risks associated with the provision of services comprise all those risks arising from processes taking place at the operating sites of Linde's divisions, including the distribution of products and related logistics services. These include safety risks during the production process, production risks such as machinery failure, plant breakdowns and capacity bottlenecks, project risks in plant construction and risks associated with products and services.

Safety risks

The manufacturing of products and construction of plants by the Group may entail risks associated with the production, filling, storage and transport of raw materials, goods or waste. These risks, if not handled appropriately, might lead to personal injury, damage to property or environmental damage, which in turn might result in business interruptions, monetary penalties, compensation payments or environmental clean-up costs. The reputation of The Linde Group could also suffer if any such event were to occur.

One of the Group's main preventive strategies is ensuring high safety standards. By applying clearly structured management standards, the Group ensures, on the basis of the systematic evaluation of risks which might lead to accidents or damage to property or to the environment, that stringent safety requirements are planned, implemented and monitored for processes with a particularly high exposure to risk. A risk to Linde's employees and to the net assets, financial position and results of operations of the Group is also posed by natural disasters, pandemics and terrorist or other criminal attacks. These risks may also have an indirect impact on Linde if the Group's customers are significantly affected by any of them.

Linde addresses these risks, which are covered in some cases by insurance, by taking local risk reduction

measures and putting contingency plans in place. The aim is to minimise as far as possible the potential consequences of serious events and to ensure the fastest possible return to normal operations, even in the case of highly improbable events or losses of a grave nature.

Production risks

A lengthy stoppage at one of Linde's main plants or at a customer's on-site plant could adversely affect the results of operations and reputation of the Group. This risk is particularly relevant if the stoppage affects a large-scale plant or if it is caused by an accident that also results in personal injury or environmental damage.

Therefore, Linde gives high priority to measures designed to prevent business interruptions. These include, in particular, the monitoring and maintenance of plants so that such incidents may be avoided and the provision of spare parts of strategic importance, the modular construction of the filling plants and their fitting out with abundant and versatile filling systems, and strict compliance with quality and safety standards and environmental protection standards during the manufacture, storage, transport and use of the products. If, despite these preventive measures, a business interruption should occur, the Group has supply networks operating between its production plants so that any business interruption would have less of an effect or no effect at all on its customers.

Project risks in plant construction

Complex major plant construction projects pose particular problems for risk management. The Group's Engineering Division handles significant contracts which may be worth several hundred million euros and where construction may take a number of years.

Typically, the division is involved in the design and construction of turnkey plants. Potential risks may arise as a result of the costing and execution of such complex projects which are subject to uncertainty. Risks may include unexpected technical problems, supply bottlenecks and quality problems with suppliers of major components, unforeseen developments during on-site assembly and problems with partners or subcontractors. In addition, complex import provisions mean that global material procurement can give rise to significant additional costs due to anti-dumping or countervailing duties. Such risks may cause project delays and cost overruns. To manage the risks in plant construction, Linde employs tried and tested methods, even in the tendering phase, to assess the impact on the profitability of a large-scale project of potential variances from budgeted cost for individual components. The Group conducts simulations of the opportunities and risks associated with each project using numerical methods of analysis. By continually monitoring changes in parameters alongside the progress of the project,

Linde is able to identify potential project risks at an early stage and to take appropriate measures to counter them. These risk management tools are constantly being updated and modified to meet the increasing demands of the market.

Risks associated with products and services

Risks associated with products and services may in extreme cases result in consequences such as potential liability claims, the loss of customers, the loss of operating permits or damage to the Group's reputation. Principal possible causes of risks associated with products and services are product defects or an inadequate level of customer care for services which are provided by Linde in particular in the Healthcare product area.

Linde counters such risks by maintaining the safety and high quality of its products, product information and services. To ensure that products are safe, risk management is based on the concept of product stewardship. The potential hazards and risks that might arise for human beings and the environment from a product during its life-cycle are analysed and the relevant potential risk is determined. Linde takes the measures which are necessary to avoid the risks identified or, if that is not possible, to reduce the risks to an acceptable level.

To ensure the highest possible levels of safety for patients over the entire life-cycle of Linde's pharmaceutical products, such products are monitored on a continuous basis using a Vigilance Signal Detection System. Regular analysis is performed on the safety of pharmaceutical products in Periodic Safety Update Reports (PSURs).

Financial market risks and country risk

Financial market risks

Due to its global operations, Linde is exposed to a number of financial market risks. In particular, these include counterparty risk, liquidity risk and risks arising from movements in interest rates, share prices and exchange rates. These risks are monitored and managed on an ongoing basis.

The basic strategies for the management of interest rate risk, currency risk and liquidity risk and the objectives and principles governing Linde's financing are determined by the Treasury Committee, led by the Executive Board member with responsibility for finance. This committee usually meets once a month and comprises representatives from Corporate & Support Functions Treasury and Accounting & Reporting.

Financing and hedging decisions are based on the financial information obtained from the Group's treasury management system and its financial and liquidity forecasts. These are embedded in the general financial reporting system, which is also used in the areas of Financial Control and Accounting & Reporting.

With regard to the organisation of the Treasury department, the principle of segregation of duties between the front, middle and back offices is rigorously observed and monitored throughout the risk management process. This means that there is a strict personal and organisational separation between the dealing, the processing and the verification of a financial transaction. Linde uses a treasury management system to implement, record and evaluate transactions. Treasury operations are subject to regular internal and external audits, generally once a year.

One of the main criteria for the management of counterparty risk is the credit rating of the counterparty. The Group also monitors changes in other relevant capital market parameters, such as movements in credit default swaps or in the market capitalisation of counterparties. Trading and position limits are defined on this basis. Regular reviews of these limits are performed by a supervisory unit which is independent of the trading entity. Both Linde AG and Linde Finance B.V. also conclude Credit Support Annexes (or CSAs) with their principal banks. Under these agreements, the positive and negative fair values of derivatives are collateralised with cash on a regular basis by the contracting parties. This significantly reduces counterparty risk.

With regard to the management of liquidity risk, Linde pursues a prudent and conservative policy of safeguarding liquidity. It continued to have access to the capital markets in the 2017 financial year. In addition, Linde has access to an agreed syndicated credit facility of EUR 2.5 bn provided by an international banking group, which is available until 2020 and has not been used to date.

Interest rate risk arises as a result of fluctuations in interest rates caused by the markets. These fluctuations affect both interest expense and the fair value of financial instruments. Interest rate risk is centrally managed. On the basis of sensitivity and scenario analyses, the Treasury Committee determines ranges for the fixed-floating ratio of the financial liabilities. The focus is on the main financing currencies: the euro (EUR) and the US dollar (USD). Group Treasury manages the rates within the agreed ranges and submits reports to the Treasury Committee about the measures implemented. Methods of hedging exposure to the risk include entering into interest rate hedging transactions with banks and using long-term fixed-interest bonds and loans. In 2017, on average 70 percent of the exposure of the Group was financed at fixed rates, while at year-end the figure stood at 74 percent.

In the case of exchange rate risk, it is important to differentiate between operational transaction risks (currency risks resulting from business and financing activities between different currency zones) and translation risks (currency risks arising from the currency translation of the financial statements of subsidiaries

where those subsidiaries have a functional currency other than the Group reporting currency). The Group guideline states that individual business units must monitor transaction risks themselves and agree appropriate hedging transactions with Group Treasury, based on predetermined minimum hedging rates, provided there are no other reasons against hedging the exposure in this way.

As far as translation risks are concerned, only currency-related fluctuations in net asset values at Group level are hedged selectively within the framework of authorised ranges. Hedging decisions are made according to the risk strategies of the Treasury Committee. Forward exchange transactions, cross-currency interest rate swaps, currency options and foreign currency loans are all used here. The main currencies are US dollar (USD), pound sterling (GBP), Australian dollar (AUD) and some Eastern European, South American and Asian currencies. In the Gases Division, the Group also uses financial instruments, especially to hedge against exposure to changes in the price of electricity, natural gas and propane gas.

In the project business in the Engineering Division, foreign currency risks are reduced as much as possible by natural hedges: for example, by purchasing supplies and services in the currency of the contract. Any foreign currency amounts over and above this are fully hedged as soon as they arise, generally by entering into forward exchange transactions.

In certain countries, companies in The Linde Group have defined benefit commitments to their employees under occupational pension schemes. Depending on the structure of the schemes, one-off payments may be made or the employees may be entitled to a pension for life with an annual increase which may be variable or inflation-linked. The amount of the obligation is the actuarial present value of all pension commitments and is expressed as the Defined Benefit Obligation (DBO) under IFRS.

In most pension schemes, the obligation is covered by assets which are maintained separately.

The risks relating to the pension obligations (interest rate, inflation, longevity risks) on the one hand, and those relating to the pension assets (interest rate, spread, exchange rate, equity and other financial market risks) on the other are quantified and evaluated by Linde on a regular basis. There is a natural conflict between a significant reduction of the risk and the achievement in the long term of the return on assets required to keep pace with the potential increase in the obligation.

As a guideline, the Executive Board defines risk tolerance at Group level. Measures designed to modify scheme structure are coordinated by the Global Pension Committee and implemented in the local pension schemes. The Group Investment Panel for Pension Assets assesses the long-term opportunities and risks associated with various asset classes and makes decisions or recommendations regarding the investment strategy of the major pension schemes. The investment panel is chaired by the Executive Board member responsible for finance and receives advice from external experts.

Country risk

Potential risks that Linde might encounter in different countries as a global corporation include the nationalisation or expropriation of assets, legal risks, the prohibition of capital transfers, bad debts with government institutions, war, terrorist attacks and other unrest. Linde is currently exposed to such country-related risks due to political instability in Venezuela, for example. Political tension/unrest and wars may also be the cause of indirect risks (economic risks, project risks and risks associated with commercialisation), as a result for example of political and economic sanctions which may extend beyond the borders of the actual region in crisis. Linde's plant construction, for example, is exposed to such risks due to the general political environment and the risk of sanctions, particularly in Russia and Iran. There could also be an indirect negative impact on Linde companies in other countries in the Gases Division and in other markets in the Engineering Division if Linde customers were to change their plans as a result of the unrest or due to the potential escalation of sanctions.

There is the fundamental risk that embargoes are agreed for certain countries in which Linde operates, which could have an adverse impact on existing trading relations or investment plans which are in place even before the embargo comes into force. To manage these risks, Linde has established a system that evaluates the Group's risk situation in terms of the impact of risk on its net assets, financial position and results of operations, sets out risk limits and ensures capital adequacy and cross-border financing at optimal levels of risk. At the same time, individual capital expenditure projects are evaluated for political risk, and target returns on investment are set accordingly. On the basis of this evaluation, the risks are covered, if appropriate, by German government guarantees for direct foreign investment, tailored insurance solutions or similar financial instruments available in the market. Counterparty risk for export business is also assessed, and limited if necessary by hedging instruments such as Hermes guarantees.

Regulatory and legal risks

Regulatory risks

Changes in the regulatory environment might have a negative impact on Linde's costs and international competitiveness. Examples of this are the design of the EU Emissions Trading Scheme and the extra burden being placed on energy-intensive industrial gases production by the increase in electricity prices as a result of additional statutory levies.

Changes in the regulatory environment can also give rise to new/increased compliance risks, both with regard to the complexity of, and costs associated with, the necessary measures to ensure compliance, and with regard to the level of sanctions in the event of non-compliance. Failure to comply with legal provisions can result in substantial penalties, the withdrawal of marketing rights or restrictions on participation in public tenders, or even in exclusion from public tender proceedings, and can also give rise to significant reputational losses and reduced business opportunities. Examples of such risks in the regulatory environment include the Healthcare product area, which is largely state-regulated, and the implementation of the European General Data Protection Regulation, which will apply directly in all member states as of 25 May 2018.

The Group is also affected by measures being taken to regulate the international financial markets. In a variety of jurisdictions, Linde must comply with comprehensive rules and reporting requirements when processing financial transactions. Breaches of these rules and requirements may incur significant penalties from the relevant supervisory authorities. Examples which could be quoted here are the Dodd Frank Act in the United States and European Market Infrastructure Regulation (EMIR).

Linde counters these risks by conducting a continuous forward-looking observation and analysis of the legal environment in the various business units, by developing the systems required and by conducting corresponding ongoing and systematic training sessions for employees. In addition, the measures described in the section on risks associated with competition (which are designed to ensure constant customer contact and the development of innovative products and services) contribute towards a reduction in the potential adverse impact of changes in the regulatory environment.

Legal risks

With its international operations, The Linde Group is exposed to numerous legal risks. These may include, in particular, risks relating to product liability, competition and antitrust law, export control, data protection, patent law, procurement law, tax legislation and environmental protection. The outcome of any currently pending or future proceedings can often not be predicted with any certainty. Legal or regulatory judgements or agreed settlements might give rise to expenses which are not covered, or are not fully covered, by insurance benefits. These expenses might have an impact on the Group's business and its earnings.

Certain companies in The Linde Group are party to various legal proceedings in the ordinary course of business. The outcome of the litigation to which Linde Group companies are party cannot be readily foreseen, but Linde believes that such litigation should be disposed of without material adverse effect on its financial position or results of operations.

Prior to the reporting period, the Brazilian competition authority CADE had already imposed fines on a number of gases companies, including Linde's Brazilian subsidiary, on the grounds of alleged anti-competitive business conduct in the years 1998 to 2004. Seen from today's perspective, Linde does not believe that this decision will stand up to judicial review.

Certain subsidiaries in The Linde Group are party to lawsuits in the United States, including some in which claims for damages in high amounts have been asserted. The lawsuits relate to a number of issues including cost reimbursements by the national healthcare system or alleged injuries arising from exposure to manganese, asbestos and/or toxic fumes in connection with the welding process. In these cases, the subsidiaries are typically one of several or many other defendants. Based on the litigation experience to date, together with current assessments of the claims being asserted and applicable insurance, Linde believes that the continued defence and resolution of the welding fumes litigation will not have a material adverse effect on the financial position or results of operations of the Group. Nonetheless, the outcome of these cases is inherently uncertain and difficult to predict. The subsidiaries have insurance that covers most or part of the costs and any judgements associated with these claims. The legal actions described above are those currently considered to involve major legal risks. They do not necessarily represent an exhaustive list.

Strategic risk

Linde's long-term growth targets are based inter alia on the growth areas of energy, the environment and health, as well as on dynamic trends in the fast-growing economies. Achieving the growth targets entails risks both within and outside the Group. Risks arise on the one hand from uncertainty about the future evolution of these growth areas, which are influenced by political, social, legal and economic factors. On the other hand, there are also risks associated with the internal measures adopted by the Group to achieve its targets. These include not only acquisition and investment projects, but also strategic initiatives in areas such as digital transformation, improving customer satisfaction or sustainability performance. The risks associated with such projects are principally the result of the uncertainty attached to assumptions about the future development of the underlying business model and to the amount of the net investment in an acquisition project or the net cash inflow from an investment project. Investments in tangible assets, acquisitions and sales are discussed and approved by the Investment Committee or at meetings of the Executive Board. At the beginning of the project, careful consideration is given to the assumptions about the project, the feasibility of the project and the specific risks attached to that project. The Group evaluates, for example, country risk and currency risk, customer ratings and trends in the local (gases) markets, as well as the underlying terms and conditions of the contract and the cost of the investment. In addition, the Executive Board, the Supervisory Board and Group management personnel hold regular meetings to evaluate the extent to which targets associated with strategic initiatives have been achieved and then implement any corrective measures required. Overexposure to a single region, customer segment or a particular technology might, for example, have an adverse impact on Linde's net assets, financial position and results of operations and on its future growth prospects if the assumed overall circumstances change, i.e. in a situation where economic conditions worsen or customers fail to extend their contracts. To counter this risk, the Group uses portfolio management to define and monitor risk premiums for its investments. In addition, Linde's integrated business model means that it is in a position to offer its customers different construction and operator models and thus to manage its concentration risk. Linde's good reputation is a key prerequisite for achieving the long-term growth targets. Linde uses crisis management and crisis communication standards to counter the risk of reputational losses resulting from the mismanagement of crises or insufficient communication on relevant events.

Purchasing and supply chain risks

A key element in the success of the business units is the ready availability of products and services purchased by Linde, which must be of suitable quality, and obtainable in appropriate quantities at prices in line with market conditions. This applies not only to certain gases which Linde does not produce itself, but also in particular to material groups which are dependent on raw materials such as steel, aluminium and brass as well as energy.

To reduce risk, Linde pursues a portfolio strategy across the entire Group. This strategy is organised on the basis of defined groups of materials, which are used to categorise all products and services.

In addition to adopting purchasing strategies based on groups of materials, Linde is continuing to optimise its supplier portfolio and the contract status of its suppliers so as to minimise purchasing risks. For products and services where the price depends to a great extent on volatile primary markets, the cost risks are minimised by using time-optimised agreements. On the purchasing side, for example, the impact of price volatility risks relating to the procurement of electricity and natural gas is cushioned by long-term purchasing strategies in the deregulated energy markets. Linde's procurement activities in the relevant wholesale energy markets are governed by a global risk guideline which determines the ranges for price hedging over the next few years. Compliance with the guideline is monitored by a global committee. Data transparency is established by means of a professional IT tool for the energy trade. Furthermore, on the sales side, due to the amount of energy consumed in industrial gases production, fluctuations in the price of electricity and natural gas are passed through to customers using appropriate price formulas. When Linde purchases gases, it counters procurement risks and price risks by means of strict technical apportionment (purchase, own production or purification of gases) and geographical distribution. Unforeseen fluctuations in sales volumes can thus be offset. Risks may arise for The Linde Group if long-term procurement contracts are not matched by sales contracts covering a similarly long period. The risks of fluctuations in demand and prices on the sales side are therefore considered by Linde before it enters into long-term purchase contracts.

IT risks

Many processes in the Linde organisation are dependent on the reliability of the IT infrastructure, software applications and data. Therefore, breakdowns or interruptions in the relevant systems or data loss generally have a negative impact on business processes or production. Longer-term shutdowns or critical data loss could adversely affect the net assets, financial position and results of operations of the Group. Breaches of data protection rules, unauthorised data retrieval or the loss of personal data or sensitive corporate data might result in compensation claims, penalty charges, competitive losses and long-term damage to reputation and a loss of confidence in the company.

The current state of the existing security measures is monitored via a Security Reporting process and is reviewed by the IT internal audit department and external IT auditors. These regular assessments and audits identify any amendments and improvements that might be required, thus contributing to continuous, sustainable improvement in the effectiveness of the security measures. The protective measures have been combined to form a multi-stage defence of the systems and data against attacks from outside (malware infection, cyber attacks, invasion attempts). These measures also include global training sessions for all users and regular communications measures to raise risk awareness among all employees.

To counter the risk that insufficient resources and expertise will be available to maintain company-specific application software developed in-house (which might mean, in the worst-case scenario, that business-critical processes were inadequately supported), Linde has devised a standardised process for the development, testing and use of application software.

Personnel risks

The success of the Group is dependent on the commitment, motivation and skills of its employees and executives. The principal risk factors associated with attracting well-qualified staff and ensuring their long-term loyalty to the Group are the ever-increasing shortage of skilled personnel and fierce competition in the labour market. Competition for employees of the right calibre is now becoming even more intense, especially in the Asian markets.

To address these risk factors, the Group is adopting a holistic approach towards attracting and supporting its employees. Staff development, the cornerstone of long-term employee loyalty, enhances the skills of management personnel and fosters their commitment to the Group. Key aspects of Linde's management development programme are the variety of opportunities on offer for professional development, the provision of support and advice to target groups, mentoring and coaching programmes, the early identification and advancement of high achievers and those with potential, and attractive remuneration packages in line with market rates.

Linde's staff development schemes is supplemented by extensive opportunities for gaining qualifications and for professional development. This comprehensive programme strengthens its position as an attractive employer in the competitive market for skilled workers. The Group is drawing up new professional development schemes for engineering in particular, further enhancing its attractiveness as an employer.

Linde also trains graduate engineers on university courses with a work experience element and is dealing with the shortage of engineers by continuing to develop its own in-house training schemes. By applying these measures and collaborating more closely with selected higher education institutions, the Group is able to offer skilled employees excellent professional prospects.

The volatile and demanding market environment means that Linde needs to have the ability to make constant improvements in its processes and to act swiftly to adapt its organisational structure to keep up with rapidly changing industry requirements. Each individual employee has to be ready and willing to embrace change. This attitude is an essential prerequisite for the successful implementation of the processes of change. For Linde, maintaining a relationship with employee representatives and trade unions based on mutual trust and constructive cooperation plays a particularly significant role here.

Tax risks

As a group with global operations, Linde is governed by the tax rules and regulations applicable in each country in which it operates. When tax rules change, this may result in a higher tax expense and the need to make higher tax payments. In addition, changes in tax legislation may have a significant impact on the Group's tax receivables and tax liabilities as well as on its deferred tax assets and deferred tax liabilities. Moreover, uncertainty about the tax environment in some regions may restrict the Group's opportunities to enforce its rights under the law. Linde also operates in countries with complex tax regulations which could be interpreted in different ways. Future interpretations of these regulations and/or changes in the tax system might have an impact on the tax liabilities, profitability and business operations of the Group. Linde is regularly audited by the tax authorities in various jurisdictions. Tax risks which might arise from the issues discussed above are identified and evaluated on an ongoing basis by the Group.

Environmental risks

Linde's operating processes, in particular, are associated with risks which might lead to environmental damage. There is also a risk that key customers will terminate their business relationships with Linde if Linde is unable to demonstrate that it complies with environmental legislation and that it is improving its environmental performance on an ongoing basis. Linde understands and knows about the environmental impact of its processes and is therefore in a position to develop and implement plans to limit and control such effects. Linde is involved, for instance, in improving the energy efficiency of its production plants and in increasing the performance of its transport fleet. However, the possibility that the Group's activities might lead to environmental damage or that remediation works might cost more than originally budgeted cannot be completely ruled out.

Research and development risks

The capacity to innovate is key to Linde's success. The Group's research and development activities focus, for one, on new technologies and gases applications which may form the basis for future business success. Another key area for innovation is the development of new business models, i.e. the way in which Linde will do business with its customers using innovative products and services in the future, and how new technologies such as digitalisation can be used to further boost efficiency and customer focus, allowing Linde to set itself apart from the competition.

Despite the great opportunities for growth which may be presented by the activities of Linde's research

departments, there is a risk that, due to the high level of complexity of the technologies and markets and the fast rate of change associated with them, projects might be postponed, or might not be able to proceed for technological, economic, legal or safety reasons. The collaboration with research and development partners can give rise to additional risks to the project's success, e.g. the risk that a partner might become insolvent. On the other hand, there is also the risk that competitors might develop new technologies faster or in a more sustainable manner and then launch them onto the market, and of this presenting a threat to Linde's core technologies. In order to be able to combat these risks throughout the entire innovation process, the Technology & Innovation (T&I) Corporate & Support Function monitors the relevant technological trends, checking continually whether ideas for innovation within the Group are a good fit with Linde's overall strategy and have the potential to generate profitable growth. This work is supported by cooperation with leading companies and universities and by strategies to protect the Group's intellectual property. The Group is also actively involved in the development of future standards, for example in the field of hydrogen technologies, as the marketing of innovations may depend on compliance with those standards.

Executive Board summary of the risk situation

The three major risk areas for the Group continue to be economic risks, risks associated with the provision of services and financial market and country risks. As far as the risk categories of moderate relative significance are concerned, legal and regulatory risks have moved up the rankings by two positions in a year-on-year comparison.

Since the risk categories in the middle and at the bottom of the rankings are very close to each other in terms of their ranking, the risk situation for Linde on the whole has not changed to any considerable degree compared with the previous year.

Given the risk management procedures in place, the Executive Board has not identified any risks in the 2017 financial year which might, individually or in total, have an adverse impact on Linde's net assets, financial position and results of operations and thereby on the viability of Linde as a going concern.

If there were to be a change in circumstances, risks which are currently unknown or deemed to be immaterial might gain in importance. Linde has made the organisational arrangements necessary to ensure that it becomes aware at an early stage of any apparent changes in risk situations and that it makes an appropriate response to such changes.

OUTLOOK

Macroeconomic trends

As at February 2018, economists are expecting the global economy to show stronger growth in 2018 than in 2017. The main reason behind the improved growth outlook lies in the fact that extreme macroeconomic risks failed to materialise last year. China's continued stable growth, the stabilisation of the economy in Brazil and Russia, the course that the EU exit negotiations conducted by the United Kingdom have taken to date and the current positive economic developments in the US are inspiring confidence. This optimism could extend well into 2018. Nevertheless, structural problems remain. The eurozone, for example, is still suffering from macroeconomic imbalances, the expansive monetary and fiscal policy being pursued in China will reach its limits and, as in recent years, geopolitical tension and potential new trouble spots could cast a shadow over the solid growth prospects.

Against this background, Oxford Economics (OE) is currently predicting growth in global real gross domestic product (GDP) of 3.2 percent in 2018, following a rise of 3.0 percent in 2017. Global industrial production (IP) is forecast to grow by 3.8 percent in 2018 as a whole, a slightly faster rate than that seen in 2017 (3.7 percent).

In the EMEA¹ region (Europe, Middle East, Africa), economists are predicting growth in economic output of 2.4 percent in 2018, down slightly on the value seen in the reporting year (2017: 2.5 percent). Industrial production is expected to rise by 2.9 percent (2017: 2.7 percent).

In Western Europe, the economy is expected to continue on its path of recovery. Oxford Economics is forecasting GDP growth of 2.2 percent for Western Europe in 2018, which is slightly lower than the growth seen in 2017 (2.3 percent). Industrial production is predicted to grow at a rate of 2.8 percent in 2018, up slightly on the reporting year (2017: 2.6 percent). The positive economic trend in Germany should continue in 2018: here, GDP growth of 2.4 percent is expected (2017: 2.5 percent), with growth in industrial production expected to come in at 3.4 percent compared with the prior-year figure of 3.5 percent.

In the Middle East & Eastern Europe region, developments are once again expected to paint a mixed picture in 2018. In the Middle East, economists expect to see GDP growth of 2.2 percent, a significant improvement on the

reporting year (2017: 0.1 percent). In Eastern Europe, GDP growth is expected to dip slightly to 2.9 percent (2017: 3.8 percent). Russia will report growth of 1.8 percent this year in a similarly solid performance to last year (2017: 1.7 percent). Industrial production growth is expected to come to 1.9 percent in 2018 (2017: 1.3 percent). Looking at South Africa, Oxford Economics is expecting an improvement in the economic climate with a GDP growth rate of 1.7 percent (2017: 1.0 percent).

As in previous years, the strongest growth rates in 2018 are once again expected in the Asia/Pacific region. OE is forecasting that economic output in this region will rise by 5.6 percent (2017: 5.7 percent). Industrial production is expected to increase by 5.0 percent (2017: 4.8 percent). GDP in China is expected to grow by 6.4 percent in 2018, marking another slight deceleration in economic momentum (2017: 6.9 percent). Industrial production is forecast to increase by 5.3 percent (2017: 6.1 percent). As far as India is concerned, Oxford Economics is expecting a GDP growth rate of 7.5 percent (2017: 6.2 percent), with growth in industrial production expected to come in at 5.9 percent compared with 3.3 percent in 2017.

Australian GDP is expected to increase by 2.4 percent in 2018 (2017: 2.2 percent). Industrial production is expected to grow by 3.9 percent, a figure that is up considerably on 2017 (1.7 percent). As in the previous years, the main growth driver is likely to be the mining industry.

Growth in the Americas region is expected to come to 2.7 percent (2017: 2.1 percent), mainly driven by strong growth momentum in the US and Brazil. Oxford Economics is predicting a GDP growth rate of 2.8 percent in the United States in 2018 (2017: 2.3 percent), with Brazil expected to report growth of 2.5 percent (2017: 1.1 percent). Industrial production is to rise substantially in both countries, amounting to 3.6 percent in the United States (2017: 1.8 percent) and 3.8 percent in Brazil (2017: 2.6 percent).

The economic forecasts presented here are based on the dataset from Oxford Economics as of 01 February 2018.

¹ The growth values set out below for individual regions correspond to the average values, weighted based on economic output, for the countries in which Linde operates ("Linde regions").

Industry sector outlook

Gases industry

The forecasts for global economic development suggest that growth rates on the global gases market in 2018 will be roughly on a par with 2017. Nevertheless, uncertainty and risks relating to global and regional crises remain. The healthcare sector also remains characterised by considerable growth potential, although there is still pressure on prices.

Plant construction

A slight increase in oil and gas prices could fuel a willingness to invest in the international large-scale plant construction business in 2018, according to industry experts. This improves the outlook for the oil-producing countries in the Middle East, Russia and the US. The sustainability of this trend, however, is questionable. First, providers of unconventional extraction methods like shale oil can react to rising oil prices very quickly. Second, the OPEC cartel is ready to react to market movements at short notice. In general, the competitive and cost pressure will remain high due to a market volume that will remain at a low level on the whole – expectations of a further consolidation on the competitive landscape materialised in 2017 and this trend could continue.

The trends seen in recent years will continue in 2018. These include the global increase in energy requirements, the constant rise in the demand for environmentally friendly technologies and the increased focus on renewable energy sources. In addition, new opportunities are opening up thanks to the growing need for automation and digitalization in the plant construction business. 2018 could see the first few offerings designed to respond to this demand becoming available on the market. Differentiation based on service, innovation and technology leadership still gives the German engineering sector a strong unique selling point compared with its competitors.

Outlook – Group

This outlook describes the expected developments of The Linde Group on a stand-alone basis and does not refer to the new holding company in connection with the planned merger with Praxair, or to Linde AG as a subsidiary of this new holding company. Due to the planned merger which is scheduled for completion in the second half of 2018, and the associated antitrust law requirements, assets may be sold in the course of the 2018 financial year. This may result in the forecast being adjusted.

Due to the high degree of uncertainty surrounding exchange rates and as these are outside of the company's sphere of control, Linde expresses its revenue and earnings forecasts in the form of percentage ranges, allowing for exchange rate adjustments. The predicted Group revenue development and the revenue development for the Gases Division in 2018 will also be adjusted to reflect the effects resulting from the first-time application of the new IFRS 15 accounting standard, Revenue from Contracts with Customers. The new standard is mandatory with effect from 1 January 2018 and will result in a drop in the reported revenue. Further information can be found in ► [NOTE \[5\] ACCOUNTING POLICIES OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS.](#)

After adjustments to reflect the effects of IFRS 15 and exchange rate effects, Group revenue is to be on a par with the previous year in 2018 and could increase by up to 4 percent.

The Group operating profit, after adjustments to reflect exchange rate effects, is expected to range between the prior-year level and a figure that is 5 percent higher.

Linde is seeking to achieve a return on capital employed (ROCE) of around 10 percent in the 2018 financial year.

Like the return on capital employed, the Group operating profit is based on the EBITDA/EBIT after adjustments for special items (for information on how the core financial performance indicators are defined and calculated, ► [SEE PAGE 45](#)). In 2018, Linde expects to incur further expenses in connection with the intended merger with Praxair in the amount of around EUR 150 m in total. As in previous reporting periods, these costs will be reported as special items.

The forecasts relate exclusively to continuing operations.

Outlook – Gases Division

The development of the product areas within the Gases Division depends on various factors. Linde's solid on-site project pipeline will make a positive contribution to revenue and earnings in the 2018 financial year. In the liquefied gases and cylinder gas product areas, overall developments depend primarily on the macroeconomic trends. Revenue and earnings trends in the Healthcare product area will be influenced, among other things, by price cuts imposed by government agencies and health insurance funds. The aim is to counteract this by using organic growth and acquisitions to achieve increased volumes.

Depending on the overall conditions as already described, and on economic developments, Linde is looking to achieve the following targets in the Gases Division in the 2018 financial year: revenue is to increase by somewhere in the range between the prior-year level and +4 percent after adjustments to reflect the effects of IFRS 15 and exchange rate effects. The operating profit, after adjustments to reflect exchange rate effects, is expected to range between the prior-year level and a figure that is 5 percent higher.

The company expects to slightly increase margins in the EMEA, Asia/Pacific and Americas segments. In addition, the application of the new IFRS 15 accounting standard will have a positive effect on margins.

Outlook – Engineering Division

At 31 December 2017, the order backlog was still at a solid level of EUR 4.178 bn. Linde therefore expects the Engineering Division to achieve revenue of between EUR 2.2 bn and EUR 2.6 bn in the 2018 financial year. The Group continues to expect to achieve an operating margin of around 9 percent.

Capital expenditure

Linde's investment strategy targets opportunities which offer above-average growth rates. The Group will continue to pursue the same approach in the 2018 financial year.

Based on the investment decisions it has already made and the large number of investment opportunities still available, Linde expects its investment ratio in the Gases Division in 2018 to correspond to between 12 percent and 14 percent of the revenue (investment ratio in 2017: 11.7 percent).

Financing

In the 2018 financial year, Linde will continue to apply its strategy of safeguarding liquidity and maintaining long-term financing. Depending on developments in the financial markets and the growth opportunities available, Linde continues to regard 2.5 as the upper limit for its dynamic indebtedness factor (net financial debt to operating profit).

The profitable growth that the company is aiming to achieve should continue to be financed mainly by the cash flow from operating activities.

Outlook – Linde AG

For Linde AG, the parent company of The Linde Group, net income for the year is the core performance indicator. ► [SEE NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF LINDE AG, PAGES 67 TO 69](#). Investment income for the year is the figure which has the greatest influence on this performance indicator.

Depending on investment income, Linde AG expects to achieve a profit for the year of around EUR 200 m.

Statements relating to the future

The combined management report contains statements relating to the future which are based on the management's current estimates about future developments. These statements are not to be understood as guarantees that these expectations will prove to be true. The future development and the results actually achieved by The Linde Group and its affiliated companies are dependent on a number of risks and uncertainties and may therefore deviate significantly from the statements relating to the future. Linde has no plans to update its statements relating to the future, nor does it accept any obligation to do so.

DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH § 289f AND § 315d OF THE GERMAN COMMERCIAL CODE (HGB)

The Executive Board and Supervisory Board of Linde AG have approved the prescribed declaration pursuant to § 161 of the German Stock Corporation Act (AktG) on the recommendations of the German Corporate Governance Code and made it accessible to the shareholders on a permanent basis. The Declaration of Compliance has been published on the Internet at ► WWW.LINDE.COM/DECLARATIONOFCOMPLIANCE.

The Declaration on Corporate Governance can be found on the Internet at ► WWW.LINDE.COM/CORPORATEGOVERNANCE.

More information about corporate governance at Linde is given in the section entitled Corporate Governance on ► [PAGES 15 TO 23](#).

TAKEOVER-RELATED DISCLOSURES

Composition of capital subscribed

Information about the composition of share capital is given in ► [NOTE \[20\]](#) of the Notes to the Group financial statements.

Shareholdings exceeding 10 percent of voting rights

Linde AG is not aware of any direct or indirect shareholdings which reach or exceed 10 percent of the voting rights.

Shares with special rights

There are no shares with special rights which confer powers of control on the holder.

Method of controlling voting rights if employees hold shares and do not exercise their control rights directly

Employees who hold shares in Linde AG exercise their control rights directly like other shareholders in accordance with legal regulations and the rules set out in the articles of association.

Legal regulations and rules set out in the articles of association governing the appointment and removal of members of the Executive Board and changes to the articles of association

The members of the Executive Board are appointed and removed by the Supervisory Board in accordance with §§ 84 and 85 of the German Stock Corporation Act (AktG) and § 31 of the German Co-Determination Act (MitbestG). Appointments are for a maximum term of five years. It is permissible for members of the Executive Board to be reappointed or for their term of office to be extended, although in each case for a maximum period of five years. Pursuant to § 31 of the German Co-Determination Act (MitbestG), the appointment of a member of the Executive Board requires at least a two-thirds majority of the members of the Supervisory Board.

According to Article 5.1 of the articles of association, the Executive Board consists of several members. The Supervisory Board determines the number of Executive Board members. According to Article 5.2 of the articles of association, the Supervisory Board can nominate one

of the members of the Executive Board as Chairman of the Executive Board and one as Deputy Chairman. The Supervisory Board may revoke the appointment of a member of the Executive Board or the nomination of one of the members of the Executive Board as Chairman of the Executive Board if there is good cause to do so pursuant to § 84 (3) of the German Stock Corporation Act (AktG).

Changes to the articles of association require a resolution to be passed at the Annual General Meeting in accordance with § 119 (1) No. 5 and § 179 AktG. Resolutions at the Annual General Meeting require a simple majority of the votes cast, as set out in Article 13.2 of the articles of association and, if a majority of shares is required, a simple majority of the capital subscribed represented at the vote, as long as mandatory legal rules do not require a different majority. According to Article 9.5 of the articles of association, the Supervisory Board is authorised to make amendments to the articles of association concerning only the form of words used.

Powers of the Executive Board to issue and repurchase shares

Authorised capital

Based on a resolution passed at the Annual General Meeting held on 29 May 2013, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 47,000,000.00 until 28 May 2018 against cash and/or non-cash contributions by issuing, on one or more occasions, a total of up to 18,359,375 new bearer shares at a notional par value of EUR 2.56 (Authorised Capital I).

The Executive Board is further authorised, with the approval of the Supervisory Board, to exclude subscription rights for an amount of up to EUR 3,500,000.00 to the extent necessary to issue shares to the employees of Linde AG and/or its affiliated companies while excluding the subscription rights of shareholders.

Based on a resolution passed at the Annual General Meeting held on 3 May 2016, the Executive Board was authorised, with the approval of the Supervisory Board, to increase capital subscribed by up to EUR 47,000,000 until 2 May 2021 against cash or non-cash contributions by issuing, on one or more occasions, a total of up to 18,359,375 new bearer shares at a notional par value of EUR 2.56 (Authorised Capital II).

The following applies to Authorised Capital I and Authorised Capital II:

The new shares must be offered for subscription to the shareholders. However, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders for the residual amounts, and to exclude subscription rights to the extent that holders of option rights and/or conversion rights or conversion obligations issued by Linde AG or by any of its direct or indirect subsidiaries may be granted the subscription rights to new

shares to which they are entitled when they exercise their option rights and/or conversion rights or settle the conversion obligation.

Moreover, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders, provided the issue price of the new shares arising from a capital increase against cash contributions is not significantly lower than the price of shares of the same type traded on the stock exchange at the time the issue price is finally determined, which should be as soon as possible after the placement of the shares, and the proportion of the capital subscribed constituted by the shares issued does not exceed 10 percent of the capital subscribed either when this authorisation becomes effective or when it is exercised. In determining the capital limit, account must be taken of that part of capital subscribed which relates to those shares which are used to service options and/or convertible bonds. This is only the case if the options and/or convertible bonds are issued in accordance with § 186 (3), sentence 4, of the German Stock Corporation Act (AktG) while excluding the subscription rights of shareholders during the lifetime of this authorisation. Account must also be taken of that part of the capital subscribed which relates to those shares which are issued on the basis of the authorised capital, or sold after repurchase as own shares, during the lifetime of this authorisation in accordance or compliance with § 186 (3), sentence 4, of the German Stock Corporation Act (AktG).

The Executive Board is also authorised, with the approval of the Supervisory Board, to exclude subscription rights in the case of capital increases against non-cash contributions, especially in the course of the acquisition of companies, businesses or investments in companies, or on the formation of business combinations.

The Executive Board is authorised to determine the remaining details of the capital increase and its implementation, with the approval of the Supervisory Board. The new shares can also be transferred to certain banks specified by the Executive Board, which assume the responsibility of offering them to shareholders (indirect subscription rights).

Conditionally authorised capital

The share capital can be increased by up to EUR 10,240,000 by the issue of up to 4,000,000 new bearer shares with a notional par value of EUR 2.56 if certain conditions are met (2012 conditionally authorised capital). The conditionally authorised increase in capital is approved solely for the purpose of granting subscription rights (share options) to members of the Executive Board of the company, members of the executive bodies of affiliated companies within Germany and outside Germany and to selected executives in the company and in affiliated companies within Germany and outside Germany in accordance with the provisions set

out in the authorisation agreed at the Annual General Meeting on 4 May 2012 (Long Term Incentive Plan 2012). The conditionally authorised share capital will only be issued if subscription rights are exercised in accordance with the authorisation granted and the company does not meet its obligation in cash or with own shares. The new shares issued as a result of the exercise of options are first entitled to a dividend in the financial year in which, at the date of their issue, a resolution has not yet been passed at the Annual General Meeting regarding the appropriation of profit.

The share capital can also be increased by up to EUR 47,000,000.00 by the issue of up to 18,359,375 new bearer shares with a notional par value of EUR 2.56 if certain conditions are met (2013 conditionally authorised capital). The increase in share capital will only take place if (i) the holders and/or creditors of the convertible bonds or warrant-linked bonds, both existing bonds and in addition convertible and/or warrant-linked bonds to be issued by the company or by Group companies controlled by the company by 28 May 2018, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 29 May 2013, exercise their conversion or option rights or if (ii) the holders and/or creditors of convertible bonds to be issued by the company or by Group companies controlled by the company by 28 May 2018, as a result of the authorisation granted to the Executive Board by the resolution passed at the Annual General Meeting on 29 May 2013, settle their conversion obligation, although in cases (i) and (ii) only insofar as own shares are not used for this purpose. The new shares are issued at the option or conversion price to be determined in each case in accordance with the resolution regarding authorisation referred to above. The new shares participate in profit from the beginning of the financial year in which they are issued as a result of the exercise of conversion or option rights or settlement of the conversion obligation. The Executive Board is authorised to determine the remaining details of the conditionally authorised capital increase and its implementation, with the approval of the Supervisory Board.

Authorisation to purchase own shares

The Executive Board is authorised until 2 May 2021 by a resolution passed at the Annual General Meeting on 3 May 2016 to acquire own shares up to 10 percent of capital subscribed at the date of the resolution or, if lower, of the capital subscribed at the date the relevant authorisation is exercised. These shares may be purchased on the stock exchange, by way of a public purchase offer addressed to all shareholders or by way of a public invitation to all shareholders to submit sale offers. The own shares acquired under this authorisation may:

- be sold via the stock exchange or by an offer to all shareholders,
- with the approval of the Supervisory Board, also be sold otherwise,
- with the approval of the Supervisory Board, be offered and transferred in the context of the direct or indirect acquisition of companies, businesses or investments in companies, and in the context of the formation of business combinations,
- be appropriated to settle option and/or convertible bonds which the company or a direct or indirect subsidiary of the company has issued or will issue,
- be granted, in the case of a sale of acquired own shares by an offer to all shareholders or a capital increase with subscription rights, to holders of option and/or conversion rights issued by the company or a direct or indirect subsidiary of the company in the same amount as that to which they would be entitled after exercising the option and/or conversion rights or after settlement of a conversion obligation,
- be granted in fulfilment of the company's obligations under the Linde Performance Share Programme following the resolution passed at the Annual General Meeting on 4 May 2012 (agenda item 8),
- be issued to members of the Executive Board and to persons currently or formerly employed by the company, and to members of executive bodies of Linde's affiliated companies, or be used to service the rights or obligations to purchase own shares attributable to the persons named heretofore, or
- be redeemed, with the approval of the Supervisory Board.

The company holds a total of 95,109 own shares. This corresponds to a share of EUR 243,479.04, or 0.05 percent, of the capital subscribed.

Authorisation to use derivatives in connection with the repurchase of own shares

Supplementary to the resolution passed at the Annual General Meeting on 3 May 2016 on the authorisation to repurchase own shares, the Executive Board is authorised, on the basis of a further resolution passed at the Annual General Meeting on 3 May 2016, also to use equity derivatives in order to repurchase own shares in the period leading up to 2 May 2021.

The Executive Board is authorised:

- to purchase options that entitle the company to acquire shares in the company upon exercise ("call options"),
- to sell options whereby the company takes on the obligation to acquire own shares in the company upon exercise by their holders ("put options"),
- to conclude forward purchases that entitle the company to purchase shares in the company at a set date in the future, and
- to combine the purchase using put and call options with forward purchases (all of the abovementioned structures shall hereinafter be referred to as "derivatives").

Share purchases using derivatives must relate to a number of shares corresponding, at the most, to 5 percent of the company's current capital subscribed or, in the event that this value is lower, of the capital subscribed at the time the authorisation is exercised. The shares acquired as a result of this authorisation being exercised shall count towards the acquisition limit for the abovementioned authorisation to repurchase own shares.

Significant agreements relating to a change of control subsequent to a takeover bid

In the financial years 2007 to 2017, Linde AG issued benchmark bonds under its EUR 10 bn Debt Issuance Programme, either itself or via Linde Finance B.V. Under the terms and conditions of the bond issues, in the event of a change of control, the bond creditor may demand immediate repayment if the change of control leads to withdrawal of the rating or to a reduction in the rating to or below certain rating levels for unsecured unsecured liabilities.

There are also other significant financing agreements in place, each of which includes specific rules which apply in the event of a change in control. These rules set out, in particular, the duty to provide information to the contracting party, as well as the cancellation rights of the contracting party.

There are customer contracts with clauses which grant the customer special cancellation rights in the event of a change of control. If these special cancellation rights are exercised, the contracts provide for appropriate compensation.

Under the terms and conditions of the Linde Long Term Incentive Plan 2012 (LTIP 2012) for Executive Board members and lower tiers of management, in the event of a change of control, special rules may be adopted. The special rules which apply to the share options issued in 2013 to 2017 are that, in the event of a change of control, cancellation rights apply, which means that option/matching shares rights may be settled in cash in an amount to be determined.

Compensation arrangements made by the company with members of the Executive Board or with employees which will apply in the event of a takeover bid

If there is a takeover of Linde AG and the employment contracts of the members of the Executive Board are terminated, the members of the Executive Board may be entitled to certain compensation payments based on their contractual emoluments. These compensation payments have an upper limit. A more detailed description of the effect of the rules on change of control on Executive Board members is given in the Remuneration report.

100	Group statement of profit or loss
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Group Financial Statements

SECTION 3

GROUP STATEMENT OF PROFIT OR LOSS

GROUP STATEMENT OF PROFIT OR LOSS

33

<i>in EUR m</i>	Note	2016	2017
Revenue	[6]	16,948	17,113
Cost of sales		10,847	11,274
GROSS PROFIT		6,101	5,839
Marketing and selling expenses		2,387	2,375
Research and development costs		121	112
Administration expenses		1,720	1,629
Other operating income	[7]	467	418
Other operating expenses	[7]	278	216
Share of profit or loss from associates and joint ventures (at equity)	[14]	13	19
EBIT FROM CONTINUING OPERATIONS		2,075	1,944
Financial income	[9]	29	37
Financial expenses	[9]	353	302
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		1,751	1,679
Income tax expense	[10]	424	143
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	[19]	1,327	1,536
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS		-52	30
PROFIT FOR THE YEAR		1,275	1,566
attributable to Linde AG shareholders		1,154	1,434
attributable to non-controlling interests		121	132
EARNINGS PER SHARE – CONTINUING OPERATIONS	[11]		
Earnings per share <i>in EUR</i> – undiluted		6.50	7.56
Earnings per share <i>in EUR</i> – diluted		6.48	7.56
EARNINGS PER SHARE – DISCONTINUED OPERATIONS	[11]		
Earnings per share <i>in EUR</i> – undiluted		-0.28	0.16
Earnings per share <i>in EUR</i> – diluted		-0.28	0.16

GROUP STATEMENT OF COMPREHENSIVE INCOME

GROUP STATEMENT OF COMPREHENSIVE INCOME

34

in EUR m, ► SEE NOTE [20]

	2016	2017
PROFIT FOR THE YEAR	1,275	1,566
OTHER COMPREHENSIVE INCOME (NET OF TAX)	-509	-1,188
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	-91	-1,434
Unrealised gains/losses on available-for-sale financial assets	1	6
Unrealised gains/losses on hedging instruments	40	342
Currency translation differences from continuing operations	-132	-1,782
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	-418	246
Remeasurement of defined benefit plans from continuing operations	-418	246
TOTAL COMPREHENSIVE INCOME	766	378
attributable to Linde AG shareholders	629	309
attributable to non-controlling interests	137	69

GROUP STATEMENT OF FINANCIAL POSITION

GROUP STATEMENT OF FINANCIAL POSITION

35

<i>in EUR m</i>	Note	31.12.2016	31.12.2017
Assets			
Goodwill	[12]	11,405	10,681
Other intangible assets	[12]	2,440	2,047
Tangible assets	[13]	12,756	11,756
Investments in associates and joint ventures (at equity)	[14]	239	219
Other financial assets	[14]	71	84
Receivables from finance leases	[16]	165	70
Trade receivables	[16]	2	6
Other receivables and other assets	[16]	378	381
Income tax receivables	[16]	7	12
Deferred tax assets	[10]	500	416
NON-CURRENT ASSETS		27,963	25,672
Inventories	[15]	1,231	1,211
Receivables from finance leases	[16]	49	33
Trade receivables	[16]	2,755	2,668
Other receivables and other assets	[16]	788	706
Income tax receivables	[16]	199	227
Securities	[17]	131	623
Cash and cash equivalents	[18]	1,463	1,432
Non-current assets classified as held for sale and disposal groups	[19]	610	941
CURRENT ASSETS		7,226	7,841
TOTAL ASSETS		35,189	33,513

GROUP STATEMENT OF
FINANCIAL POSITION

GROUP STATEMENT OF FINANCIAL POSITION

36

<i>in EUR m</i>	Note	31.12.2016	31.12.2017
Equity and liabilities			
Capital subscribed		475	475
Conditionally authorised capital of EUR 57 m (2016: EUR 57 m)			
Capital reserve		6,745	6,730
Revenue reserves		7,244	8,235
Cumulative changes in equity not recognised through the statement of profit or loss		113	-1,258
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	[20]	14,577	14,182
Non-controlling interests	[20]	903	877
TOTAL EQUITY		15,480	15,059
Provisions for pensions and similar obligations	[21]	1,564	1,280
Other non-current provisions	[22]	526	477
Deferred tax liabilities	[10]	1,683	1,243
Financial liabilities	[23]	6,674	6,089
Liabilities from finance leases	[24]	53	40
Trade payables	[25]	1	1
Other non-current liabilities	[25]	725	537
NON-CURRENT LIABILITIES		11,226	9,667
Current provisions	[22]	1,140	1,110
Financial liabilities	[23]	1,854	1,930
Liabilities from finance leases	[24]	21	14
Trade payables	[25]	3,570	3,814
Other current liabilities	[25]	1,208	1,159
Income tax liabilities	[25]	549	551
Liabilities in connection with non-current assets classified as held for sale and disposal groups	[19]	141	209
CURRENT LIABILITIES		8,483	8,787
TOTAL EQUITY AND LIABILITIES		35,189	33,513

GROUP STATEMENT OF CASH FLOWS

GROUP STATEMENT OF CASH FLOWS

37

<i>in EUR m, ► SEE NOTE [28]</i>	Note	2016	2017
Profit before tax from continuing operations		1,751	1,679
<i>Adjustments to profit before tax to calculate cash flow from operating activities – continuing operations</i>			
Amortisation of intangible assets/depreciation of tangible assets	[12], [13]	1,897	1,896
Impairments of financial assets	[14]	8	1
Profit/loss on disposal of non-current assets		-36	-47
Net interest	[9]	307	258
Finance income arising from embedded finance leases in accordance with IFRIC 4/IAS 17	[9]	14	10
Share of profit or loss from associates and joint ventures (at equity)	[14]	-13	-19
Distributions/dividends received from associates and joint ventures	[14]	22	29
Income taxes paid	[10]	-446	-453
<i>Changes in assets and liabilities</i>			
Change in inventories	[15]	21	-75
Change in trade receivables	[16]	-91	20
Change in provisions	[21], [22]	-64	-17
Change in trade payables	[25]	349	271
Change in other assets and liabilities		-319	-75
CASH FLOW FROM OPERATING ACTIVITIES – CONTINUING OPERATIONS		3,400	3,478
CASH FLOW FROM OPERATING ACTIVITIES – DISCONTINUED OPERATIONS		40	30
CASH FLOW FROM OPERATING ACTIVITIES – CONTINUING AND DISCONTINUED OPERATIONS		3,440	3,508
Payments for tangible and intangible assets and plants held under finance leases in accordance with IFRIC 4/IAS 17		-1,761	-1,660
Payments for investments in consolidated companies	[2]	-250	-40
Payments for investments in financial assets		-75	-67
Payments for investments in securities	[17]	-1,240	-1,655
Proceeds on disposal of securities	[17]	1,531	1,162
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17		173	267
Proceeds on disposal of consolidated companies and from purchase price repayment claims		116	123
Proceeds on disposal of financial assets		34	52
CASH FLOW FROM INVESTING ACTIVITIES – CONTINUING OPERATIONS		-1,472	-1,818
CASH FLOW FROM INVESTING ACTIVITIES – DISCONTINUED OPERATIONS		-19	-28
CASH FLOW FROM INVESTING ACTIVITIES – CONTINUING AND DISCONTINUED OPERATIONS		-1,491	-1,846

GROUP STATEMENT OF
CASH FLOWS

GROUP STATEMENT OF CASH FLOWS

38

<i>in EUR m, ► SEE NOTE [28]</i>	Note	2016	2017
Dividend payments to Linde AG shareholders and non-controlling interests	[31]	-765	-813
Cash inflows/outflows due to changes of non-controlling interests		-	25
Cash inflows from interest rate derivatives	[9]	149	88
Interest paid on financial debt and payments made for interest rate derivatives	[9]	-496	-388
Proceeds from loans and capital market debt	[23]	5,322	4,757
Cash outflows for the repayment of loans and capital market debt	[23]	-6,085	-5,273
Cash outflows for the repayment of liabilities from finance leases	[24]	-21	-17
CASH FLOW FROM FINANCING ACTIVITIES – CONTINUING OPERATIONS		-1,896	-1,621
CASH FLOW FROM FINANCING ACTIVITIES – DISCONTINUED OPERATIONS		-21	-2
CASH FLOW FROM FINANCING ACTIVITIES – CONTINUING AND DISCONTINUED OPERATIONS		-1,917	-1,623
CHANGE IN CASH AND CASH EQUIVALENTS		32	39
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	[18]	1,417	1,463
Effects of currency translation		18	-67
Cash and cash equivalents reported as non-current assets classified as held for sale and disposal groups	[19]	-4	-3
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	[18]	1,463	1,432

STATEMENT OF CHANGES IN GROUP EQUITY

STATEMENT OF CHANGES IN GROUP EQUITY

<i>in EUR m, ► SEE NOTE [20]</i>	<i>Capital subscribed</i>	<i>Capital reserve</i>
AS AT 01.01.2016	475	6,736
Profit for the year	-	-
Other comprehensive income (net of tax)	-	-
TOTAL COMPREHENSIVE INCOME	-	-
Dividend payments	-	-
Changes as a result of share option schemes	-	9
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	-	9
Acquisition/disposal of a subsidiary with non-controlling interests	-	-
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	-	-
OTHER CHANGES	-	-
AT 31.12.2016/01.01.2017	475	6,745
Profit for the year	-	-
Other comprehensive income (net of tax)	-	-
TOTAL COMPREHENSIVE INCOME	-	-
Dividend payments	-	-
Changes as a result of share option schemes	-	-15
Capital increase/decrease	-	-
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	-	-15
Acquisition/disposal of non-controlling interests without change in control	-	-
Acquisition/disposal of a subsidiary with non-controlling interests	-	-
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	-	-
AS AT 31.12.2017	475	6,730

STATEMENT OF
CHANGES IN GROUP EQUITY

39

<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>				
-966	8,112	1,127	-1	-905	14,578	871	15,449	
-	1,154	-	-	-	1,154	121	1,275	
-417	-	-148	-	40	-525	16	-509	
-417	1,154	-148	-	40	629	137	766	
-	-640	-	-	-	-640	-125	-765	
-	-	-	-	-	9	-	9	
-	-640	-	-	-	-631	-125	-756	
-	-	-	-	-	-	23	23	
-	-	-	-	-	-	23	23	
-	1	-	-	-	1	-3	-2	
-1,383	8,627	979	-1	-865	14,577	903	15,480	
-	1,434	-	-	-	1,434	132	1,566	
246	-	-1,719	6	342	-1,125	-63	-1,188	
246	1,434	-1,719	6	342	309	69	378	
-	-687	-	-	-	-687	-126	-813	
-	-	-	-	-	-15	-	-15	
-	-	-	-	-	-	11	11	
-	-687	-	-	-	-702	-115	-817	
-	-2	-	-	-	-2	12	10	
-	-	-	-	-	-	8	8	
-	-2	-	-	-	-2	20	18	
-1,137	9,372	-740	5	-523	14,182	877	15,059	

SEGMENT INFORMATION

(PART OF THE NOTES TO THE GROUP FINANCIAL STATEMENTS)

SEGMENT INFORMATION¹

40

in EUR m, ► SEE NOTE [29]	Segments							
	Gases Division		Engineering Division		Reconciliation		Group	
	2016	2017	2016	2017	2016	2017	2016	2017
Revenue from third parties	14,882	14,977	2,066	2,136	-	-	16,948	17,113
Revenue from other segments	10	11	285	252	-295	-263	-	-
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS	14,892	14,988	2,351	2,388	-295	-263	16,948	17,113
OPERATING PROFIT	4,210	4,268	196	220	-308	-275	4,098	4,213
Restructuring and merger costs (special items)	101	221	12	56	13	96	126	373
Amortisation of intangible assets/ depreciation of tangible assets	1,893	1,900	44	34	-40	-38	1,897	1,896
thereof write-downs and impairments	17	17	7	1	-	-	24	18
thereof write-downs and impairments in connection with non-current assets classified as held for sale and disposal groups	6	-	-	-	-	-	6	-
EBIT	2,216	2,147	140	130	-281	-333	2,075	1,944
Capital expenditure (excluding financial assets)	1,660	1,752	30	30	22	-95	1,712	1,687

in EUR m	Segments							
	Gases Division							
	EMEA		Asia/Pacific		Americas		Total Gases Division	
2016	2017	2016	2017	2016	2017	2016	2017	
Revenue from third parties	5,721	5,862	4,084	4,354	5,077	4,761	14,882	14,977
Revenue from other segments	15	14	25	24	155	147	10	11
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS	5,736	5,876	4,109	4,378	5,232	4,908	14,892	14,988
OPERATING PROFIT	1,807	1,874	1,084	1,202	1,319	1,192	4,210	4,268
Restructuring and merger costs (special items)	49	164	42	11	10	46	101	221
Amortisation of intangible assets/ depreciation of tangible assets	703	713	569	579	621	608	1,893	1,900
thereof write-downs and impairments	4	1	10	16	3	-	17	17
thereof write-downs and impairments in connection with non-current assets classified as held for sale and disposal groups	6	-	-	-	-	-	6	-
EBIT	1,055	997	473	612	688	538	2,216	2,147
Capital expenditure (excluding financial assets)	753	698	375	465	532	589	1,660	1,752

¹ Due to the plans to sell Gist, the segment reporting was changed in the 2017 financial year. Further information is available in ► NOTE [29] SEGMENT INFORMATION. The prior-year figures were adjusted accordingly.

SEGMENT INFORMATION

REVENUE BY LOCATION OF CUSTOMER

41

<i>in EUR m</i>	2016	2017
Europe	5,995	6,440
Germany	1,228	1,272
Russia	716	1,127
UK	932	883
Asia/Pacific	4,871	5,120
China	1,241	1,358
Australia	1,040	1,056
North America	5,050	4,455
USA	4,506	3,868
South America	572	590
Africa	460	508
GROUP REVENUE	16,948	17,113

NON-CURRENT SEGMENT ASSETS BY LOCATION OF COMPANY

42

<i>in EUR m</i>	2016	2017
Europe	10,035	9,849
Germany	1,276	1,291
UK	1,177	1,098
Asia/Pacific	7,958	7,063
China	1,421	1,381
Australia	1,192	1,046
North America	7,532	6,611
USA	2,858	2,472
South America	434	362
Africa	642	599
NON-CURRENT SEGMENT ASSETS	26,601	24,484

The information disclosed by country excludes goodwill.

NOTES TO THE GROUP FINANCIAL STATEMENTS

GENERAL PRINCIPLES

[1] Basis of preparation

The Linde Group is an international technology group which operates across the globe. The parent company of The Linde Group is Linde Aktiengesellschaft. The registered office of Linde AG is in Munich, Germany (Munich Commercial Register, ref. HRB 169850).

The consolidated financial statements of Linde Aktiengesellschaft for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) 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 in the European Union. The consolidated financial statements also comply with the additional requirements set out in § 315e (1) of the German Commercial Code (HGB).

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

The Group statement of profit or loss has been prepared using the cost of sales method.

The financial statements of the main operating entities which are included in the consolidated financial statements have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft and the latter's network. The annual financial statements of companies included in the consolidation are drawn up at the same reporting date as the annual financial statements of Linde Aktiengesellschaft.

[2] Acquisitions

There were no major acquisitions in 2017. Therefore, acquisitions made during the year are described below in aggregate rather than on an individual basis.

In order to expand its business in the Industrial Gases and Healthcare product areas, Linde made acquisitions in the EMEA, Americas and Asia/Pacific

segments in the year under review. The total purchase price for these acquisitions, including restated existing shares, was EUR 55 m, of which EUR 44 m was paid in cash. The total purchase price includes contingent consideration of EUR 1 m and deferred purchase price payments of EUR 2 m. In the course of a gradual acquisition, existing shares were restated at the fair value of EUR 8 m and the resulting positive impact on earnings in the amount of EUR 1 m was reported under operating profit.

In the course of these corporate acquisitions, Linde has acquired non-current assets, inventories, liquid funds and other current assets. The acquired goodwill came to EUR 37 m in total. Key components relate to synergy potential, particularly sales synergies in the Healthcare area, and potential resulting from continuation as a going concern. The goodwill is tax-deductible in the amount of EUR 25 m. The shares of non-controlling shareholders were recognised based on the share of the restated net assets. The acquisitions resulted in the addition of receivables totalling EUR 9 m. The gross value of the receivables is EUR 9 m.

Since the date of acquisition, the acquired companies have contributed EUR 23 m in revenue and EUR 0 m in profit for the year to the Group operating profit. If the business had already been consolidated within The Linde Group since 1 January 2017, then the revenue contribution would have been EUR 33 m and the contribution to profit for the year would have been EUR 1 m.

IMPACT OF ACQUISITIONS ON THE NET ASSETS OF THE LINDE GROUP

43

Opening balance upon initial consolidation	
in EUR m	Other
Non-current assets	38
Inventories	1
Other current assets	10
Cash and cash equivalents	4
Equity (attributable to Linde AG)	18
Non-controlling interests	13
Liabilities	22

IMPACT OF ACQUISITIONS ON THE PROFIT FOR THE YEAR OF THE LINDE GROUP

44

in EUR m	Profit for the year since the acquisition date	Profit for the year since the beginning of the financial year on 01.01.2017 ¹
Other	-	1

¹ When these amounts were calculated, the fair value adjustments were assumed to be the same as those at the acquisition date.

NOTES TO THE
GROUP FINANCIAL STATEMENTS
GENERAL PRINCIPLES

IMPACT OF ACQUISITIONS ON THE REVENUE
OF THE LINDE GROUP

45

in EUR m	Revenue since the acquisition date	Revenue since the beginning of the financial year on 01.01.2017
Other	23	33

[3] Scope of consolidation

STRUCTURE OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

46

	As at 31.12.2016	Additions	Disposals	As at 31.12.2017
CONSOLIDATED SUBSIDIARIES	556	16	16	556
of which within Germany	20	-	-	20
of which outside Germany	536	16	16	536
COMPANIES ACCOUNTED FOR USING THE LINE-BY-LINE METHOD	5	2	-	7
of which within Germany	-	-	-	-
of which outside Germany	5	2	-	7
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	36	-	1	35
of which within Germany	2	-	-	2
of which outside Germany	34	-	1	33
NON-CONSOLIDATED SUBSIDIARIES	53	4	15	42
of which within Germany	4	-	2	2
of which outside Germany	49	4	13	40

Changes in the scope of the consolidation may arise as a result of acquisitions, sales, mergers or closures, or as a result of changes in the assessment as to whether Linde AG exercises control or joint control over a company.

The main disposals in the reporting period relate to the sale of the subsidiary Shenzhen South China Industrial Gases Co. Ltd. and of the Australian subsidiary Flexihire Pty. Ltd. The sales resulted, at the level of the Group as a whole, in a total net profit on deconsolidation of EUR 70 m, which is included in other operating income (EUR 76 m) and expenses (EUR 6 m).

The other main disposals in the financial year are shown in ► [NOTE \[19\]](#). Most of the other disposals were mergers and liquidations.

CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

47

in EUR m	31.12.2016	31.12.2017
Carrying amount of ownership interests sold	-	9
Sale price	-	9
GAIN (+)/LOSS (-) FROM DISPOSAL OF OWNERSHIP INTERESTS	-	-

The following table shows the subsidiaries that make use of the exemption options provided for in § 264 (3)/§ 264b HGB for the disclosure of the annual financial statements or the preparation of a management report/notes to the financial statements. For these companies, the consolidated financial statements of Linde AG are the exempting consolidated financial statements.

OVERVIEW OF THE COMPANIES THAT MAKE USE OF THE EXEMPTION PROVISION SET OUT IN THE GERMAN COMMERCIAL CODE (HGB)

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Name	Registered office
Commercium Immobilien- und Beteiligungs-GmbH	Munich
Gas & More GmbH	Pullach
Hydromotive GmbH & Co. KG	Leuna
Linde Electronics GmbH & Co. KG	Pullach
Linde Gas Produktionsgesellschaft mbH & Co. KG	Pullach
Linde Gas Therapeutics GmbH	Oberschleissheim
Linde Hydrogen Concepts GmbH	Pullach
Linde Remeo Deutschland GmbH	Blankenfelde-Mahlow
Linde Schweißtechnik GmbH	Pullach
Linde Welding GmbH	Pullach
MTA GmbH Medizin-Technischer-Anlagenbau	Mainhausen
Nauticor GmbH & Co. KG	Hamburg
Selas-Linde GmbH	Pullach
Tega-Technische Gase und Gasetechnik Gesellschaft mit beschränkter Haftung	Würzburg
Unterbichler Gase GmbH	Munich

A list of the shareholdings of The Linde Group is given in ► [NOTE \[39\]](#).

[4] Foreign currency translation

Transactions in foreign currency are translated into the relevant functional currency of the individual entity on the transaction date. After initial recognition, foreign currency fluctuations relating to monetary items are recognised in profit or loss. For non-monetary items, historical translation rates continue to form the measurement basis.

Translation differences arising from the translation of items into the reporting currency continue to be recognised in other comprehensive income. The financial statements of foreign subsidiaries, including any fair value adjustments identified in the course of a purchase price allocation, are translated in accordance with the functional currency concept set out in IAS 21 The Effects of Changes in Foreign Exchange Rates.

Assets and liabilities, contingent liabilities and other financial commitments are translated at the mid-rate on the reporting date (closing rate method). Items in the statement of profit or loss and the net income for the year are translated at a rate which approximates to the translation rate on the date of the transaction (the average rate).

Differences arising from the translation of equity are recognised in other comprehensive income.

The financial statements of foreign companies accounted for using the equity method are translated using the same principles for the adjustment of equity as are applied to consolidated subsidiaries.

In general, the financial statements of subsidiaries outside Germany which report in a functional currency which is the currency of a hyperinflationary economy are adjusted for the change in purchasing power arising from the inflation in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies.

PRINCIPAL EXCHANGE RATES

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Exchange rate EUR 1 =	ISO code	Exchange rates on reporting date		Average rates for the year	
		31.12.2016	31.12.2017	2016	2017
Australia	AUD	1.45732	1.53781	1.48859	1.47357
China	CNY	7.30336	7.80668	7.35307	7.63240
South Africa	ZAR	14.44751	14.84441	16.26524	15.04332
UK	GBP	0.85229	0.88779	0.81950	0.87656
USA	USD	1.05160	1.19980	1.10700	1.13023

[5] Accounting policies

The financial statements of companies included in the consolidated financial statements of The Linde Group have been prepared using uniform accounting policies in accordance with IFRS 10 Consolidated Financial Statements.

The preparation of the Group financial statements in accordance with IFRS requires management judgements and estimates for some items, which might 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.

The main accounting and valuation policies, as well as the estimates and management judgements associated with them, are explained below:

Principles of consolidation Consolidation

Companies are consolidated using the acquisition method. Where non-controlling interests are acquired, any remaining balance between the acquisition cost and the share of net assets acquired is offset directly in equity. Intra-Group sales, income and expenses and accounts receivable and payable are eliminated. Intra-Group profits and losses arising from intra-Group deliveries of non-current assets and inventories are also eliminated.

The cost of an acquisition is measured at the fair value of the assets acquired, and liabilities assumed, in order to gain control, on the date of acquisition. The identifiable assets, liabilities and contingent liabilities acquired as a result of a business combination are recognised for the first time at their fair values at the date of acquisition, irrespective of the scope of any non-controlling interests. Non-controlling interests are measured at the pro rata fair value of the assets acquired and the liabilities assumed (partial goodwill method).

Control

The Group financial statements comprise Linde AG and all the companies over which Linde AG is able to exercise control as defined by IFRS 10. 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.

Companies for which the principal object is the construction and operation of gas production plants, in which Linde holds less than 100 percent of the voting rights, are still fully consolidated if Linde holds the advantage in terms of know-how. In these cases, The Linde Group has assumed responsibility for the operation of the companies plants, and the companies are therefore dependent on Linde technology. This is

also reflected in the licensing agreements in force and by the integration of production into the processes of The Linde Group and/or the interrelationships between the various decision-makers. The operation of the plants is the principal driver of variable returns from the companies.

In addition, companies are fully consolidated if Linde exerts increased management authority in those companies and is able to exercise, on the basis of individual contracts, the most extensive decision-making powers over major portions of the operating activities of the entities.

Joint control

Companies over which Linde AG may exercise joint control, as defined by IFRS 11, are either included in the Group financial statements on the basis of the interest (line-by-line method) or using the equity method, depending on the characteristics of the company. 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.

If joint control exists, 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.

Joint ventures are accounted for under the equity method at cost at the date of acquisition. In subsequent periods, the carrying amount is adjusted up or down to reflect Linde's share of the comprehensive income of the investee. Any distributions received from the investee and other changes in the investee's equity reduce or increase the carrying amount of the investment. If the losses of an associate or joint venture attributable to The Linde Group equal or exceed the value of the interest held in this associate or joint venture, no further losses are recognised unless the Group incurs an obligation or makes payments on behalf of the associate or joint venture. The same principles apply to the consolidation of companies accounted for using the equity method as for the consolidation of subsidiaries.

Significant influence

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. The term "significant influence" refers to a scenario in which Linde can exert a significant influence via representation in the relevant management bodies, unless it can be clearly demonstrated that this is not the case.

Non-consolidated subsidiaries and other investments

Non-consolidated subsidiaries and other investments, when taken individually and 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.

Management judgements

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, management judgements may be required. Above all in cases where Linde holds 50 percent of the voting rights, a decision has to be taken as to whether there are rights or circumstances which might mean that Linde has power over the potential subsidiary or that joint control exists.

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

Business combinations require estimates to be made when determining fair values. When discounted cash flow methods are used, discretionary aspects include in particular the time period and amount of the cash flow and the determination of an appropriate discount rate. In connection with management judgements about purchase price allocations in the case of business combinations where the total assets acquired 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.

Intangible assets

Purchased and internally generated intangible assets are stated at acquisition cost or manufacturing cost less accumulated amortisation and any impairment losses. An internally generated intangible asset is recognised if it can be identified as an asset, if it is probable that the future economic benefits that are attributable to the asset will flow to Linde, and if the cost of the asset can be measured reliably. It is important to determine whether the intangible assets have finite or indefinite useful lives. The estimated useful life of customer relationships purchased is calculated on the basis of the term of the contractual relationship underlying the customer relationship, or on the basis of expected customer behaviour. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet ready for use are not amortised, but are subject instead to an impairment test once a year, or more often if there is any indication that an asset may be impaired.

The cash-generating unit (CGU) applied in impairment reviews of goodwill corresponds to the operating segments EMEA, Americas and Asia/Pacific, as well as the Engineering Division. The impairment test involves initially comparing the value in use of the cash-generating unit with its carrying amount. If the carrying amount of the cash-generating unit exceeds the value in use, a test is performed to determine whether the fair value of the asset less costs to sell is higher than the carrying amount. To calculate the value in use of the cash-generating units, post-tax future cash inflows and outflows are derived from corporate financial budgets approved by management which cover a detailed planning period of five years. The calculation of the terminal value is based on the future net cash flows from the latest available detailed planning period. The post-tax interest rates used to discount the cash flows take into account industry-specific and country-specific risks relating to the particular cash-generating unit. When the terminal value is discounted, declining growth rates are used, which are lower than the growth rates calculated in the detailed planning period and which serve mainly to compensate for a general inflation rate.

If the reason for an impairment loss recognised in prior years no longer exists, the carrying amount of the intangible asset is increased to a maximum figure of the carrying amount that would have been determined had no impairment loss been recognised. This does not apply to goodwill.

Costs incurred in connection with the purchase for consideration and in-house development of software used internally, including the costs of bringing this software to an operational state, are capitalised and amortised on a straight-line basis over an estimated useful life of three to eight years.

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USEFUL LIVES OF INTANGIBLE ASSETS

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Customer relationships	2–40 years
Brands	10 years – indefinite useful life
Other intangible assets	3–14 years

Tangible assets

Tangible assets are reported at acquisition cost or manufacturing cost less accumulated depreciation based on the estimated useful life of the asset and any impairment losses. Tangible assets are depreciated using the straight-line method, and the depreciation expense is disclosed in the statement of profit or loss under the heading which corresponds to the functional features of the underlying asset. The depreciation method and the estimated useful lives of the assets are reviewed on an annual basis and adapted to prevailing conditions.

The following useful lives apply to the different types of tangible assets:

USEFUL LIVES OF TANGIBLE ASSETS

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Buildings and land rights	10–40 years
Technical equipment & machinery	6–15 years
Other equipment, furniture and fixtures	3–20 years

The useful lives are estimated based on past experience. 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 costs of upgrades to plants or their complete overhaul, depends on whether these costs will lead to better or higher output or whether they extend the estimated useful life of the asset.

If significant events or market developments indicate an impairment in the value of the tangible asset, Linde reviews the recoverability of the carrying amount of the asset by testing for impairment. The scope of the cash-generating unit is determined by external, independent cash flows. Special local market-related circumstances determine the combination of cash flows from different product segments. To determine the recoverable amount on the basis of value in use, estimated future cash flows are discounted at a rate which reflects the risk specific to the asset. When estimating future cash flows, current and expected future inflows as well as segment-specific, technological, economic and general developments are taken into account. If

the reason for an impairment loss recognised in prior years no longer exists, the carrying amount of the tangible asset is increased to a maximum figure of the carrying amount that would have been determined had no impairment loss been recognised.

Inventories

Inventories are reported at the lower of acquisition or manufacturing cost and net realisable value. Inventories are generally measured on a moving average basis or using the FIFO (first in, first out) method.

Non-current assets held for sale and disposal groups and discontinued operations

Non-current assets and disposal groups, as well as liabilities directly related to these, are classified separately in the statement of financial position as held for sale if they are available for sale in their present condition and the sale within the next twelve months is highly probable.

Non-current assets classified as held for sale and disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Amortisation and depreciation has been discontinued. The process involved in determining the fair value less costs to sell involves estimates and assumptions that are subject to uncertainty.

Discontinued operations are reported as soon as a part of the business is classified as held for sale, or has already been disposed of, and the business area in question represents either a separate major line of business or a geographical area of operations and is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. The profit/loss from discontinued operations is reported separately from the expenses and income from continuing operations in the Group statement of profit or loss; prior-year figures are shown on a like-for-like basis. In the Group statement of cash flows, the cash flows from discontinued operations are shown separately from the cash flows from continuing operations; prior-year figures are shown on a like-for-like basis. The information provided in the Notes to the Group financial statements (with the exception of [▶ NOTE \[19\] NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL GROUPS](#)) – insofar as they relate to the Group statement of profit or loss and the Group statement of cash flows – relates to continuing operations. If the information relates exclusively to discontinued operations, this is highlighted accordingly.

Provisions for pensions and similar obligations

The valuation of pension provisions is based on the projected unit credit method set out in IAS 19 Employee Benefits for defined benefit obligations. This method takes into account not only vested future benefits and known pensions at the reporting date, but also expected future increases in salaries and pensions. The calculation of the provisions is determined using actuarial reports based on biometric assumptions.

The fair value of the plan assets (adjusted if necessary to comply with the rules relating to the asset ceiling set out in IAS 19.64) is deducted from the present value of the pension obligations (gross pension obligation) to give the net pension obligation or net pension asset in respect of defined benefit pension plans. According to IAS 19.64, a net pension asset may only be disclosed if The Linde Group, under its obligation as an employer, has the right to receive a refund of the surplus or to reduce future contributions.

The net interest expense for the financial year is calculated by multiplying the net pension obligation or net pension asset at the beginning of the period by the interest rate underlying the discounting of the gross defined benefit obligation at the beginning of the period.

The discount rate is calculated on the basis of the 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.

Remeasurements comprise on the one hand the actuarial gains and losses on the remeasurement of the gross defined benefit obligation and on the other hand the difference between the return on plan assets actually realised and the return assumed at the beginning of the period, which is based on the discount rate of the corresponding gross defined benefit obligation. If a pension plan is overfunded and the asset ceiling applies, remeasurements also comprise the change in the net asset from the application of the asset ceiling rules to the extent that this has not been accounted for in net interest.

Actuarial gains and losses arise from changes in actuarial assumptions or from variations between earlier actuarial assumptions and actual events.

All remeasurements (i.e. actuarial gains and losses, the cumulative effect of an asset ceiling and the effects of an increase in the pension obligation in accordance with IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) are offset immediately in other comprehensive income.

The expense arising from additions to the pension provisions is allocated to functional costs. The net interest expense or net interest income from defined benefit plans is disclosed in the financial result. For each pension plan, it is established whether the net figure is a net interest expense or net interest income and the amounts are disclosed accordingly in the financial result.

Miscellaneous provisions

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, miscellaneous provisions are recognised when a present obligation to a third party exists as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Miscellaneous provisions are recognised for all identifiable risks and liabilities of uncertain timing or amount. The amounts provided are the best estimate of the probable expenditure required to settle the obligation and are not offset against recourse claims. The settlement amount is calculated based on the assessment of the probability of an outflow of resources, and on past experience and the circumstances known at the reporting date. This also includes any cost increases which need to be taken into account at the reporting date. The actual outflow of resources at a future date may therefore vary from the figure included in other provisions. Provisions which relate to periods of more than twelve months are discounted.

Provisions for warranties and onerous contracts include provisions for warranties and provisions for litigation. Assumptions are made here about the probability of occurrence of the risk and the expected future outflow of resources. The uncertainty associated with the measurement of warranty provisions is relatively moderate, as Linde has recourse to historical warranty cost ratios when determining the amounts to be set aside.

Litigation is associated with great uncertainty. A degree of discretion is required to assess whether a present obligation to a third party exists at the reporting date as a result of a past event, whether it is probable that an outflow of resources will be required in future to settle the obligation and whether a reliable estimate can be made of the amount of the obligation. The current status of outstanding litigation is regularly reviewed and updated by the Group's legal department and lawyers appointed by the Group. Changes to this status as a result of new information may result in adjustments being made to the provision.

Provisions for other obligations include provisions for costs which are expected to arise on the completion of major projects. There is an increased level of uncertainty associated with the measurement of these provisions.

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Provisions for warranty claims are recognised taking current or estimated future claims experience into account.

Dismantling provisions are capitalised when they arise, at the discounted value of the obligation, and a provision for the same amount is established at the same time. An estimate is made, based on past experience, of future costs expected to be incurred to dismantle plants and restore the land on which the plant was built to its original condition. The expected costs are reassessed on an annual basis and the amount of the provision is adjusted if required. The depreciation charged on the asset and the unwinding of interest applied to the provision are both allocated as an expense to the periods of use of the asset.

Provisions for restructuring are recognised if a formal, detailed restructuring plan has been drawn up and communicated to the relevant parties.

Income tax provisions are disclosed in income tax liabilities.

Revenue recognition

Revenue comprises sales of products and services as well as lease and rental income, less discounts and rebates.

In the on-site product area, revenue is recognised when the risks of ownership have been transferred to the customer, the consideration can be reliably determined and it is probable that the associated receivables will be collected. In the cylinder gas and liquefied gases business, revenue is recognised at the time of delivery of, and transfer of risk associated with, the gases to be supplied to the customer/when the related services on which the invoicing is based are performed. Revenue from healthcare services in the Healthcare product area is recognised in the amount of the agreed reimbursement rates when the agreed healthcare service is rendered.

Long-term construction contracts

Revenue from long-term customer-specific construction contracts is recognised, in accordance with IAS 11 Construction Contracts, based on the stage of completion of the contract (percentage of completion method, or PoC method). The stage of completion of each contract is determined by the ratio of the costs incurred to the expected total cost (cost-to-cost method). For major projects, the calculation and analysis of the stage of completion of the project takes 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 covered, and the contract costs in the period in which they are incurred are recognised as an expense (zero profit method). If the cumulative contract output (costs incurred plus profits disclosed) exceeds payments on account on an individual contract, the construction contract is disclosed under Trade receivables. If there is a negative balance after deducting payments on account, the amount is disclosed under Trade payables. Anticipated losses on contracts are recognised in full, based on an assessment of identifiable risks.

The financial income from long-term construction contracts is disclosed in other operating income as a result of its clear relationship with the Group's operating business.

Cost of sales

Cost of sales comprises the cost of goods and services sold and the cost of merchandise sold. It includes not only the cost of direct materials and direct manufacturing expenses, but also overheads including depreciation of production plants, amortisation of certain intangible assets and inventory write-downs.

Research and development costs

Research costs and development costs which cannot be capitalised are recognised immediately in profit or loss.

Financial result

The financial result includes:

- interest expenses on liabilities,
- dividends received,
- interest income on receivables,
- gains and losses on financial instruments recognised in profit or loss,
- the net interest expense and net interest income from defined benefit plans,
- interest expense and income from finance leases and
- the expense and income relating to the measurement of certain embedded derivatives.

Interest income and interest expenses are recognised in profit or loss on the basis of the effective interest rate method.

Dividends are recognised in profit or loss when they have been declared. Dividend payments made by operating companies which are reported at cost or at fair value in which Linde holds more than 10 percent of the voting rights and which have a clear connection to Linde's core operating business are recognised in other operating income. Core businesses are defined as those business areas which make a material contribution to the revenue of a division. A material contribution is deemed to be one of around 20 percent.

Financial instruments

Financial assets and liabilities are only recognised in the Group statement of financial position when Linde becomes a party to the contractual provisions of the financial instrument. In the normal course of events, purchases and sales of financial assets are accounted for on settlement day. The same does not apply to derivatives, which are accounted for on the trading day.

According to IAS 39 Financial Instruments: Recognition and Measurement, financial instruments must be categorised as financial instruments held for trading or at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial investments, or loans and receivables. The Linde Group does not avail itself of the fair value option, whereby financial assets or financial liabilities are classified as at fair value through profit or loss when they are first recognised.

Available-for-sale financial assets include equity instruments and debt instruments. If equity instruments are not held for trading or measured at fair value through profit or loss, they are classified as available-for-sale financial assets. Debt instruments are included in this category if they are held for an unspecified period and can be sold depending on the market situation.

Financial instruments are initially recognised at fair value. Transaction expenses which are directly attributable to the acquisition or issue of financial instruments are only included in the determination of the carrying amount if the financial instruments are not recognised at fair value through profit or loss.

The subsequent measurement of available-for-sale financial assets is based on the separate recognition in equity as other comprehensive income of unrealised gains and losses, inclusive of deferred tax, until they are realised. Equity instruments for which no price is quoted in an active market and for which the fair value cannot be reliably determined are reported at cost. If the fair value of available-for-sale financial assets falls below cost and if there is objective evidence that the asset is impaired, the cumulative loss recognised directly in equity is transferred to profit or loss. Impairment reversals are recognised in equity for equity instruments and in profit or loss for debt instruments.

Loans and receivables and held-to-maturity financial investments are measured at amortised cost using the effective interest rate method. Where there is objective evidence that the asset is impaired, it is recognised at the present value of expected future cash flows if this is lower than amortised cost. The present value of expected future cash flows is calculated using the original effective interest rate of the financial asset.

The Linde Group conducts regular impairment reviews of the following categories of financial assets:

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loans and receivables, available-for-sale financial assets and held-to-maturity financial investments. The following criteria are applied:

- [a] significant financial difficulty of the issuer or obligor,
- [b] breach of contract, such as a default or delinquency in payments of interest or principal,
- [c] the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that would not otherwise be considered,
- [d] it becoming probable that the borrower will enter bankruptcy or other financial reorganisation,
- [e] the disappearance of an active market for that asset because of financial difficulties,
- [f] a recommendation made by capital market observers,
- [g] information about significant changes with an adverse effect that have taken place in the technological, economic or legal environment of a contracting party,
- [h] a significant or prolonged decline in the fair value of the financial instrument.

Impairments are recognised through profit or loss in impairment accounts. If the financial asset is not recoverable, it is written off.

A financial asset is eliminated if Linde loses its contractual entitlement to cash flows from such an asset or if it transfers virtually all the risks and opportunities associated with that financial asset. In the 2017 financial year, no financial assets that would not qualify for elimination were transferred by Linde.

All derivative financial instruments are reported at fair value, irrespective of their purpose or the reason for which they were acquired.

Embedded derivatives (i.e. derivatives which are included in host contracts) are separated from the host contract and accounted for as derivative financial instruments, if certain requirements are met.

For more information about risk management and the impact on the statement of financial position of derivative financial instruments, see ► [NOTE \[27\]](#).

Receivables and liabilities from finance leases, trade receivables and trade payables, financial debt, as well as miscellaneous receivables and assets and miscellaneous liabilities, are reported at amortised cost as long as they are not derivative financial instruments. Differences between historical cost and the repayment amount are accounted for using the effective interest rate method. Appropriate impairment losses are recognised if specific risks are identified. Impairments of receivables are based to a large 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 historical bad debts on a portfolio basis. Individual impairments of receivables take account of both customer-specific and country-specific risks. The carrying amount of the financial debt which comprises the hedged item in a fair value hedge is adjusted for the corresponding gain or loss with respect to the hedged risk.

Financial instruments which contain both an equity portion and a liability portion are classified in accordance with IAS 32 Financial Instruments: Presentation. The financial instruments issued by The Linde Group are classified entirely as financial liabilities and reported at amortised cost. No part thereof is classified separately as an equity instrument.

Deferred taxes

Deferred tax assets and liabilities are accounted for in accordance with IAS 12 Income Taxes under the liability method in respect of all temporary differences between the carrying amounts of the assets and liabilities under IFRS and the corresponding tax base used in the computation of taxable profit, and in respect of all consolidation adjustments affecting net income and unused tax loss carryforwards.

Deferred tax assets are only recognised for unused tax losses to the extent that it is probable that taxable profits will be available in future years against which the tax losses can be utilised. Deferred taxes are calculated at the tax rates that apply to the period when the asset is realised or the liability is settled, using tax rates set out in laws that have been enacted or substantively enacted in the individual countries by the reporting date.

Accounting for leases

According to IFRIC 4 Determining whether an Arrangement contains a Lease, if specific criteria are met, certain arrangements should be accounted for as leases that do not take the legal form of a lease. In particular, in the Gases Division, certain gas supply contracts are classified as embedded leases if the fulfilment of the arrangement depends upon a specific asset and if the customer's revenue share accounts for an overwhelming proportion of the production capacity of the asset. If an embedded lease exists, the criteria set out in IAS 17 Leases are used to examine in each individual case whether, under the gas supply contract, substantially all the risks and rewards incidental to ownership of the plant have been transferred to the customer, meaning that this constitutes an embedded finance lease. This involves separating that portion of the gas supply contract which relates to the embedded lease from the rest of the contract. Then it is established whether the minimum lease payments thus identified amount to substantially all the fair value of the plant and whether the minimum lease term is for the major part of the plant's economic life.

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. If Linde is the lessee under a finance lease agreement, the assets are disclosed at the beginning of the lease under tangible assets at the fair value of the leased asset or, if lower, at the present value of the future lease payments. Corresponding liabilities from finance leases are recognised.

Rental and lease payments under operating leases are recognised in functional costs in the statement of profit or loss on a straight-line basis over the lease term.

Recently issued accounting standards

The IASB and IFRIC have revised numerous standards and have issued many new ones in the course of their projects to develop IFRS and achieve convergence with US GAAP. Of these, the following standards are mandatory in the consolidated financial statements of The Linde Group for the year ended 31 December 2017:

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual improvements to IFRS Standards 2014–2016 Cycle
- Amendments to IAS 7: Disclosure Initiative

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

Recently issued accounting standards which have not yet been applied

The following standards have been issued by the IASB, but have not been applied in the consolidated financial statements of The Linde Group for the year ended 31 December 2017, as they are either not yet effective and/or have not yet been adopted by the European Union:

- IFRS 15 Revenue from Contracts with Customers including Amendments to IFRS 15 (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- Clarifications relating to IFRS 15 Revenue from Contracts with Customers (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- IFRS 9 Financial Instruments (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (first-time application deferred indefinitely by the IASB)
- IFRS 16 Leases (first-time application according to IASB in financial years beginning on or after 1 January 2019)
- Amendments to IFRS 2 Share-based Payment (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- Annual improvements to IFRS Standards 2014–2016 Cycle, (first-time application according to IASB in financial years beginning on or after 1 January 2017/1 January 2018)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- IFRIC 23 Uncertainty over Income Tax Treatments (first-time application according to IASB in financial years beginning on or after 1 January 2019)
- Amendments to IAS 28: Investments in Associates and Joint Ventures (first-time application according to IASB in financial years beginning on or after 1 January 2019)
- Annual improvements to IFRS Standards 2015–2017 Cycle, (first-time application according to IASB in financial years beginning on or after 1 January 2019)

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. According to IFRS 15 Revenue from Contracts with Customers, revenue is to be recognised when control over the goods or services in question has passed to the

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customer. This means that the principle of the transfer of control replaces the principle of the transfer of risks and rewards.

In future, companies preparing their financial statements in accordance with IFRS 15 will determine when to recognise revenue (at what time or over which period) and how much revenue to recognise by applying five steps. The new requirements were endorsed by the European Union in 2017 and are mandatory for financial years beginning on or after 1 January 2018. Earlier application is permitted. IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue, as well as the corresponding interpretations.

Linde will apply the standard for the first time for the 2018 financial year, applying the modified retrospective method.

The modified retrospective method involves recognising the cumulative effects of the first-time application of the standard at 1 January 2018 as an adjustment to the value shown in the opening statement of financial position for revenue reserves. In addition, the standard will only be applied with retroactive effect to contracts that have not yet been fulfilled in full at 1 January 2018.

Linde has launched a Group-wide project on the introduction of IFRS 15 that comprises two phases (analysis and implementation phase). The analysis phase involved analysing the main types of contract in respect of the IFRS 15 requirements. This analysis had been completed on the reporting date. The next step, the implementation phase, will involve implementing the necessary adjustments that have been identified in the IT processes/systems, and training the Group companies on the IFRS 15 requirements and – where necessary – on the new processes.

Linde has identified the performance obligations for the Gases Division and the Engineering Division based on the five-step model pursuant to IFRS 15 and has assessed the impact of potential changes in revenue recognition for these activities in accordance with IFRS 15. All in all, the first-time application of the standard will not have any major impact on the value shown in the opening statement of financial position for revenue reserves at 1 January 2018.

In the on-site product area, revenue will be realised – as in the past – with the proportional fulfilment of the supply obligation/the fulfilment of the volume-based performance obligation. In the cylinder gas and liquefied gases business, revenue will continue to be recognised upon the delivery of the gas/fulfilment of the related services on which the invoicing is based. Revenue from healthcare services in the Healthcare product area is recognised in the amount of the agreed reimbursement rates when the agreed healthcare service is rendered. The long-term construction contracts in the Engineering Division

that are measured using the PoC method still meet the requirements for the period-related recognition of revenue under IFRS 15.

In addition, the IFRS 15 analysis has shown that in the on-site business, certain customer-related deliveries and services that have been charged on and recognised as revenue to date can no longer be recognised as revenue from now on, because Linde does not have control over the purchased deliveries and services within the meaning of IFRS 15.

The offsetting of the costs previously recognised in gross terms against the cost reimbursement by the customer on the revenue side will result in a reduction in revenue in the 2018 financial year and – in the same amount – in a reduction in the cost of sales by around EUR 400 m. This will also have a positive effect on the operating margin, while the operating profit will remain unaffected.

The requirements set out in IFRS 15 will change the presentation in the annual financial statements with regard to items in the statement of financial position and the information provided in the Notes. In the future, quantitative and qualitative information will be provided on contractual assets and liabilities from contracts with customers, in particular. If one of the parties has fulfilled its contractual obligations, then the company has to report the contract as a contractual asset or contractual liability depending on whether the company has rendered its service or the customer has made payment. All unconditional entitlements to the receipt of a consideration are to be reported separately by a company as a receivable.

IFRS 9

IFRS 9 Financial Instruments, which was published in July 2014, replaces the existing guidelines in IAS 39 Financial Instruments: Recognition and Measurement. The new standard was endorsed by the European Union in November 2016 and is mandatory for financial years beginning on or after 1 January 2018. IFRS 9 introduces new provisions on the classification and measurement of financial assets. The provisions for financial liabilities that apply to Linde were taken over from IAS 39. IFRS 9 contains new provisions on the impairment of financial instruments, which is now based on the expected credit losses, and provisions on hedge accounting, which aim to bring accounting closer into line with risk management. IFRS 9 also introduces new, more extensive information to be provided in the Notes, in particular on the credit risk and expected credit losses, on the recognition of financial assets and on hedge accounting.

IFRS 9 will be applied for the first time in the 2018 financial year. Changes in accounting methods will be presented applying the retrospective method as a matter of principle. The following exceptions apply in connection with the first-time application of IFRS 9:

- No adjustment of comparative information for prior periods with regard to changes in classification and measurement (including impairments)
- Changes in the values recognised for financial assets and liabilities due to the first-time application of IFRS 9 will be recognised under revenue reserves and cumulative changes in equity as at 1 January 2018.

Classification:

IFRS 9 contains new classification and measurement rules for financial instruments that are based on the business model on which the portfolio is based and the nature of the cash flows generated by the financial instrument. Under IFRS 9, all financial assets will be split into two classification categories – those that are measured at amortised cost (AC) and those that are measured at fair value (FV). If financial assets are measured at fair value, then expenses and income have to be recognised in full either through profit or loss (FVTPL) or in other comprehensive income (FVTOCI).

The Linde Group has taken a full inventory of its financial instruments, allocated them to the business models and set the measurement categories pursuant to IFRS 9. In cases involving equity instruments that are classed as available-for-sale (AFS) financial assets pursuant to IAS 39, Linde makes use of the option provided under IFRS 9 for classifying these as FVTOCI and recognising changes in fair value in other comprehensive income. Based on the analysis and the data available as at 31 December 2017, Linde does not expect the new classification and measurement regulations for financial assets to have any major impact.

IFRS 9 continues to apply the IAS 39 accounting model for financial liabilities. There are still two measurement categories: measurement at fair value and at amortised cost. Financial liabilities held for trading are measured at fair value. All other financial liabilities are measured at amortised cost, unless the company voluntarily designates them as measured at fair value through profit or loss" at the time of initial recognition (known as the "fair value option").

Linde has not designated any financial liabilities as measured at fair value and does not intend to do so either. In this respect, the regulations governing the classification of financial liabilities set out in IFRS 9 do not have any major impact.

Impairment – financial assets:

The impairment model set out in IFRS 9 requires the reflection of expected losses and replaces the IAS 39 impairment model based on losses incurred. The new impairment model applies to financial assets that are measured at amortised cost or at fair value with changes in value recognised in other comprehensive income.

The impairment is to be determined either based on the "12-month expected credit losses" (present value of the expected payment defaults resulting from potential default events occurring within twelve months of the reporting date) or based on the full lifetime expected credit losses (present value of the expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition. The same applies irrespective of an increase in the credit risk for trade receivables or contract assets that do not include a financing component in accordance with IFRS 15.

Additionally, entities can elect an accounting policy to always recognise full lifetime expected losses for all contract assets and trade receivables that include a financing component in accordance with IFRS 15. The same election is also permitted for lease receivables. Linde will be making use of this option for the items in question.

For all other financial instruments, the expected losses are to be included in the amount of the 12-month expected credit losses.

Trade receivables, contract assets and lease receivables:

In order to implement the new impairment rules, suitable models for calculating the default rates on trade receivables, contract assets and lease receivables were developed during the reporting year.

The new impairment model is based on an analysis of the actual historical default rates for each business and product area, taking regional circumstances into account. If necessary, these historical default rates are adjusted to reflect the impact of current changes in the macroeconomic environment using forward-looking information. The default rates are also critically evaluated based on the expectations of the responsible management team regarding the collectibility of the receivables.

Linde expects the initial application of the new impairment model to result in a reduction in risk provisions for trade receivables and contract assets amounting to around EUR 10 m to EUR 20 m.

Linde does not expect the initial application of the new impairment model to have any major impact as far as lease receivables are concerned.

NOTES TO THE
GROUP FINANCIAL STATEMENTS
GENERAL PRINCIPLES

Other financial assets:

Linde has taken the 12-month expected losses as a basis for determining the impairments on securities, cash and cash equivalents and on other receivables and assets.

Based on these analyses and the data available as at 31 December 2017, the first-time application of the new impairment model will not have any major impact on these items.

Hedge accounting:

in connection with the first-time application of IFRS 9, Linde will make use of the accounting option based on which its hedge accounting will continue to be based on IAS 39 as opposed to IFRS 9.

IFRS 16

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The new standard now provides a single lessee accounting model requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value (option in each case). Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Linde enters into lease agreements principally as the lessee. The number of operating leases is much higher than the number of finance leases. As a result, the application of IFRS 16 will result in an increase in both assets and financial liabilities at Linde. No significant impact on finance leases is expected. Linde is likely to make use of the options relating to short-term and low-value leases. As far as the transitional requirements are concerned, Linde is likely to apply the modified retrospective method. At the present time, the Group plans to apply IFRS 16 for the first time as at 1 January 2019. The quantitative impact of IFRS 16 is currently still being analysed.

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

NOTES TO THE GROUP STATEMENT OF PROFIT OR LOSS

[6] Revenue

Revenue is analysed by activity in the segment information in the Group financial statements. In 2017, there were no customers from whom the Group derived over 10 percent of its revenue. For a detailed analysis of revenue by product in the Gases Division and by plant type in the Engineering Division, see ► [PAGES 54 TO 60](#) of the combined management report.

REVENUE

<i>in EUR m</i>	2016	2017
Revenue from the sale of goods and services	15,260	15,304
Revenue from long-term construction contracts	1,688	1,809
TOTAL	16,948	17,113

[7] Other operating income and expenses

OTHER OPERATING INCOME

<i>in EUR m</i>	2016	2017
Exchange gains	60	59
Profit on disposal of non-current assets	150	134
Compensation payments received	28	10
Income arising from changes to pension schemes	45	15
Ancillary revenue	15	14
Income from release of provisions	27	39
Financial income from long-term construction contracts	14	9
Income from free-standing foreign currency hedges	20	18
Miscellaneous operating income	108	120
TOTAL	467	418

The change in other operating income is mainly due to the relatively substantial profit on disposal of non-current assets, and to the change in pension schemes in the previous year.

OTHER OPERATING EXPENSES

<i>in EUR m</i>	2016	2017
Exchange losses	72	82
Expenses from free-standing foreign currency hedges	9	13
Loss on disposal of non-current assets	25	16
Expenses related to pre-retirement part-time work schemes	2	2
Taxes	27	24
Miscellaneous operating expenses	143	79
TOTAL	278	216

The drop in other operating expenses of EUR 62 m was primarily attributable to the drop in miscellaneous operating expenses. The prior-year value was relatively high due to various one-off effects.

NOTES TO THE
GROUP FINANCIAL STATEMENTSNOTES TO THE GROUP
STATEMENT OF PROFIT OR LOSS[8] Other information on the
Group statement of profit or loss

During the 2017 financial year, personnel expenses from continuing operations of EUR 3.780 bn (2016: EUR 3.724 bn) were recognised in functional costs. The increase in the expenses was due mainly to the fact that restructuring costs were higher than in the previous year. Exchange rate effects had the opposite effect.

The figures for amortisation and depreciation are given in the segment information.

[9] Financial income
and expenses

FINANCIAL INCOME

<i>in EUR m</i>	2016	2017
Net interest income from defined benefit plans, see ► NOTE [21]	7	6
Finance income from finance leases in accordance with IFRIC 4/IAS 17	15	10
Income from investments	1	1
Other interest and similar income	6	20
TOTAL	29	37

The increase in financial income can be attributed mainly to the increase in other interest and similar income.

FINANCIAL EXPENSES

<i>in EUR m</i>	2016	2017
Net interest expense from defined benefit plans, see ► NOTE [21]	30	34
Impairment of financial assets	4	1
Other interest and similar charges	319	267
TOTAL	353	302

The drop in other interest and similar charges is due primarily to lower financing costs and the drop in gross financial debt.

In interest income and interest expenses, gains and losses from fair value hedge accounting are offset against each other, in order to give a fair presentation of the economic effect of the underlying hedging relationship. Interest income and interest expenses relating to derivatives were also disclosed net. An overview of the composition of the financial result can be found in ► [NOTE \[27\] FINANCIAL INSTRUMENTS](#).

[10] Taxes on income

INCOME TAX EXPENSE

<i>in EUR m</i>	2016	2017
Current tax expense (+) and income (-)	499	481
Tax expense (+) and income (-) relating to prior periods	23	-18
Deferred tax expense (+) and deferred tax income (-)	-98	-320
TOTAL	424	143

In the period under review, the tax expense and income relating to prior periods included current tax income of EUR 40 m (2016: current tax expense of EUR 15 m) and deferred tax expense of EUR 22 m (2016: deferred tax expense of EUR 8 m). Included in tax income and expense relating to prior periods are the positive and negative effects of facts established by external tax audits in various countries. Of the total amount of deferred tax income, EUR 295 m (2016: EUR 75 m) relates to the change in temporary differences.

The income tax expense disclosed for the 2017 financial year of EUR 143 m is EUR 317 m lower than the expected income tax expense of EUR 460 m, a theoretical figure arrived at by applying the German tax rate of 27.4 percent (2016: 27.4 percent) to Group profit before tax. Tax effects recognised directly in equity are shown in detail in ► [NOTE \[20\]](#).

The difference between the expected income tax expense and the figure disclosed is explained below:

<i>EXPECTED AND DISCLOSED TAX EXPENSE</i>		
<i>in EUR m</i>	2016	2017
Profit before tax	1,751	1,679
Income tax rate of Linde AG (including trade tax, (in %))	27.4	27.4
EXPECTED INCOME TAX EXPENSE	480	460
Foreign tax rate differential	-54	-68
Effect of associates	-4	-6
Reduction in tax due to tax-free income	-96	-105
Increase in tax due to non-tax-deductible expenses	43	71
Tax expense and income relating to prior periods	23	-18
Effect of changes in tax rate	-9	-260
Change in other permanent differences	30	55
Other	11	14
INCOME TAX EXPENSE DISCLOSED	424	143
Effective tax rate (in %)	24.2	8.5

In the 2017 financial year, the corporate income tax rate in Germany was 15.0 percent (2016: 15.0 percent). Taking into account an average rate for trade earnings

tax of 11.6 percent (2016: 11.6 percent) and the solidarity surcharge (0.8 percent in both 2017 and 2016), this produces a tax rate for German companies of 27.4 percent (2016: 27.4 percent). This tax rate is also used to calculate deferred tax at German companies.

Income tax rates for companies outside Germany vary between 9.0 percent and 40.0 percent.

The effect of changes in tax rate is due primarily to the remeasurement of deferred taxes in the US due to the US tax reform (tax income of EUR 250 m).

Temporary differences relating to investments in subsidiaries of EUR 259 m (2016: EUR 128 m) have not led to the recognition of deferred tax, either because the differences are not expected to reverse in the near future as a result of their realisation (due to distributions or the disposal of the company) or the profits are not subject to taxation.

In the reporting period, other changes consisted of an expense arising from a change in the valuation allowance of EUR 15 m (2016: income of EUR 3 m). As in the previous year, the recognition of a deferred tax asset in respect of losses brought forward not previously recognised and temporary differences did not have any positive impact. The positive impact of the utilisation of loss carryforwards in respect of which no deferred tax asset had yet been recognised was EUR 13 m (2016: EUR 4 m).

DEFERRED TAX ASSETS AND LIABILITIES

<i>in EUR m</i>	2016		2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	5	702	8	516
Tangible assets	153	1,156	153	974
Financial assets	121	152	116	113
Current assets	381	589	331	392
Provisions	447	205	371	143
Liabilities	1,076	674	1,001	801
Tax loss carryforwards and tax credits	112	-	132	-
Amounts offset	-1,795	-1,795	-1,696	-1,696
TOTAL	500	1,683	416	1,243

NOTES TO THE
GROUP FINANCIAL STATEMENTSNOTES TO THE GROUP
STATEMENT OF PROFIT OR LOSS

The tax credits in the 2017 financial year related mainly to investment incentives, as in the prior year.

Movements in deferred tax assets and liabilities result from the following items:

CHANGE IN DEFERRED TAX ASSETS AND LIABILITIES

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<i>in EUR m</i>	2016	2017
Deferred tax assets at 01.01.	327	500
Deferred tax liabilities at 01.01.	-1,750	-1,683
NET AMOUNT AT 01.01.	-1,423	-1,183
Deferred tax expense (-)/ income (+) through profit or loss	90	298
Change in deferred tax not affecting profit or loss	132	-59
of which in connection with provisions	133	-53
of which in connection with current assets	-1	-6
Exchange rate effects	-24	99
Other effects	42	18
NET AMOUNT AT 31.12.	-1,183	-827
Deferred tax assets at 31.12.	500	416
Deferred tax liabilities at 31.12.	-1,683	-1,243

The exchange rate effects mainly result from changes in exchange rates on deferred tax assets and liabilities denominated in currencies other than the euro. Of this amount, the exchange rate effects recognised in other comprehensive income amounted to EUR -16 m in 2017 (2016: EUR -8 m).

The other effects in 2017 result from the reclassification of deferred taxes relating to the gases business in Pakistan and to Tega, Technische Gase und Gastechnik GmbH, which were reclassified to non-current assets classified as held for sale and disposal groups (mainly a reduction in deferred tax liabilities on intangible assets and tangible assets in the amount of EUR 5 m) and from the decrease of deferred tax assets on tangible assets within the context of disposals (EUR 1 m). Another key factor influencing the other effects related to the change in deferred tax assets on tax credits in the amount of EUR 16 m due to investment incentives and similar programmes.

In 2016, the other effects resulted mainly from the addition of deferred tax assets on loss carryforwards (EUR 18 m) and on liabilities (EUR 6 m) in connection with the acquisition of American Home Patient, Inc., as well as from the recognition of the Gist division as a discontinued operation and the associated separate recognition of deferred tax liabilities on intangible assets (EUR 11 m) and on tangible assets (EUR 5 m).

Deferred tax disclosed in other comprehensive income not affecting profit or loss totalled EUR 411 m (2016: EUR 486 m). Of this amount, deferred tax assets

of EUR 351 m (2016: EUR 419 m) were attributable to provisions and deferred tax assets of EUR 60 m (2016: EUR 67 m) were attributable to current assets.

Deferred tax assets are only recognised to the extent that it is probable that the deferred tax asset will be realised. As a result, deferred tax assets of EUR 191 m (2016: EUR 220 m) which relate to potential reductions in the tax base in the amount of EUR 1.037 bn (2016: EUR 993 m) were not recognised, as it is not probable that the underlying tax loss carryforwards and tax credits of EUR 924 m (2016: EUR 929 m) and deductible temporary differences of EUR 113 m (2016: EUR 64 m) will be utilised. Of the total amount of tax loss carryforwards and tax credits that were not recognised in the amount of EUR 924 m (2016: EUR 929 m), EUR 296 m (2016: EUR 191 m) may be carried forward for up to ten years and EUR 628 m (2016: EUR 738 m) may be carried forward for longer than ten years.

Deferred tax assets relating to tax loss carryforwards and tax credits of EUR 132 m (2016: EUR 112 m) were recognised on the basis of projections based largely on the management's assessment, that it is sufficiently probable that the respective entities will generate a sufficiently positive tax result in the future against which the tax loss carryforwards and tax credits that have not yet been used can be offset in the eligible carryforward periods.

TAX LOSS CARRYFORWARDS NOT YET USED

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<i>in EUR m</i>	2016	2017
May be carried forward for up to 10 years	282	261
May be carried forward for longer than 10 years	75	3
May be carried forward indefinitely	735	678
TOTAL	1,092	942

The movement in tax loss carryforwards is mainly due to additions in Indonesia, Saudi Arabia and Thailand, as well as to reductions in China, Brazil and Finland. There were also tax loss carryforwards relating to US state tax of EUR 729 m (2016: EUR 782 m).

Distributions to Linde AG shareholders do not have any impact on taxes on income at the level of Linde AG.

[11] Earnings per share

<i>EARNINGS PER SHARE</i>		
<i>in EUR m</i>	<i>2016</i>	<i>2017</i>
Profit for the year from continuing operations – attributable to Linde AG shareholders	1,206	1,404
<i>Shares in thousand units</i>		
Weighted average number of shares outstanding	185,636	185,638
Dilution as a result of share option schemes	360	–
Weighted average number of shares outstanding – diluted	185,996	185,638
EARNINGS PER SHARE FROM CONTINUING OPERATIONS		
<i>in EUR – UNDILUTED</i>	6.50	7.56
EARNINGS PER SHARE FROM CONTINUING OPERATIONS		
<i>in EUR – DILUTED</i>	6.48	7.56

The LTIP 2012 share option scheme was modified in the the 2017 financial year: To date, whenever share options were exercised, compensation was provided in the form of either equity instruments or cash compensation. Since the second quarter of 2017, cash compensation has been the only option. This means that the exercise of share option schemes no longer has any diluting effect on the number of shares in 2017.

Further information about the option schemes is given in ► [NOTE \[26\]](#).

NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

[12] Goodwill/other intangible assets

MOVEMENT SCHEDULE INTANGIBLE ASSETS – ACQUISITION COST

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<i>in EUR m</i>	<i>Goodwill</i>	<i>Customer relationships</i>	<i>Brands</i>	<i>Other intangible assets</i>	<i>Total</i>
AS AT 01.01.2016	11,611	3,675	535	1,430	17,251
Currency adjustments	-7	-63	-2	1	-71
Additions due to acquisitions	146	29	7	-	182
Additions	-	-	-	52	52
Disposals	2	-	28	94	124
Reclassifications	-	-	-	29	29
Reclassification as assets held for sale	-336	-146	-2	-21	-505
AT 31.12.2016/01.01.2017	11,412	3,495	510	1,397	16,814
Currency adjustments	-723	-233	-39	-71	-1,066
Additions due to acquisitions	37	-	-	-	37
Additions	-	-	-	18	18
Disposals	2	1	-	18	21
Reclassifications	-7	7	-	5	5
Reclassification as assets held for sale	-30	-11	-1	-1	-43
AS AT 31.12.2017	10,687	3,257	470	1,330	15,744

SCHEDULE OF INTANGIBLE ASSETS – CUMULATIVE AMORTISATION

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<i>in EUR m</i>	<i>Goodwill</i>	<i>Customer relationships</i>	<i>Brands</i>	<i>Other intangible assets</i>	<i>Total</i>
AS AT 01.01.2016	7	1,625	234	1,021	2,887
Currency adjustments	1	-13	-1	-	-13
Additions due to acquisitions	-	-	-	-	-
Amortisation	-	162	20	116	298
Impairments	-	-	-	7	7
Disposals	1	-	28	80	109
Reclassifications	-	-	-	11	11
Reclassification as assets held for sale	-	-94	-	-18	-112
AT 31.12.2016/01.01.2017	7	1,680	225	1,057	2,969
Currency adjustments	-1	-124	-17	-59	-201
Amortisation	-	143	19	102	264
Impairments	-	-	-	1	1
Disposals	-	1	-	15	16
Reclassification as assets held for sale	-	-	-	-1	-1
AS AT 31.12.2017	6	1,698	227	1,085	3,016
NET CARRYING AMOUNT AT 31.12.2016	11,405	1,815	285	340	13,845
NET CARRYING AMOUNT AT 31.12.2017	10,681	1,559	243	245	12,728

In the statement of financial position at 31 December 2017, the total figure for goodwill is EUR 10.681 bn (2016: EUR 11.405 bn). Goodwill arising on acquisitions made in the 2017 financial year was EUR 37 m (2016: EUR 146 m).

The total net carrying amount of trademarks acquired in the course of acquisitions was EUR 243 m (2016: EUR 285 m) at the reporting date. The brand names acquired in the course of the BOC acquisition and other acquisitions have been classified as intangible assets with finite useful lives since the 2011 financial year as a long-term rebranding programme for the relevant brands has begun. These brand names are amortised on a straight-line basis over a period of ten to twelve years. At 31 December 2017, their net carrying amount was EUR 141 m (2016: EUR 169 m).

The brand names acquired in the course of the Lincare acquisition have indefinite useful lives. These were the subject of an impairment test at the level of Lincare in 2017. The recoverable amount of goodwill was determined on the basis of its value in use. A discounted cash flow method was used for this purpose. The detailed planning period was five years. The growth rates assumed for the detailed planning period were based on the growth potential and market estimates for the forms of treatment and applications offered by Lincare. The operating margin was assumed to remain largely stable at the level seen in 2016 throughout the detailed planning period. A pre-tax interest rate of 10.9 percent and growth in the terminal value of 1 percent were used. The carrying amount at 31 December 2017 was EUR 102 m (2016: EUR 116 m).

The amortisation expense for intangible assets with finite useful lives of EUR 264 m (2016: EUR 298 m) was disclosed in functional costs, principally in marketing and selling expenses.

Software solutions are the main component of other intangible assets.

An impairment test of goodwill was carried out at 30 September 2017. No impairment losses were recognised as a result. The recoverable amount of goodwill was determined as its value in use, as in the previous year. To calculate its value in use, a discounted cash flow method was used. A detailed five-year plan was used as the basis for the calculation of cash flows. The economic growth rates and overall conditions assumed for the detailed planning period were based on the latest estimates from international economic research institute Oxford Economics. The operating margin in the individual segments was assumed to remain largely stable at the level seen in 2017 throughout the detailed planning period. The inflation assumption for the period extending beyond the planning period is 1.0 percent for all cash-generating units.

A change in the valuation assumptions that the management considers possible does not result in the carrying amount exceeding the recoverable amount.

NOTES TO THE
GROUP FINANCIAL STATEMENTS
NOTES TO THE GROUP
STATEMENT OF FINANCIAL POSITION

ASSUMPTIONS FOR THE IMPAIRMENT TEST OF GOODWILL

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	Carrying amount of allocated goodwill		Pre-tax WACC based on region-specific risk premiums at impairment test date		Post-tax WACC based on region-specific risk premiums at impairment test date		Average annual growth rate in gross domestic product in planning period		Average annual growth rate in industrial production in planning period		Long-term growth rate	
	in EUR m		in percent		in percent		in percent		in percent		in percent	
	31.12. 2016	31.12. 2017	30.09. 2016	30.09. 2017	30.09. 2016	30.09. 2017	2016	2017	2016	2017	2016	2017
EMEA	4,986	4,874	6.9	8.3	5.6	6.7	1.9	2.1	1.6	3.2	0.5	1.0
Asia/Pacific	1,992	1,874	7.0	8.4	5.5	6.6	4.2	4.4	3.7	5.4	0.8	1.0
Americas	4,150	3,661	8.0	9.5	5.4	6.6	2.0	2.1	1.8	3.4	0.8	1.0
Engineering Division	277	272	7.6	6.5	5.7	5.3	3.2	4.1	2.7	3.1	0.8	1.0
GROUP	11,405	10,681										

[13] Tangible assets

SCHEDULE OF TANGIBLE ASSETS – ACQUISITION COST

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in EUR m	Land, land rights and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Plants under construction	Total
AS AT 01.01.2016	3,124	25,407	1,614	1,924	32,069
Currency adjustments	-37	110	12	22	107
Additions due to acquisitions	5	80	6	1	92
Additions	29	902	96	650	1,677
Disposals	62	451	64	115	692
Reclassifications	61	1,096	38	-1,194	1
Reclassification as assets held for sale	-160	-207	-26	-1	-394
AT 31.12.2016/01.01.2017	2,960	26,937	1,676	1,287	32,860
Currency adjustments	-128	-1,747	-69	-54	-1,998
Additions due to acquisitions	15	18	4	1	38
Additions	18	546	79	1,024	1,667
Disposals	30	274	66	5	375
Reclassifications	77	1,264	68	-1,289	120
Reclassification as assets held for sale	-7	-299	-3	-3	-312
AS AT 31.12.2017	2,905	26,445	1,689	961	32,000

SCHEDULE OF TANGIBLE ASSETS – CUMULATIVE DEPRECIATION

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<i>in EUR m</i>	<i>Land, land rights and buildings</i>	<i>Technical equipment and machinery</i>	<i>Other equipment, furniture and fixtures</i>	<i>Plants under construction</i>	<i>Total</i>
AS AT 01.01.2016	1,505	16,514	1,147	121	19,287
Currency adjustments	-26	26	8	-2	6
Depreciation	89	1,383	121	-	1,593
Impairments	-	17	-	-	17
Disposals	33	372	58	114	577
Reclassifications	1	26	-14	-	13
Reclassification as assets held for sale	-91	-125	-19	-	-235
AT 31.12.2016/01.01.2017	1,445	17,469	1,185	5	20,104
Currency adjustments	-57	-1,072	-47	2	-1,174
Depreciation	88	1,401	125	-	1,614
Impairments	-	17	-	-	17
Disposals	18	265	55	-	338
Reclassifications	-1	62	-	7	68
Reclassification as assets held for sale	-4	-41	-2	-	-47
AS AT 31.12.2017	1,453	17,571	1,206	14	20,244
NET CARRYING AMOUNT AT 31.12.2016	1,515	9,468	491	1,282	12,756
NET CARRYING AMOUNT AT 31.12.2017	1,452	8,874	483	947	11,756

Tangible assets include leased buildings, technical equipment and machinery, and fixtures, with a carrying amount totalling EUR 76 m (2016: EUR 77 m). Due to the form of the underlying finance leases, these tangible assets are attributable to The Linde Group in its capacity as the economic owner of the assets. Of the total of EUR 76 m, EUR 20 m (2016: EUR 22 m) relates to land and buildings, EUR 5 m (2016: EUR 12 m) to technical equipment and machinery and EUR 51 m (2016: EUR 42 m) to vehicles.

Also included in tangible assets is technical equipment held under embedded operating leases on the sales side. Of the total minimum lease payments due in future from the customer from such embedded operating leases, EUR 71 m is due within one year (2016: EUR 75 m). EUR 286 m is due within one to five years (2016: EUR 309 m) and EUR 620 m is due in more than five years (2016: EUR 741 m).

Impairment tests were based on the recoverable amount of the assets examined, whereby generally the value in use was applied. The discount rates used (WACC) were based on those used in the impairment test for goodwill. Impairment losses of EUR 17 m were recognised in 2017 (2016: EUR 17 m). The impairment losses related mainly to production plants and were allocated to the following segments: EMEA EUR 1 m (2016: EUR 4 m), Asia/Pacific EUR 16 m (2016: EUR 9 m) and Americas EUR 0 m (2016: EUR 3 m). No impairments were recognised in the Engineering Division (2016: EUR 1 m). The impairment losses relating to tangible assets are largely included in cost of sales and in research and development costs.

There were no reversals of impairment losses in 2017 or in 2016.

Borrowing costs during the construction phase of EUR 11 m (2016: EUR 24 m) were capitalised, based on a pre-tax interest rate of 2.5 to 3.1 percent (2016: 3.1 to 3.8 percent).

The cost of tangible assets was reduced in the 2017 financial year by government grants of EUR 2 m (2016: EUR 3 m).

Tangible assets of EUR 47 m (2016: EUR 48 m) were pledged as security.

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[14] Investments in associates and joint ventures/other financial assets

SCHEDULE OF FINANCIAL ASSETS – ACQUISITION COST

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<i>in EUR m</i>	<i>Investments in associates and joint ventures (at equity)</i>	<i>Other investments</i>	<i>Non-current loans¹</i>	<i>Total</i>
AS AT 01.01.2016	253	61	30	344
Currency adjustments	-1	-	-2	-3
Additions	19	21	11	51
Disposals	21	1	-	22
Reclassifications	-	-10	-2	-12
AT 31.12.2016/01.01.2017	250	71	37	358
Currency adjustments	-19	-3	-4	-26
Additions	27	15	22	64
Disposals	28	4	1	33
Reclassifications	-	-13	-2	-15
Reclassification as assets held for sale	-	-	-1	-1
AS AT 31.12.2017	230	66	51	347

¹ EUR 35 m (2016: EUR 18 m) of the non-current loans relates to loans to associates and joint ventures.

SCHEDULE OF FINANCIAL ASSETS – CUMULATIVE AMORTISATION

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<i>in EUR m</i>	<i>Investments in associates and joint ventures (at equity)</i>	<i>Other investments</i>	<i>Non-current loans</i>	<i>Total</i>
AS AT 01.01.2016	11	24	10	45
Currency adjustments	-	1	-1	-
Impairments	-	6	2	8
Disposals	-	1	-	1
Reclassifications	-	-4	-	-4
AT 31.12.2016/01.01.2017	11	26	11	48
Currency adjustments	-	-3	-1	-4
Impairments	-	1	-	1
Reclassification as assets held for sale	-	-	-1	-1
AS AT 31.12.2017	11	24	9	44
NET CARRYING AMOUNT AT 31.12.2016	239	45	26	310
NET CARRYING AMOUNT AT 31.12.2017	219	42	42	303

The share of profit or loss from associates and joint ventures in the 2017 financial year was EUR 19 m (2016: EUR 13 m). Within the Gases Division, EUR 4 m of the total figure related to EMEA (2016: EUR 4 m), EUR 15 m to the Asia/Pacific segment (2016: EUR 9 m) and EUR 2 m to the Americas segment (2016: EUR 0 m).

Of the profit or loss from associates and joint ventures, there were unrecognised losses of EUR 2 m (2016: EUR 1 m) as at 31 December 2017.

On the reporting date, there were no contingent liabilities relating to shares in associates or joint ventures (2016: EUR 0 m).

There were no payment obligations relating to joint ventures and associates that had not been recognised in the statement of financial position (2016: EUR 1 m) at at 31 December 2017. As in the previous year, there were no significant restrictions on the ability of the associates and joint ventures to transfer dividends or funds to Linde or to repay loans to Linde.

More information about associates and joint ventures is given in ► [NOTE \[39\]](#).

AGGREGATE FINANCIAL INFORMATION ABOUT JOINT VENTURES (AT EQUITY)

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<i>in EUR m</i>	2016	2017
Profit for the year	14	21
Other comprehensive income (net of tax)	-2	-11
TOTAL COMPREHENSIVE INCOME	12	10

Aggregate financial information about associates based on the investment in those associates held by Linde is immaterial and is therefore not disclosed separately.

[15] Inventories

INVENTORIES

71

<i>in EUR m</i>	31.12.2016	31.12.2017
Raw materials, consumables and supplies	106	102
Unfinished goods, services in progress	192	239
Finished goods	601	561
Merchandise	223	200
Prepayments	109	109
TOTAL	1,231	1,211

At 31 December 2017, the total inventory allowance was EUR 129 m (2016: EUR 138 m). The inventories recognised as an expense in the 2017 financial year came to EUR 9.738 bn (2016: EUR 9.480 bn).

[16] Receivables from finance leases, trade receivables, miscellaneous receivables and assets and income tax receivables

RECEIVABLES AND OTHER ASSETS

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in EUR m	Current		Non-current		Total	
	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017
RECEIVABLES FROM FINANCE LEASES	49	33	165	70	214	103
Receivables from percentage of completion contracts	160	188	–	–	160	188
Miscellaneous trade receivables	2,595	2,480	2	6	2,597	2,486
TRADE RECEIVABLES	2,755	2,668	2	6	2,757	2,674
Other tax receivables	198	185	21	13	219	198
Derivatives with positive fair values	119	75	95	92	214	167
Prepaid pension costs	–	–	115	139	115	139
Other receivables and assets	471	446	147	137	618	583
MISCELLANEOUS RECEIVABLES AND ASSETS	788	706	378	381	1,166	1,087
INCOME TAX RECEIVABLES	199	227	7	12	206	239

Receivables from finance leases

Almost all the receivables from finance leases relate to agreements which are classified as embedded finance leases according to IFRIC 4/IAS 17. The counterparty risk arising from receivables from finance leases is covered by the air separation plants and other plants underlying the contracts.

The EUR 111 m drop in receivables from finance leases is attributable largely to the amendment of an on-site agreement and the resulting reclassification.

RECEIVABLES FROM FINANCE LEASES

73

in EUR m	31.12.2016	31.12.2017
TOTAL FUTURE MINIMUM LEASE PAYMENTS (GROSS INVESTMENT)	252	116
due within one year	61	38
due in one to five years	161	72
due in more than five years	30	6
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	214	103
due within one year	49	33
due in one to five years	138	66
due in more than five years	27	4
UNEARNED FINANCE INCOME INCLUDED IN THE MINIMUM LEASE PAYMENTS	38	13

Receivables from percentage of completion contracts

Receivables from percentage of completion (PoC) contracts comprise the aggregate amount of costs incurred and recognised profits, less advance payments received.

At the reporting date, costs incurred and profits recognised on long-term construction contracts amounted to EUR 4.937 bn (2016: EUR 5.035 bn), offset against advance payments of EUR 5.808 bn (2016: EUR 5.846 bn). This gave rise to receivables of EUR 188 m (2016: EUR 160 m) and liabilities of EUR 1.060 bn (2016: EUR 971 m).

Miscellaneous trade receivables

Miscellaneous trade receivables are due from a large number of customers in a wide variety of industry sectors and many different regions. To assess the recoverability of accounts receivable, the creditworthiness of customers is subject to constant review. Credit loss insurance is taken out if required.

FINANCIAL ASSETS PAST DUE BUT NOT IMPAIRED

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2016, in EUR m	< 30 days	30-60 days	60-90 days	90-180 days	>180 days
Trade receivables	353	48	29	18	-
Other receivables and assets	1	-	-	1	1
2017, in EUR m					
Trade receivables	236	52	27	2	8
Other receivables and assets	3	-	-	-	-

In the case of financial assets which are neither past due nor impaired, there were no indications at the reporting date of any potential impairment.

[17] Securities

Short-term securities increased during the 2017 financial year, namely by EUR 492 m from EUR 131 m to EUR 623 m, mainly as a result of purchases.

There were held-to-maturity securities at 31 December 2017 of EUR 12 m (2016: EUR 13 m).

[18] Cash and cash equivalents

Cash and cash equivalents of EUR 1.432 bn (2016: EUR 1.463 bn) comprised mainly cash at banks and money market funds which have maturities of three months or less.

CASH AND CASH EQUIVALENTS

<i>in EUR m</i>	31.12.2016	31.12.2017
Bank balances	884	985
Money market funds	99	239
Cheques	4	3
Cash	3	2
Cash equivalents	473	203
TOTAL	1,463	1,432

The cash equivalents include an amount of EUR 193 m (2016: EUR 464 m) for bilateral Credit Support Annexes (CSAs). Explanatory information on CSAs can be found in ► [NOTE \[27\] FINANCIAL INSTRUMENTS](#).

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

On 31 December 2017, assets in the amount of EUR 941 m and liabilities in the amount of EUR 209 m were reported as non-current assets classified as held for sale and disposal groups.

These mainly relate to the logistics company Gist. Since December 2016, Gist's business has been held for sale and reported as a discontinued operation. This means that assets with a carrying amount of EUR 595 m and liabilities with a carrying amount of EUR 145 m were reclassified within the Group statement of financial position. These mainly relate to goodwill (EUR 214 m), tangible assets (EUR 112 m) and trade receivables (EUR 113 m).

The cash flow from investing activities from discontinued operations in the amount of EUR –28 m largely includes cash outflows for investments in tangible assets.

Due to the size and complexity of the business to be sold, the negotiations are taking longer than planned. Nevertheless, the sale is still considered to be extremely probable, and the transaction is expected to be completed within the next twelve months.

Furthermore, assets in the amount of EUR 61 m and liabilities in the amount of EUR 29 m were reported as non-current disposal groups held for sale. These relate to the gases business in Pakistan. The sale agreement was signed in the second quarter. The sale was completed in mid-January of this year.

In July 2017, the management decided to sell part of a production site within the EMEA segment. This means that assets worth EUR 219 m were reclassified to assets held for sale and disposal groups. The sale has already been concluded and will be executed in the course of the first quarter of 2018.

The German subsidiary Tega – Technische Gase und Gasetechnik GmbH is also to be sold in the first quarter of 2018. Assets with a carrying amount of EUR 60 m and liabilities in the amount of EUR 35 m were reclassified

A further EUR 6 m relates to the planned sale of vehicles in the Asia/Pacific segment. The vehicles were purchased in the previous year and are to be sold again as part of a sale and operating lease-back agreement.

The gases business in Slovenia, Bosnia and Croatia (assets worth around EUR 20 m and liabilities totalling EUR 4 m) was sold as planned in 2017. The proceeds from the disposal amounted to less than EUR 1 m (rounded to EUR 0 m).

The cumulative changes in equity not recognised in profit or loss contain expenses relating to the foreign currency valuation of the assets and liabilities reported as held for sale amounting to EUR 122 m on the reporting date.

PROFIT FROM DISCONTINUED OPERATIONS

<i>in EUR m</i>	2016	2017
Revenue	602	591
Expenses	582	561
Loss resulting from valuation at fair value	75	–
PROFIT BEFORE TAX FROM DISCONTINUED OPERATIONS	–55	30
Income tax income from ordinary activities	–3	–
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	–52	30
attributable to Linde AG shareholders	–52	30

[20] Equity

EQUITY

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<i>in EUR</i>	31.12.2016	31.12.2017
SHARE CAPITAL	475,476,940.80	475,476,940.80
Nominal value of own shares	243,479.04	243,479.04
ISSUED SHARE CAPITAL	475,233,461.76	475,233,461.76
AUTHORISED CAPITAL (TOTAL)	94,000,000.00	94,000,000.00
Authorised Capital I	47,000,000.00	47,000,000.00
Authorised Capital II	47,000,000.00	47,000,000.00
CONDITIONALLY AUTHORISED CAPITAL (TOTAL)	57,240,000.00	57,240,000.00
2012 Conditionally Authorised Capital	10,240,000.00	10,240,000.00
2013 Conditionally Authorised Capital	47,000,000.00	47,000,000.00

Share capital

The company's share capital at the reporting date amounts to EUR 475,476,940.80 and is fully paid up. It is divided into 185,733,180 shares at a notional par value of EUR 2.56 per share. The shares are no-par value bearer shares. Each share confers a voting right and is entitled to dividend. In accordance with § 71b of the German Stock Corporation Act (AktG), the company is not entitled to dividends or to voting rights in respect of the 95,109 own shares it holds at 31 December 2017.

No new no-par value shares were issued in the 2017 financial year. This means that the company's share capital did not change year-on-year.

NUMBER OF SHARES

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	2016	2017
NUMBER OF SHARES AT 01.01.	185,733,180	185,733,180
Number of shares at 31.12.	185,733,180	185,733,180
Own shares	95,109	95,109
NUMBER OF SHARES OUTSTANDING AT 31.12.	185,638,071	185,638,071
Number of shares Authorised Capital I	18,359,375	18,359,375
Number of shares Authorised Capital II	18,359,375	18,359,375

Capital reserve

The capital reserve comprises, among other things, the accumulated premiums arising on the issue of shares and the expenses relating to the issue of option rights to employees in accordance with IFRS 2 Share-based Payments. The LTIP 2012 share option scheme was modified in the 2017 financial year. The options are now settled in cash, as opposed to in the form of equity instruments. Further information can be found in

► [NOTE \[26\] SHARE OPTION SCHEMES.](#)

Revenue reserves

Included under this heading are the past earnings of the companies included in the Group financial statements, to the extent that these have not been distributed.

In addition, the effects of the remeasurement of defined benefit plans and the effects of the limit on a defined benefit asset (asset ceiling as set out in IAS 19.64) have been recognised in revenue reserves. This makes it quite clear that these amounts will not be transferred to profit or loss in future periods. A deferred tax effect of EUR -67 m was recognised in the movement in revenue reserves as a result of actuarial gains and losses (2016: EUR 125 m).

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Cumulative changes in equity not recognised through the statement of profit or loss

Disclosed under this heading are the differences arising on the translation of the financial statements of foreign subsidiaries and gains or losses on the remeasurement of securities and hedging instruments, accounted for in equity rather than being recognised in the statement of profit or loss. In the 2017 financial year, the depreciation of the US dollar and the British pound against the euro, in particular, resulted in a high exchange rate effect compared with the previous year.

Movements in cumulative changes in equity not recognised in profit or loss were as follows:

MOVEMENT IN CUMULATIVE CHANGES IN EQUITY NOT RECOGNISED THROUGH THE STATEMENT OF PROFIT OR LOSS 79

in EUR m	2016			2017		
	Before tax	Tax effect	Net	Before tax	Tax effect	Net
MOVEMENT IN CURRENCY TRANSLATION DIFFERENCES	-132	-	-132	-1,782	-	-1,782
MOVEMENT IN UNREALISED GAINS/LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	1	-	1	8	-2	6
Movement in accumulated unrealised gains/losses	1	-	1	8	-2	6
MOVEMENT IN UNREALISED GAINS/LOSSES ON HEDGING INSTRUMENTS	40	-	40	348	-6	342
Movement in accumulated unrealised gains/losses	64	-7	57	367	-11	356
Realised gains/losses	-24	7	-17	-19	5	-14

Non-controlling interests

NON-CONTROLLING INTERESTS 80

in EUR m	31.12.2016	31.12.2017
LINDE LIENHWA INDUSTRIAL GASES CO. LTD., Taiwan	272	274
African Oxygen Limited, South Africa	94	97
BOC-TISCO GASES CO., Ltd., China	61	52
Ma'anshan BOC-Ma Steel Gases Company Limited, China	47	46
Shanghai Hualin Industrial Gases Co. Ltd., China	47	44
LINDE INDIA LIMITED, India	46	43
Linde Gas Algeria S.p.A., Algeria	34	31
MIG Production Company Limited, Thailand	35	29
Saudi Industrial Gas Company, Saudi Arabia	32	27
Linde Engineering (Dalian) Co. Ltd., China	23	25
Various other companies	212	209
TOTAL	903	877

The voting rights of non-controlling shareholders correspond to their share of the equity in the companies concerned in each case. Detailed information about individual subsidiaries which have non-controlling shareholders is not disclosed due to the individual figures not being material. Further information about the individual companies is given in the list of shareholdings on ► [PAGES 173 TO 185](#).

Capital structure management

Linde's capital structure management is based on various financial performance indicators such as the equity ratio and the dynamic indebtedness factor. Linde aims to achieve an upper threshold for the dynamic indebtedness factor of 2.5. The aim of the capital structure management is to obtain unrestricted access to the capital market and to achieve a strong investment grade rating. Linde has a EUR 2.5 bn syndicated revolving credit line at its disposal, which is available until 2020. At 31 December 2017, financial debt came to EUR 8.019 bn (31 December 2016: EUR 8.528 bn) and the equity ratio came to 44.9 percent (31 December 2016: 44.0 percent).

[21] Provisions for pensions and similar obligations

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

<i>in EUR m</i>	31.12.2016	31.12.2017
Provisions for pension plans	1,552	1,273
Provisions for similar obligations	12	7
TOTAL PROVISIONS	1,564	1,280
Prepaid pension costs	115	139

Different countries have different pension systems, due to the variety of legal, economic and fiscal conditions applicable in each country. These are generally based on the remuneration and length of service of the employees.

The provisions for similar obligations include bridging allowances in Germany as well as other obligations.

Occupational pension schemes can be either defined contribution or defined benefit schemes.

In the case of defined benefit plans, the company's obligation is to meet the defined benefit commitments to current and former employees. Two different methods can be distinguished: the recognition of provisions for pensions and the use of externally financed pension schemes. The Linde Group's main defined benefit plans are described below.

The defined benefit commitments in Germany relate to old age pensions, invalidity pensions and surviving dependants pensions. These commitments are based principally on defined contribution pension rules, whereby vested rights for periods of service prior to 1 January 2002 based on earlier final-salary pension scheme rules have to be taken into account. In addition, there are direct commitments in respect of the salary conversion scheme in the form of cash balance plans. The resulting pension payments are calculated on the basis of an interest guarantee and the performance of the corresponding investment. There are no minimum funding requirements. The pension obligations in Germany are partly funded by a Contractual Trust Arrangement (CTA).

Defined benefit commitments in the UK agreed prior to 1 July 2003 are earnings-related and dependent on the period of service, and relate to old age pensions, invalidity pensions and surviving dependants pensions.

With effect from 1 April 2011, the amount of future increases in inflation-linked pensions and of increases in pensionable emoluments was restricted.

Legal, regulatory and contractual minimum funding requirements are in place. Regulatory funding obligations to resolve a deficit, based on the local valuation, mainly relate to the UK. Negotiations on a multi-year funding plan are currently being conducted with the trustees. The annual payments are expected to come to around GBP 40 m. In addition, there are a small number of such obligations in Ireland and Canada as well. Pension obligations in the UK are to a great extent funded. Defined benefit pension plans were closed to new entrants from 1 July 2003.

Defined benefit commitments in the United States relate to old age pensions, invalidity pensions and surviving dependants pensions. The commitments are based on pension regulations which are dependent on the period of service and salary of the employee. Most of the pension plans take the form of cash balance plans. The plan participants have the option to take a lump-sum payment or annual pension payments. The cash balance plan was closed to new entrants with effect from 1 July 2016. For existing plan participants, the cash balance plan will come to an end in 2021. Legal and regulatory minimum funding requirements are in place.

The amount of the pension obligation (actuarial present value of the defined benefit obligation, or DBO) was calculated using actuarial valuation methods, which require the use of estimates. In addition to assumptions about mortality and disability, the following assumptions, which depend on the economic situation in that particular country, are also relevant; for countries classed as "Other Europe" and "Other countries", weighted average figures based on the obligation are given:

ASSUMPTIONS USED TO CALCULATE THE PROVISIONS FOR PENSIONS

<i>in percent</i>	Germany		UK		Other Europe		USA		Other countries	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Discount rate	1.90	1.90	2.70	2.50	1.55	1.63	3.40	3.10	4.40	3.73
Growth in future benefits	2.53	2.50	2.50	2.50	1.64	2.04	-	-	3.71	3.66
Growth in pensions	1.65	1.62	3.40	3.30	1.09	1.23	1.88	1.78	1.51	1.19

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The growth in future benefits comprises expected future increases in salaries, which are estimated annually, taking inflation and the economic situation into account.

The sensitivity analysis below demonstrates the extent to which the present value of the defined benefit obligation changes when, in each case, just one of the actuarial assumptions changes while the other actuarial assumptions remain the same.

For the pension plans in Germany, an increase of one year in life expectancy would result in an increase in the defined benefit obligation of 5.4 percent. The sensitivity analysis of life expectancy in Germany is based on pension funds held at 31 December 2016.

For the pension plans in the UK, an increase of one year in life expectancy would result in an increase in the DBO of 4.0 percent (2016: 4.0 percent). For the pension plans in the United States, no sensitivity analysis of life expectancy was prepared, as the plan participants generally avail themselves of the option to be paid a lump sum.

In Germany, life expectancy is calculated on the basis of the "2005 G mortality tables" produced by Professor Dr Klaus Heubeck. Pension plans in the UK use their own mortality tables and biometric assumptions. These are determined on the basis of actual experience in a pool of comparable pension plans. At the reporting date, the average life expectancy applicable to pension plans in the UK is 22.4 years for a male pensioner aged 65 (2016: 22.0 years) and 24.3 years for a female pensioner aged 65 (2016: 23.6 years), while the future average life expectancy at the pensionable age of 65 for active members of the pension plans is currently 24.8 years for men aged 45 (2016: 23.9 years) and 27.1 years for women aged 45 (2016: 26.2 years).

The weighted average duration of the defined benefit obligations in The Linde Group at 31 December 2017 is 17.1 years (2016: 17.8 years).

SENSITIVITY ANALYSIS

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in EUR m	Change	Discount rate		Growth in future benefits		Growth in pensions	
		+50 bp	-50 bp	+50 bp	-50 bp	+50 bp	-50 bp
	31.12.2016	-133	151	12	-13	72	-66
Germany	31.12.2017	-130	147	11	-11	68	-63
	31.12.2016	-396	437	15	-15	353	-326
UK	31.12.2017	-340	390	17	-17	318	-283
	31.12.2016	-48	54	6	-5	32	-28
Other Europe	31.12.2017	-41	46	5	-5	28	-25
	31.12.2016	-27	28	-	-	-	-
USA	31.12.2017	-19	20	-	-	-	-
	31.12.2016	-12	13	3	-7	3	-3
Other countries	31.12.2017	-10	12	3	-6	2	-2
	31.12.2016	-616	683	36	-40	460	-423
TOTAL	31.12.2017	-540	615	36	-39	416	-373

RECONCILIATION OF THE DBO AND OF THE PLAN ASSETS

<i>in EUR m</i>	<i>Germany</i>		<i>UK</i>	
	<i>Defined benefit obligation</i>	<i>Plan assets</i>	<i>Defined benefit obligation</i>	<i>Plan assets</i>
AS AT 01.01.2016	1,391	-807	4,030	-3,957
Service cost	34	-	13	-
Current service cost	34	-	24	-
Past service cost	-	-	-11	-
Effects of plan curtailments	-	-	-	-
Effects from plan settlements	-	-	-	-
Interest expense (+)/interest income (-)	34	-21	138	-133
Remeasurements	139	-50	905	-401
Return on plan assets (excluding amounts included in interest expenses and income)	-	-50	-	-401
Actuarial gains (-)/losses (+)	139	-	905	-
Effects from changes in demographic assumptions	-	-	-	-
Effects from changes in financial assumptions	151	-	936	-
Effects from changes in experience assumptions	-12	-	-31	-
Effect due to asset ceiling	-	-	-	-
Employers' contributions	-	-	-	-54
Employees' contributions	13	-13	1	-1
Pension payments made	-51	1	-160	160
Settlement payments	-	-	-	-
Effects of changes in exchange rates	-	-	-569	541
Changes in Group structure/other changes	-	-	-82	85
AT 31.12.2016/01.01.2017	1,560	-890	4,276	-3,760
Service cost	41	-	25	-
Current service cost	41	-	25	-
Past service cost	-	-	-	-
Effects of plan curtailments	-	-	-	-
Effects from plan settlements	-	-	-	-
Interest expense (+)/interest income (-)	30	-17	106	-96
Remeasurements	-8	-8	-89	-135
Return on plan assets (excluding amounts included in interest expenses and income)	-	-8	-	-135
Actuarial gains (-)/losses (+)	-8	-	-89	-
Effects from changes in demographic assumptions	-	-	-45	-
Effects from changes in financial assumptions	2	-	54	-
Effects from changes in experience assumptions	-10	-	-98	-
Effect due to asset ceiling	-	-	-	-
Employers' contributions	-	-1	-	-32
Employees' contributions	13	-13	-	-
Pension payments made	-51	2	-167	167
Settlement payments	-	-	-	-
Effects of changes in exchange rates	-	-	-169	151
Changes in Group structure/other changes	-12	1	-	3
AS AT 31.12.2017	1,573	-926	3,982	-3,702

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<i>Other Europe</i>		<i>USA</i>		<i>Other countries</i>		<i>Total</i>	
<i>Defined benefit obligation</i>	<i>Plan assets</i>	<i>Defined benefit obligation</i>	<i>Plan assets</i>	<i>Defined benefit obligation</i>	<i>Plan assets</i>	<i>Defined benefit obligation</i>	<i>Plan assets</i>
590	-353	597	-562	270	-261	6,878	-5,940
-11	-	1	-	11	-	48	-
17	-	19	-	11	-	105	-
-20	-	-	-	-	-	-31	-
-1	-	-18	-	-	-	-19	-
-7	-	-	-	-	-	-7	-
11	-6	21	-20	12	-13	216	-193
25	-8	-	-15	-6	1	1,063	-473
-	-8	-	-15	-	1	-	-473
25	-	-	-	-6	-	1,063	-
2	-	-7	-	1	-	-4	-
24	-	7	-	-2	-	1,116	-
-1	-	-	-	-5	-	-49	-
-	-	-	-	-	-	-	-
-	-12	-	-	-	-9	-	-75
3	-3	-	-	1	-1	18	-18
-21	14	-33	29	-29	26	-294	230
-18	18	-	-	-2	2	-20	20
1	-6	19	-18	14	-16	-535	501
3	-3	-	-	-5	13	-84	95
583	-359	605	-586	266	-258	7,290	-5,853
-9	-	7	-	10	-	74	-
15	-	19	-	10	-	110	-
1	-	-	-	-	-	1	-
-13	-	-	-	-	-	-13	-
-12	-	-12	-	-	-	-24	-
8	-4	18	-17	11	-11	173	-145
-5	-11	14	-20	11	-9	-77	-183
-	-11	-	-20	-	-9	-	-183
-5	-	14	-	11	-	-77	-
-	-	5	-	-	-	-40	-
1	-	13	-	6	-	76	-
-6	-	-4	-	5	-	-113	-
-	1	-	-	-	-9	-	-41
4	-4	-	-	1	-1	18	-18
-23	15	-33	29	-27	25	-301	238
-26	26	-104	104	-	-	-130	130
-24	17	-70	66	-20	15	-283	249
2	-2	-	-	-1	2	-11	4
510	-321	437	-424	251	-246	6,753	-5,619

In 2017, the restructuring and (in some cases) settlement of pension plans in the Netherlands, Spain, Finland and the US had a positive impact on operating profit in the amount of EUR 36 m in total.

In the previous year, such measures had had a positive impact on operating profit in the amount of EUR 57 m.

Actual income from plan assets in external pension funds in 2017 was EUR 328 m (2016: EUR 666 m). This was higher than the interest income from plan assets of EUR 145 m (2016: EUR 193 m) calculated at the corresponding DBO interest rate.

Employer's contributions in the 2017 financial year totalled EUR 41 m (2016: EUR 75 m).

Payments of employer's contributions to increase plan assets in external pension funds in the 2018 financial year are expected to amount to EUR 83 m. The drop in the expected contributions as against the previous year (2016: EUR 123 m) is mainly due to the lower expected special payments in the UK to close the ongoing shortfall in the UK pension plans in accordance with local valuation rules.

The expense for newly acquired pension entitlements in the financial year and the net interest cost for each respective financial year are determined each year on the basis of the prior year's net obligation at the reporting date.

PENSION EXPENSE RELATING TO DEFINED BENEFIT PLANS

in EUR m	Germany		UK		Other Europe		USA		Other countries		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Service cost	34	41	13	25	-11	-9	1	7	11	10	48	74
Current service cost	34	41	24	25	17	15	19	19	11	10	105	110
Past service cost	-	-	-11	-	-20	1	-	-	-	-	-31	1
Gains (-)/losses (+) from plan curtailments	-	-	-	-	-1	-13	-18	-	-	-	-19	-13
Gains (-)/losses (+) from plan settlements	-	-	-	-	-7	-12	-	-12	-	-	-7	-24
Net interest expense (+)/income (-)	13	13	5	10	5	4	1	1	-1	-	23	28
Interest expense from DBO	34	30	138	106	11	8	21	18	12	11	216	173
Interest income from plan asset	-21	-17	-133	-96	-6	-4	-20	-17	-13	-11	-193	-145
Other effects recognised in the statement of profit or loss	-	-	3	2	1	-	-	-	1	-	5	2
Total net pension cost	47	54	21	37	-5	-5	2	8	11	10	76	104

For the external financing of defined benefit obligations, The Linde Group uses standard international models for the transfer of pension assets (e.g. pension funds and Contractual Trust Arrangements). Pension plans financed via external pension funds exist principally in Australia, Canada, Germany, Ireland, South Africa, Switzerland, the UK and the US.

In some countries, Linde is obliged to make contributions to plan assets as a result of legal requirements or contractual agreements. In certain countries, however, these increases in plan assets will not lead to the recognition of an asset because of the asset ceiling described in IAS 19.64 (IFRIC 14). In 2017, as in the previous year, there was no asset ceiling.

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FUNDING STATUS OF THE DEFINED BENEFIT OBLIGATION

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in EUR m	Germany		UK		Other Europe		USA		Other countries		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Actuarial present value of pension obligations (defined benefit obligation)	1,560	1,573	4,276	3,982	583	510	605	437	266	251	7,290	6,753
of which unfunded pension obligations	74	61	-	-	141	132	81	77	42	22	338	292
of which funded pension obligations	1,486	1,512	4,276	3,982	442	378	524	360	224	229	6,952	6,461
Fair value of plan assets	-890	-926	-3,760	-3,702	-359	-321	-586	-424	-258	-246	-5,853	-5,619
NET OBLIGATION	670	647	516	280	224	189	19	13	8	5	1,437	1,134
AMOUNT AT 31.12.	670	647	516	280	224	189	19	13	8	5	1,437	1,134
of which pension provision (+)	670	647	522	305	224	189	83	78	53	54	1,552	1,273
of which pension asset (-)	-	-	-6	-25	-	-	-64	-65	-45	-49	-115	-139

The Linde Group is exposed to various risks in relation to defined benefit pension schemes. In addition to general actuarial risks, the Group is exposed to currency risk and investment risk in respect of the plan assets.

► SEE OPPORTUNITY AND RISK REPORT, PAGES 75 TO 89.

Plan assets and the defined benefit obligation may fluctuate over time. To compensate for such fluctuations, potential fluctuations in the defined benefit obligation

are taken into account in the course of the investment management of the plan assets. In ideal circumstances, plan assets and pension obligations are influenced in the same way by external factors, which provides a natural protection against such factors (liability-driven investment). Moreover, the broadly-based portfolio structure of plan assets in The Linde Group results in diversification of capital market risk.

PORTFOLIO STRUCTURE OF PENSION ASSETS

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in EUR m	Germany		UK		Other Europe		USA		Other countries		Total			
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	in %	2017	in %
Shares	221	250	630	694	91	82	98	49	81	74	1,121	19.2	1,149	20.4
Fixed-interest securities	449	459	2,438	2,292	125	136	388	290	105	98	3,505	59.9	3,275	58.3
Property	49	38	88	24	45	44	-	-	10	9	192	3.3	115	2.0
Insurance	-	-	-	-	72	33	-	-	17	16	89	1.5	49	0.9
Others	171	179	604	692	26	26	100	85	45	49	946	16.1	1,031	18.4
TOTAL	890	926	3,760	3,702	359	321	586	424	258	246	5,853	100.0	5,619	100.0

Plan assets comprise mainly shares and fixed-interest securities. Prices quoted in an active market are not available in the case of property and insurance. Around half of the fixed-interest securities relate to government bonds issued by first-rate debtors (the UK, the US and Germany) as part of the "liability-driven investment" strategies pursued by the corresponding pension plans, while the rest relate to broadly diversified portfolios of bonds issued by companies and emerging markets, as well as loans to finance companies and property.

Financial instruments issued by companies in The Linde Group are not included in plan assets to any significant extent. The plan assets do not include any real estate used by Group companies.

Defined contribution plans

The total of all pension costs relating to defined contribution plans was EUR 202 m (2016: EUR 200 m). Of this amount, contributions to state pension schemes in 2017 totalled EUR 122 m (2016: EUR 124 m).

[22] Miscellaneous provisions

MISCELLANEOUS PROVISIONS

88

in EUR m	Current		Non-current		Total	
	2016	2017	2016	2017	2016	2017
PROVISIONS FOR TAXES	27	27	-	-	27	27
Obligations from delivery transactions	123	70	61	14	184	84
Warranty obligations and risks from transactions in course of completion	79	62	23	24	102	86
Provisions for legal disputes	45	40	60	38	105	78
Obligations relating to personnel	546	514	63	83	609	597
Dismantling obligations	6	8	259	252	265	260
Restructuring provisions	94	201	3	36	97	237
Provisions for follow-up costs	88	85	-	-	88	85
Other obligations	132	102	57	31	189	133
OTHER PROVISIONS	1,113	1,082	526	478	1,639	1,560
TOTAL	1,140	1,109	526	478	1,666	1,587

Provisions for taxes include only other taxes.

The provisions for warranties and onerous contracts consist principally of provisions for onerous contracts, guarantees and warranties. The provisions for warranties relate mainly to the Engineering Division and are generally utilised within three years.

The provisions for obligations relating to personnel comprise mainly provisions for profit-sharing.

The provisions for dismantling obligations are stated at the discounted settlement amount on the date the plant comes on stream. A corresponding item is recognised in tangible assets and is subject to depreciation. The provision is compounded over the duration of the underlying contracts. Due to the wide range of residual

terms of the contracts, the residual term of the provision falls mainly in a range of between one and twenty years. Changes in estimates, where these involve a change in assumptions about future cost trends or changes in interest rates are adjusted for in the carrying amount of the relevant plant without affecting profit or loss.

As in the previous year, the restructuring provisions include provisions for the Focus and LIFT efficiency programmes.

The other obligations consist largely of environmental provisions in the amount of EUR 28 m (2016: EUR 48 m).

The unwinding of interest applied to miscellaneous long-term provisions amounted to EUR 8 m (2016: EUR 4 m).

MOVEMENTS IN MISCELLANEOUS PROVISIONS

89

in EUR m	Opening balance at 01.01.2017	Changes in scope of consolidation ¹	Changes in scope of consolidation ¹				Closing balance at 31.12.2017
			Utilisation	Release	Addition	Transfer	
PROVISIONS FOR TAXES	27	-1	4	1	6	-	27
Obligations from delivery transactions	184	-61	28	38	27	-	84
Warranty obligations and risks from transactions in course of completion	102	-6	29	39	57	-	85
Provisions for legal disputes	105	-6	23	13	16	-	79
Obligations relating to personnel	609	-9	321	20	340	-2	597
Dismantling obligations	265	-19	4	1	19	-	260
Restructuring provisions	97	2	60	3	199	2	237
Provisions for follow-up costs	88	-5	16	36	69	-15	85
Other obligations	189	-12	38	47	26	15	133
OTHER PROVISIONS	1,639	-116	519	197	753	-	1,560
TOTAL	1,666	-117	523	198	759	-	1,587

¹ Including currency adjustments

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[23] Financial debt

Financial debt comprises interest-bearing obligations of The Linde Group.

FINANCIAL LIABILITIES

90

in EUR m	Current		Non-current				Total	
	Due within one year		Due in one to five years		Due in more than five years		2016	2017
	2016	2017	2016	2017	2016	2017		
Other bonds	1,242	1,224	3,852	3,508	2,397	2,353	7,491	7,085
Commercial papers (CP)	111	82	–	–	–	–	111	82
Bank loans and overdrafts	455	515	246	198	10	–	711	713
Other financial liabilities	46	109	131	27	38	3	215	139
FINANCIAL LIABILITIES	1,854	1,930	4,229	3,733	2,445	2,356	8,528	8,019

Of the other bonds, EUR 2.407 bn was in a fair value hedging relationship at 31 December 2017 (2016: EUR 2.825 bn). 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 year, the other bonds would be EUR 8 m (2016: EUR 37 m) lower.

Of the other bonds, EUR 232 m was in a cash flow hedging relationship at 31 December 2017 (2016: EUR 641 m).

The bank loans and overdrafts include an amount of EUR 41 m (2016: EUR 41 m) for bilateral Credit Support Annexes (CSAs). Explanatory information on CSAs can be found in ► [NOTE \[27\] FINANCIAL INSTRUMENTS](#).

In the 2017 and 2016 financial years, there were no defaults or breaches of loans payable.

FIXED-INTEREST BONDS

91

Issuer	Nominal volume in relevant currency (ISO code)	EUR m ¹	Weighted average residual term (in years)	Weighted average effective interest rate (in percent) ²
Linde Finance B.V., Amsterdam/Linde AG, Munich	EUR 5,780 m	5,754	4.4	1.8
Linde Finance B.V., Amsterdam/Linde AG, Munich	USD 700 m	582	2.7	2.1
Linde Finance B.V., Amsterdam	GBP 300 m	342	5.3	5.9
Linde Finance B.V., Amsterdam	AUD 100 m	65	1.5	4.3
TOTAL		6,743		

¹ Includes adjustments relating to hedging transactions.

² Effective interest rate in the relevant currency.

VARIABLE-INTEREST BONDS

92

Issuer	Nominal volume in relevant currency (ISO code)	EUR m	Weighted average residual term (in years)	Weighted average coupon (in percent) ¹
Linde Finance B.V., Amsterdam	USD 350 m	292	1.5	2.0
Linde Finance B.V., Amsterdam	EUR 50 m	50	0.4	0.3
TOTAL		342		

¹ Current coupon in the relevant currency.

For further information about capital market activities in The Linde Group, please refer to the disclosures in the Group management report. ► [SEE NET ASSETS AND FINANCIAL POSITION OF THE LINDE GROUP ON PAGES 61 TO 63](#).

Financial covenants

No financial covenants are contained in the agreement relating to the EUR 2.5 bn syndicated credit facility. ► [SEE NET ASSETS AND FINANCIAL POSITION OF THE LINDE GROUP PAGE 62.](#)

The bank loans and overdrafts of African Oxygen Limited include various financial covenants relating to key financial figures in African Oxygen Limited. All the financial covenants relating to African Oxygen Limited were fulfilled in the 2017 and 2016 financial years.

[24] Liabilities from finance leases

Liabilities from finance leases are repaid over the lease term. They have the following residual lease terms at the reporting date:

LIABILITIES FROM FINANCE LEASES

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<i>in EUR m</i>	31.12.2016	31.12.2017
TOTAL FUTURE MINIMUM LEASE PAYMENTS (GROSS INVESTMENT)	114	86
due within one year	22	14
due in one to five years	40	27
due in more than five years	52	45
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	74	54
due within one year	21	14
due in one to five years	33	21
due in more than five years	20	19
FINANCE CHARGE INCLUDED IN THE MINIMUM LEASE PAYMENTS	40	32

The carrying amounts of assets held under finance leases are disclosed principally under tangible assets. ► [SEE NOTE \[13\]](#). These assets comprise distribution equipment, vehicles and other fixtures and fittings. Buildings are also included here. Some of the lease agreements contain extension clauses, purchase options or price adjustment clauses customary in the market.

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[25] Trade payables,
miscellaneous liabilities,
liabilities from income taxes

TRADE PAYABLES AND MISCELLANEOUS LIABILITIES

94

in EUR m	Current		Non-current		Total	
	2016	2017	2016	2017	2016	2017
Percentage of completion (PoC)	971	1,060	–	–	971	1,060
Other	2,599	2,754	1	1	2,600	2,755
TRADE PAYABLES	3,570	3,814	1	1	3,571	3,815
Payments received on account of orders	150	186	4	4	154	190
Other taxes	176	216	6	7	182	223
Social security	60	53	2	2	62	55
Derivatives with negative fair values	239	64	403	235	642	299
Other liabilities	583	640	310	289	893	929
MISCELLANEOUS LIABILITIES	1,208	1,159	725	537	1,933	1,696
INCOME TAX LIABILITIES	549	551	–	–	549	551
TOTAL	5,327	5,524	726	538	6,053	6,062

Percentage of completion trade payables of EUR 1.060 m (2016: EUR 971 m) relate to advance payments received on construction contracts, where these exceed the state of completion of the contract.

Income tax liabilities are disclosed as current in accordance with IAS 1.69 (d) as they are due with immediate effect and generally Linde has no option to defer them. Included in the income tax liabilities disclosed are amounts which may not fall due until more than twelve months after the reporting date.

Also included in income tax liabilities are liabilities relating to prior periods arising from external tax audits in various countries.

OTHER INFORMATION

[26] Share option schemes

Linde Performance Share Programme 2012

It was resolved at the Annual General Meeting of Linde AG held on 4 May 2012 to introduce a performance share programme for management (Long Term Incentive Plan 2012 – LTIP 2012), under which up to four million options can be issued over a total period of five years. For this purpose, the issued share capital can be increased by up to EUR 10,240,000 by the issue of up to four million bearer shares with a notional par value of EUR 2.56 if certain conditions are met (2012 Conditionally Authorised Capital).

The options may be issued in annual tranches during the authorised period. Each option confers the right to purchase one share in Linde AG at the exercise price, which is equivalent in each case to the lowest issue price, currently EUR 2.56 per share. Linde AG may decide, at its own discretion, at any time until the beginning of the exercise period that the option entitlements of the option holders may be met by providing own shares or making a payment in cash instead of issuing new shares out of the share capital conditionally authorised for this purpose. The Linde Performance Share Programme 2012 is designed as share-based payment with compensation provided in the form of equity instruments. Each individual tranche may be issued within a period of 16 weeks after the Annual General Meeting of Linde AG. The options may not be exercised until a qualifying period has expired. The qualifying period begins on the issue date which has been determined and ends on the fourth anniversary of the issue date. If options are to be exercised, this must take place during a period of twelve months from the end of the relevant qualifying period (the exercise period).

LTIP 2012 modification

In the second quarter of 2017, a resolution passed by the Executive Board and the Supervisory Board modified the regulations of the Linde LTIP in respect of the subscription rights granted. In future, options are only to allow for cash settlement.

It is still the case that options may only be exercised if and to the extent that performance targets are reached.

Performance targets

The performance targets for each individual tranche of options are based on movements in (i) earnings per share and (ii) relative total shareholder return. Within each individual tranche of options, equal weighting is given to the “earnings per share” performance target and the “relative total shareholder return” performance target. Within each of these performance targets, a minimum target must be reached if the options are to become exercisable, and there is also a stretch target. If the stretch target for one of these performance targets is reached, all the options relating to that performance target become exercisable.

“Earnings per share” performance target

The minimum target for the “earnings per share” performance target is reached if the diluted earnings per share of the company adjusted for special items for the financial year ending before the expiry of the qualifying period achieves a compound average growth rate (CAGR) of 6 percent when compared with the diluted earnings per share of the company adjusted for special items for the financial year ending before the issue of the options. The stretch target for the “earnings per share” performance target is reached if the diluted earnings per share of the company adjusted for special items for the financial year ending before the expiry of the qualifying period achieves a CAGR of at least 11 percent when compared with the diluted earnings per share of the company adjusted for special items for the financial year ending before the issue of the options. The calculation of the “earnings per share” performance target is derived from the diluted earnings per share of the company adjusted for special items disclosed in the audited Group financial statements of The Linde Group for the appropriate financial year. If no adjustment for special items has been made in that financial year, the relevant figure is the diluted earnings per share disclosed in the Group financial statements. Special items are items which, due to their nature, frequency and/or scope, might have an adverse impact on the extent to which the diluted earnings per share figure provides an informative picture of the ability of The Linde Group to sustain its profitability in the capital market. Adjusting diluted earnings per share for special items is designed to increase transparency in respect of the Group’s ability to sustain profitability. If the minimum target is reached, 12.5 percent of all the options in the relevant tranche may be exercised. If the stretch target is reached, 50 percent of all the options in the relevant tranche may be exercised: i.e. all the options dependent on this performance target. If the minimum target is exceeded, but the stretch target is not reached, the number of options that may be exercised is determined on a straight-line basis and will lie between 12.5 percent and 50 percent of all options issued on the same issue date, depending on

the extent by which the minimum target is exceeded and the proximity of the figure to the stretch target. If this calculation does not result in a round figure, the percentage should be rounded to one decimal point.

Details of the calculation of earnings per share are given in ► [NOTE \[11\]](#). The “earnings per share” performance target is regarded as a non-market performance condition as defined by IFRS 2.

“Relative total shareholder return” performance target

The minimum target for the “relative total shareholder return” performance target is reached if the total shareholder return of the Linde AG share exceeds the median of the values for total shareholder return in the control group (described below) in the period between the issue date and the beginning of the exercise period. If the control group contains an even number of values, the average of the two values lying in the middle is deemed to be the median. The stretch target for the “relative total shareholder return” performance target is reached if the total shareholder return of the Linde AG share is in the upper quartile of the values for total shareholder return in the control group in the period between the issue date and the beginning of the exercise period. The total shareholder return of the Linde AG share comprises (i) the absolute increase or decrease in the price of a Linde AG share when compared to its initial value and (ii) the dividend per share paid plus the value of any statutory subscription rights attributable to one Linde AG share (as a result of capital increases). In each case, the calculation relates to the period between (and inclusive of) the issue date and the third last stock exchange trading day in the Xetra trading system (or in a comparable successor system) of the Frankfurt Stock Exchange before the exercise period. The absolute increase or decrease in price of the Linde AG share corresponds to the difference between the average of the closing prices (or of equivalent successor prices) of Linde shares in the Xetra trading system (or in a comparable successor system) of the Frankfurt Stock Exchange over the period between (and inclusive of) the 62nd stock exchange trading day to the third last stock exchange trading day before the exercise period (the final value) and the initial value. The initial value of the share for the determination of the total shareholder return is the average of the closing prices (or of equivalent successor prices) of Linde shares on the last 60 stock exchange trading days in the Xetra trading system (or in a comparable successor system) of the Frankfurt Stock Exchange before the issue date of the subscription rights. For the purposes of the LTIP 2012, the value of one statutory subscription right is the volume-weighted average of the closing prices in that period in which the subscription rights are traded in the Xetra trading system (or a comparable successor system) of the Frankfurt Stock Exchange. The

control group comprises companies in the DAX 30 at that time, with the exception of Linde itself. Companies which are either excluded from or included in the DAX 30 during the period on which the calculation of the total shareholder return is based are ignored for the purposes of the calculation. When determining the total shareholder return for shares in the control group, Linde may have recourse to data supplied by a recognised independent provider of financial data. If a company in the control group trades different classes of shares or shares with differing profit entitlements on the stock exchange, only the shares which form the basis for the determination of the DAX 30 value are taken into consideration. If the minimum target is reached, 12.5 percent of all the options in the relevant tranche may be exercised. If the stretch target is reached, 50 percent of all the options in the relevant tranche may be exercised: i.e. all the options dependent on this performance target. If the minimum target is exceeded, but the stretch target is not reached, the number of options that may be exercised is determined on a straight-line basis and will lie between 12.5 percent and 50 percent of all options issued on the same issue date, depending on the extent by which the minimum target is exceeded and the proximity of the figure to the stretch target. If this calculation does not result in a round figure, the percentage should be rounded to one decimal point.

The “relative total shareholder return” target is regarded as a market-based performance condition as defined by IFRS 2 and is included in the measurement of the option price.

The total calculated value of the share options is allocated as a personnel expense over the period in which the company receives service in return from the employee. This period is generally the same as the agreed qualifying period. The counter entry is made directly in liabilities.

OPTIONS – LONG TERM INCENTIVE PLAN 2012

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	<i>LTIP – Number of options</i>
AT 01.01.2016	1,276,822
granted	349,874
forfeited	446,047
AT 31.12.2016/01.01.2017	1,180,649
of which exercisable at 31.12.2016	–
granted	234,740
forfeited	418,758
AT 31.12.2017	996,631
of which exercisable at 31.12.2017	–

The average remaining period in the LTIP 2012 is 23 months (2016: 25 months). The exercise price for all the tranches in the LTIP 2012 is EUR 2.56.

As of the time of modification, the expenses were calculated taking into account the updated number of outstanding options on the reporting date, the price of the shares in Linde AG on the reporting date, less the issue price of EUR 2.56 per share, the expected target achievement level and the pro rata service rendered by the employee in question on the reporting date.

Personal investment, matching shares

A pre-condition of participation in the LTIP 2012 for plan participants in Band 5 or above in Linde's internal management structure is compulsory personal investment in shares of the company at the beginning of each tranche of the scheme. In the case of members of the Executive Board, the number of shares that each individual Board member must purchase as a personal investment is determined by the Supervisory Board. For other Linde executives in Band 5 or above, it is the Executive Board which determines the number of shares that must be purchased by each individual. For each share acquired by a scheme participant as a personal investment and held by the participant in respect of each tranche throughout the qualifying period for the options, one matching share in Linde AG will be granted at the end of the qualifying period at no cost to the participant. However, Linde is permitted to pay an amount in cash to those entitled to options instead of granting them matching shares. Conditions which apply to the granting of matching shares include: a personal investment in Linde AG shares by the scheme participant at the appropriate time, the unrestricted holding of such shares during the qualifying period of the corresponding tranche and, except in the event of the termination of the service or employment contract of the scheme participant before the end of the qualifying period (special cases) when different rules shall apply, the existence of a service or employment contract with the scheme participant at the end of

the qualifying period in respect of which no notice has been given. Plan participants in Band 4 of Linde's internal management structure may make a voluntary personal investment in Linde AG shares and will be granted matching shares accordingly, subject to the aforementioned conditions.

**MATCHING SHARES –
LONG TERM INCENTIVE PLAN 2012**

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	<i>LTIP – Number of matching shares</i>
AT 01.01.2016	119,176
granted	38,950
forfeited	14,954
allocated	32,330
AT 31.12.2016/01.01.2017	110,842
granted	27,722
forfeited	18,224
allocated	25,938
AT 31.12.2017	94,402

**Modification – personal investment,
matching shares**

In the second quarter of 2017, a resolution passed by the Executive Board and the Supervisory Board also modified the regulations of the Linde LTIP in respect of the personal investment, matching shares. In future, these are only to allow for settlement in the form of a cash payment. The cash settlement is calculated based on the price of Linde's shares on the last 60 stock exchange trading days in the qualifying period.

Due to the modification and changeover to a cash settlement for subscription rights granted and the personal investment, matching shares, a net total of EUR 15 m was reclassified from the capital reserve in the 2017 financial year. In addition, the matching shares relating to the 2013 tranche were allocated in the form of a cash payment. The resulting liability of EUR 4 m had been settled by the reporting date.

The effect on earnings of the recognition of the expense in the statement of profit or loss of The Linde Group is shown in the table below. The same amount was recognised in liabilities (in the previous year in the capital reserve):

**PERSONNEL EXPENSES –
LONG TERM INCENTIVE PLAN 2012**

97

<i>in EUR m</i>	2016	2017
TOTAL	13	30

The liability amounted to EUR 41 m on the reporting date.

[27] Financial instruments

FINANCIAL ASSETS

98

in EUR m	Fair value		Carrying amount		Statement of financial position figures			
	2016	2017	2016	2017	Financial instruments outside scope of IAS 39		Total	
					2016	2017	2016	2017
AVAILABLE-FOR-SALE FINANCIAL ASSETS								
Investments and securities	138	640	138	640	-	-	138	640
LOANS AND RECEIVABLES								
Investments and securities	6	5	6	5	-	-	6	5
Trade receivables	2,597	2,486	2,597	2,486	-	-	2,597	2,486
Receivables from percentage of completion contracts	160	188	160	188	-	-	160	188
Other receivables and assets	733	722	394	372	339	350	733	722
HELD-TO-MATURITY FINANCIAL ASSETS								
Investments and securities	15	14	15	14	-	-	15	14
DERIVATIVES WITH POSITIVE FAIR VALUES								
Freestanding derivatives	82	34	82	34	-	-	82	34
Derivatives designated as hedging instruments	132	133	132	133	-	-	132	133
CASH AND CASH EQUIVALENTS	1,463	1,432	1,463	1,432	-	-	1,463	1,432
RECEIVABLES FROM FINANCE LEASES	242	123	-	-	214	103	214	103
TOTAL	5,568	5,777	4,987	5,304	553	453	5,540	5,757

FINANCIAL LIABILITIES

99

in EUR m	Fair value		Carrying amount		Statement of financial position figures			
	2016	2017	2016	2017	Financial instruments outside scope of IAS 39		Total	
					2016	2017	2016	2017
FINANCIAL LIABILITIES AT AMORTISED COST								
Financial liabilities	9,059	8,397	8,528	8,019	-	-	8,528	8,019
Trade payables (excluding PoC)	2,601	2,755	2,600	2,755	-	-	2,600	2,755
Miscellaneous liabilities	893	929	542	549	351	380	893	929
DERIVATIVES WITH NEGATIVE FAIR VALUES								
Freestanding derivatives	42	49	42	49	-	-	42	49
Derivatives designated as hedging instruments	600	250	600	250	-	-	600	250
LIABILITIES FROM FINANCE LEASES	67	55	-	-	74	54	74	54
TOTAL	13,262	12,435	12,312	11,622	425	434	12,737	12,056

The fair value of financial instruments is generally determined using stock exchange prices. If stock exchange prices are not available, the fair value is determined using measurement methods customary in the market, based on market parameters specific to the instrument.

The fair value of derivative financial instruments is determined as follows: Options are valued using the Black-Scholes option pricing model. Futures are measured with recourse to the quoted market price in the relevant market. All other derivative financial instruments are measured by discounting expected future cash flows using the net present value method. As far as possible, the entry parameters used in these models are relevant observable market prices and interest rates at the reporting date.

The following table shows the financial instruments in The Linde Group which are measured at fair value. Linde uses the following hierarchy to determine and disclose fair values based on the method used to ascertain their fair values:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

100

in EUR m	Level 1		Level 2		Level 3	
	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017
Investments and securities	121	623	-	-	-	-
Freestanding derivatives with positive fair values	-	-	82	34	-	-
Derivatives designated as hedging instruments with positive fair values	-	-	132	133	-	-
Freestanding derivatives with negative fair values	-	-	42	49	-	-
Derivatives designated as hedging instruments with negative fair values	-	-	600	250	-	-

During the reporting year, there were no transfers between Levels 1, 2 and 3 of the fair value hierarchy. The investments and securities category also included financial assets (available-for-sale financial assets) of EUR 17 m (2016: EUR 17 m) for which a fair value cannot be reliably determined. There is currently no intention to sell these assets.

The fair value of financial instruments in the "loans and receivables", "held-to-maturity financial assets" and "financial liabilities at amortised cost" categories is determined by discounting the expected cash flows. The interest rates applied are the same as those that would apply to new financial instruments with a similar risk structure, currency and maturity. Fair value is determined using the discounted cash flow method, taking into account individual credit ratings and other market circumstances in the form of credit and liquidity spreads generally applied in the market (Level 2). The exception to this is bonds issued by Linde AG and Linde Finance B.V. traded in the capital market (Level 1). The fair value of these instruments is determined using the current stock exchange price. In cases involving short-term financial instruments in the "loans and receivables", "held-to-maturity financial assets" and "financial liabilities at amortised cost" categories, it is assumed that the fair value corresponds to the carrying amount.

In the 2017 financial year, there were no differences between the fair value of a financial instrument when

it was first recognised and the amount which would have been recognised at that time had the valuation methods described above been used.

NET FINANCIAL GAINS AND LOSSES¹

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in EUR m	2016	2017
From freestanding derivatives	-111	-147
From loans and receivables	-248	-271
From available-for-sale financial assets	-	8
of which reported in cumulative changes in equity not recognised in the income statement	-	8
From financial liabilities at amortised cost	177	266
TOTAL	-182	-144
thereof recognised in the financial result	-14	-4

¹ Income is shown in the form of positive figures and expenses in the form of negative figures.

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The net financial gains and losses on financial instruments arise from changes in fair value, the recognition and reversal of impairment losses, eliminations and exchange rate fluctuations.

The net financial gains and losses correspond to the valuation gains and losses of the financial instruments, but exclude interest and dividends.

Free-standing derivatives comprise all those derivatives which are not designated as hedging instruments. They include those derivatives in economic hedging

relationships not designated as hedges in respect of which gains and losses arising from the underlying transaction and the hedged item are recognised at the same time in the statement of profit or loss.

The financial result includes fees and other costs of capital of EUR 19 m (2016: EUR 17 m) relating to financial instruments not at fair value through profit or loss.

No interest income has been accrued which relates to impaired financial instruments, especially receivables.

IMPAIRMENT LOSS AT 31.12.¹

in EUR m	2016				2017			
	Carrying amount before impairment	Cumulative impairment loss	Carrying amount after impairment	Of which impairment loss for 2016 financial year	Carrying amount before impairment	Cumulative impairment loss	Carrying amount after impairment	Of which impairment loss for 2017 financial year
Investments and securities at fair value	157	19	138	7	658	18	640	1
Investments and securities at amortised cost	26	5	21	–	23	4	19	–
Receivables from finance leases	214	–	214	–	103	–	103	–
Trade receivables	2,968	371	2,597	163	2,835	349	2,486	133
Receivables from percentage of completion contracts	160	–	160	–	188	–	188	–
Derivatives with positive fair values	214	–	214	–	167	–	167	–
Other receivables and assets	737	4	733	1	723	1	722	–
Cash and cash equivalents	1,463	–	1,463	–	1,432	–	1,432	–

¹ In 2017, the impairment loss recognised in the financial result came to EUR 1 m (2016: EUR 4 m).

IMPAIRMENT LOSS ON TRADE RECEIVABLES

in EUR m	Cumulative impairment loss	
	2016	2017
AT 01.01.	326	371
Currency adjustments	10	–36
Increase in impairment losses recorded in the statement of profit and loss	163	133
Write-offs charged against cumulative impairment losses	–128	–119
AT 31.12.	371	349

The carrying amounts of the financial assets recognised take into account the highest possible risk of default. A summary of financial assets past due but not impaired is presented in ► [NOTE \[16\]](#).

INTEREST INCOME/EXPENSE FROM FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE¹

in EUR m	2016	2017
Interest income	30	27
Interest expenses	245	192
TOTAL	–215	–165
thereof recognised in the financial result	–229	–174

¹ Income and expenses are shown as positive figures where the line item designation is clear. In the “total” line item, net expenses are shown as negative figures.

Not included here are the interest income and interest expense from derivatives or the interest income and interest expense from assets and liabilities outside the scope of IFRS 7.

Risk positions and risk management

The Linde Group is exposed to a variety of financial risks. These include in particular: counterparty risk, liquidity risk, interest rate risk, exchange rate risk and other market price risks. These are described below. For further information about risk management in The Linde Group, please refer to the disclosures in the Group management report. ► [SEE OPPORTUNITY AND RISK REPORT, PAGES 75 TO 89.](#)

Counterparty risk

Counterparty risk is the risk that a counterparty does not meet his or her contractual payment obligations and that this leads to a loss for The Linde Group.

In order to counteract this risk, regular reviews are performed on the creditworthiness of major counterparties, in particular, and clearly defined limits have been set. Experience during the economic crisis has shown that credit standings can change quickly. It is therefore possible that, despite the Group's monitoring process, counterparties might delay payments or fail to make them at all. The Linde Group does not believe that it has any significant exposure to default risk arising from any individual counterparty. The concentration of the counterparty risk is limited due to the Group's broad and uncorrelated customer base. With the exception of Medicare, the federal health insurance programme within the US health system, the single largest debtor constitutes less than 1 percent of the total figure for trade receivables in The Linde Group. Medicare constitutes 7 percent of the Group's trade receivables.

The risk positions outstanding are subject to strict limits and are continually monitored. The carrying amounts of financial assets reported in the statement of financial position, taking into account impairment losses, represent the highest possible default risk, without including the value of any collateral.

A significant criterion for managing counterparty risk relating to financing and capital market transactions and setting corresponding limits is the credit rating of the relevant counterparty. Regular reviews are performed by a supervisory unit which is independent of the trading department to ensure compliance with all the limits set. The Linde Group has concluded bilateral Credit Support Annexes (CSAs) with the majority of the banks with which financial instruments are traded. On the basis of such agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. for the purpose of interest rate and currency management are collateralised with cash on a regular basis. In this way, the default risk arising from these instruments is minimised. These transactions are subject to the rules of the framework agreement for financial derivative transactions, whereby the rights and obligations associated with the exchange of collateral do not qualify for netting in the statement of financial position. A willingness to enter into CSAs with Linde AG

and Linde Finance B.V. is an essential prerequisite to being accepted as a counterparty by Linde. In this connection, The Linde Group issued EUR 193 m (2016: EUR 464 m) as collateral for derivatives with negative fair values and received EUR 41 m (2016: EUR 41 m) as collateral for derivatives with positive fair values. In addition, a unilateral CSA was concluded for commodities derivatives and EUR 7 m (2016: EUR 7 m) was issued as collateral, while EUR 3 m (2016: EUR 0 m) was received as collateral. The Linde Group also has financial assets with a carrying amount of EUR 1 m (2016: EUR 6 m) which are pledged as collateral for liabilities or contingent liabilities. In the 2017 and 2016 financial years, no additional significant collateral was held by The Linde Group apart from the CSAs described above.

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FINANCIAL ASSETS/LIABILITIES SUBJECT TO OFFSETTING OR ENFORCEABLE MASTER AGREEMENTS FOR FINANCIAL DERIVATIVE TRANSACTIONS

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31.12.2016, in EUR m	Gross amount of recognised financial assets/liabilities	Gross amount of recognised financial assets/liabilities set off in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Financial instruments that qualify for netting	Net amount before CSAs	Collaterals received from collateral agreements ¹	Collaterals due to pledged collateral agreements ¹	Net amount
Derivatives with positive fair values	214	-	214	-143	71	-25	34	80
Derivatives with negative fair values	-642	-	-642	143	-499	-16	437	-78
Trade receivables	10	-4	6	-	6	-	-	6
Trade payables	-6	4	-2	-	-2	-	-	-2
TOTAL	-424	-	-424	-	-424	-41	471	6
<i>31.12.2017, in EUR m</i>								
Derivatives with positive fair values	167	-	167	-87	80	-34	24	70
Derivatives with negative fair values	-299	-	-299	87	-212	-10	169	-53
Trade receivables	3	-1	2	-	2	-	-	2
Trade payables	-2	1	-1	-	-1	-	-	-1
TOTAL	-131	-	-131	-	-131	-44	193	18

¹ The terms governing CSAs may result in the net fair value position per counterparty being over-secured.

Liquidity risk

Liquidity risk is the risk that the Group will no longer be able to meet its financial payment obligations. Contractual undiscounted expected future cash flows from financial liabilities are shown in the table below:

FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES

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in EUR m	Due within one year		Due in one to five years		Due in more than five years	
	2016	2017	2016	2017	2016	2017
Cash outflows from non-derivative financial liabilities	5,244	5,414	5,035	4,439	2,718	2,567
Cash outflows from derivative financial liabilities	855	416	1,065	621	1,009	794

Within this context, it is important to note that the cash outflows from derivative financial liabilities in the amount of EUR 1.831 bn (2016: EUR 2.929 bn) are offset by cash inflows from derivatives with gross settlement in the amount of EUR 1.363 bn (2016: EUR 2.116 bn).

Interest rate risks

Interest rate risks arise from market fluctuations in interest rates. As a result of its financing activities, The Linde Group is exposed to a risk from interest rate changes. At 31 December 2017, The Linde Group held interest-bearing instruments (net, including interest rate derivatives/hedges) totalling EUR 5.967 bn (2016: EUR 7.190 bn). Of these, EUR 1.525 bn (2016: EUR 2.618 bn) related to instruments bearing interest at variable interest rates and EUR 4.442 bn (2016: EUR 4.572 bn) to instruments bearing interest at fixed rates. This is equivalent to a Group-wide fixed-rate ratio of 74 per cent (2016: 64 per cent).

Linde has used forward payer swaps to provide an element of hedging against exposure to rising interest rates with regard to future bond issues.

Based on instruments bearing interest at variable rates and financial instruments hedging interest rate risks which The Linde Group holds or has issued, a hypothetical change in the interest rates applicable to the respective instruments would have had the following effects (if exchange rates remained constant):

EFFECT OF CHANGES IN INTEREST RATES

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Currency, in EUR m	Change	Recognised in profit or loss		Directly in equity	
		2016	2017	2016	2017
EUR	+100 bp	-38	-38	82	77
	-100 bp	38	38	-87	-81
GBP	+100 bp	12	13	-3	-1
	-100 bp	-12	-13	3	1
USD	+100 bp	-3	3	52	35
	-100 bp	3	-3	-53	-35
AUD	+100 bp	-	-2	11	6
	-100 bp	-	2	-11	-6
Other currencies	+100 bp	3	8	7	14
	-100 bp	-3	-8	-7	-14

Exchange rate risks

Due to its activities as an international group, The Linde Group is exposed to exchange rate risks. Its broad spread of activities over many different currency areas and its local business model result in a low concentration of risk for the Group.

The Linde Group monitors and manages its exchange rate risk, a risk which has an impact on its operations. The gross exchange rate risk encompasses all the operating activities of the Group. This gross exchange rate risk is reduced by around 82 per cent (2016: 78 per cent). Therefore, The Linde Group is exposed at the reporting date to a net exchange rate risk from operating activities involving foreign currency corresponding to 18 per cent (2016: 22 per cent) of the original unsecured risk.

The risk of exchange rate movements is monitored for internal management purposes on the basis of a value-at-risk, which relates to positions in currencies other than the relevant functional currency.

The value-at-risk is calculated on the basis of historical data (250 working days) in accordance with international banking standards. The value-at-risk presents the maximum potential loss based on a probability of 97.5 per cent for a holding period of twelve months. The calculation takes into account correlations

between the transactions being considered; the risk of a portfolio is generally lower than the total of the respective individual risks.

At 31 December 2017, the value-at-risk was EUR 19 m (2016: EUR 31 m).

Other market price risks

As a result of its energy purchases, The Linde Group is exposed to risks arising from changes in commodity prices. The Linde Group monitors and manages these commodity price risks arising from the purchase of electricity, natural gas and propane for use in production. These hedging operations are governed by strict risk management guidelines, compliance with which is constantly being monitored. Commodity price risks are hedged in the main by long-term supply contracts or limited by the form and structure of sales contracts. Derivatives are also used to a much lesser extent to hedge against the exposure to changes in the price of electricity, natural gas and propane gas. The commodity price risk from financial instruments is therefore not material.

Hedge Accounting

Cash flow hedges

The Linde Group hedges cash flows at both Group and company levels, based on agreed minimum hedging rates. At the company level, future transactions which are highly probable are hedged against foreign exchange risks. A rolling 15-month budget or the budgets for individual customer-specific projects are used for this purpose.

In general, these hedges are accounted for as cash flow hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The effective portion of the gain or loss on the hedging instruments is recognised directly in equity and released to the statement of profit or loss when the hedged cash flows are also recognised in the statement of profit or loss or if a hedged future transaction is no longer expected to occur. In addition, the risks associated with changes in interest rates relating to certain financial liabilities or future financing measures are hedged by derivative financial instruments and accounted for as cash flow hedges.

The Linde Group also hedges the exposure to commodity price risks which arise in the normal course of business from its procurement transactions and result in open risk positions. To reduce the extent of the risk, The Linde Group enters into a small number of electricity, natural gas and propane gas derivatives.

Usually, hedging relationships of this type are also designated as cash flow hedging relationships, if this accords with the facts.

If the hedged future transactions (forecast transactions as defined by IAS 39) result in the recognition of a non-financial asset or liability, the initial carrying amounts of these are adjusted for the amount recorded in equity. This is usually the case for non-current assets and inventories.

The following table presents a reconciliation of the reserve for cash flow hedges:

<i>in EUR m</i>	2016	2017
OPENING BALANCE AT 01.01.	-270	-305
Additions	-59	-4
Transfers to the statement of profit or loss ¹	24	19
of which relating to revenue	4	5
of which relating to cost of sales	14	-4
of which relating to financial income and expenses	6	18
CLOSING BALANCE AT 31.12.	-305	-290

¹ Transfers to the statement of profit or loss are shown as negative figures if they relate to income and positive figures if they relate to a loss.

In the 2017 financial year, EUR 1 m (2016: EUR 0 m) was recognised in the financial result as a result of ineffectiveness in cash flow hedges.

CASH FLOWS, GAINS AND LOSSES FROM CASH FLOW HEDGES (109)

<i>in EUR m</i>	<i>Within one year</i>		<i>In one to five years</i>		<i>In more than five years</i>		<i>Total</i>	
	2016	2017	2016	2017	2016	2017	2016	2017
Cash flows from hedging instruments	-51	-68	-323	-281	-201	-167	-575	-516
Gain/loss	1	-17	-134	-117	-172	-156	-305	-290

Fair value hedges

The Linde Group uses interest rate swaps to hedge the exposure to changes in the fair value of financial assets and financial liabilities as a result of interest rate changes. If the hedge is deemed to be effective, the carrying amount of the hedged item is adjusted for changes in the fair value attributable to the hedged risk.

The following table shows the changes in underlying transactions and hedging instruments in fair value hedging relationships recognised in profit or loss.

<i>in EUR m</i>	2016	2017
From hedged transactions	21	14
From hedging instruments	-20	-16
INEFFECTIVENESS	1	-2

¹ Income is shown in the form of positive figures and expenses in the form of negative figures.

Hedges of a net investment in a foreign operation

The Linde Group hedges its exposure to translation risk by taking out loans in foreign currency and by entering into forward exchange contracts and cross-currency interest rate swaps. These hedges generally qualify as hedges of a net investment in a foreign operation (referred to below as net investment hedges) in accordance with IAS 39 Financial Instruments: Recognition and Measurement, and hence the effective portion of the hedge is transferred to equity. If the foreign operation is subsequently sold or relinquished, the amount recognised in equity is released to the statement of profit or loss.

No amounts were recognised in 2017 or 2016 as a result of ineffectiveness in net investment hedges.

FAIR VALUE OF FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES

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<i>in EUR m</i>	2016	2017
Cash flow hedges		
Forward exchange transactions	-	-
Interest rate/cross-currency interest rate swaps	-329	-164
Commodities	6	13
Financial liabilities	244	216
Fair value hedges		
Interest rate swaps	12	-6
Net investment hedges		
Forward exchange transactions	-45	44
Cross-currency interest rate swaps	-112	-4
Financial liabilities in foreign currencies	1,017	875

The following table shows the composition of net financial gains and losses.

RECONCILIATION TO NET FINANCIAL GAINS AND LOSSES

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<i>in EUR m</i>	2016	2017
Net financial income and expenses	-14	-4
thereof releases from cash flow hedges	-6	-18
Net interest expense	-229	-174
ineffectiveness from cash flow hedges	-	-1
ineffectiveness from fair value hedges	1	-2
Fees and other costs of capital	-17	-19
Net interest expense/income from defined benefit plans	-23	-28
Income from long-term equity investments	1	1
Net interest expense/income from interest rate swaps	-25	-31
Miscellaneous expenses and income from other assets and liabilities as financial instruments	-18	-7
NET FINANCIAL GAINS AND LOSSES	-324	-265

[28] Group statement of cash flows

The statement of cash flows shows the source and application of funds. In accordance with IAS 7 Cash Flow Statements, cash flows from operating activities are distinguished from cash flows from investing and financing activities.

The cash and cash equivalents disclosed in the statement of cash flows comprise all cash and cash equivalents disclosed in the statement of financial position: i.e. cash in hand, bank balances and money market funds with a maturity of three months or less. Cash and cash equivalents of EUR 5 m (2016: EUR 5 m) are subject to drawing restrictions as a result of currency export restrictions. These relate to cash holdings of the subsidiaries in Argentina and Venezuela. Although transfer restrictions apply in other countries, too, The Linde Group is able to access the cash holdings in these countries via dividend payments. In addition, these cash holdings are available to the Group on location and are required and used for local operational business purposes there.

The cash flows from investing and financing activities are calculated on the basis of payments, while the cash flow from operating activities is derived indirectly from profit before tax.

When the cash flow from operating activities is calculated, the changes in assets and liabilities are adjusted for the effects of currency translation and

changes in Group structure. As a result, it is not possible to reconcile the figures to the differences between the headings in the published Group statement of financial position.

Distributions received and income taxes paid included in cash inflow from operating activities are disclosed separately. Cash inflows from associates and joint ventures are disclosed in cash inflow from operating activities. Finance income from embedded finance leases (IFRIC 4/IAS 17) has been included in cash inflow from operating activities, due to the fact that such income is clearly related to the operating business of The Linde Group, while capitalised borrowing costs of EUR 11 m (2016: EUR 24 m) are disclosed in cash flow from investing activities. All other interest payments are disclosed in cash flow from financing activities.

For cash outflows relating to newly consolidated companies, please refer to the Group statement of cash flows. ► [SEE TABLES 37 AND 38, PAGES 104 TO 105.](#) In the Group statement of financial position, EUR 3 m (2016: EUR 2 m) has been recognised as liabilities which are not included in the cash outflows for consolidated companies.

The total increase in cash and cash equivalents as a result of acquisitions was EUR 4 m (2016: EUR 12 m).

Investing activities comprise additions to and disposals of tangible assets, financial assets, intangible assets and consolidated companies. Additions and disposals in foreign currency have been translated at average rates.

RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

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in EUR m	Opening balance at 01.01.2017	Cash flows	Non-cash changes				Closing balance at 31.12.2017
			Changes in the consoli- dated group	Exchange rate effects ¹	Changes in fair value	Other changes ²	
Non-current financial debt	6,674	-43	14	-29	-	-527	6,089
Current financial debt	1,854	-269	39	-221	-	527	1,930
Derivative financial instruments	180	-204	-	-	16	-	-8
Liabilities from finance leases	74	-17	-	-6	-	3	54
LIABILITIES FROM FINANCING ACTIVITIES	8,782	-533	53	-256	16	3	8,065

¹ For financial debt, incl. adjustments due to hedging transactions.

² Under financial debt, reclassification from non-current to current financial debt; under liabilities from finance leases, addition of new leases.

[29] Segment information

IFRS 8 Operating Segments requires information to be provided for each operating segment. The definition of operating segments and the scope of the information prepared for segment reporting is based, among other things, on the information made available on a regular basis to the full Executive Board and, as a result, on the internal management within the organisation.

Changes in segment structure

Other Activities comprises Gist, a leading supplier of logistics and supply chain solutions with business operations mainly in England. As this business area is to be sold, it has been reported as a discontinued operation in this Annual Report. Since 2017, this business area has no longer formed part of the reports submitted to the Executive Board, meaning that it no longer forms part of the segment report either.

The full Executive Board is regularly provided with key profitability and revenue figures that are relevant from a decision-making perspective for the following areas:

- EMEA (Europe, Middle East and Africa)
- Asia/Pacific
- Americas
- Engineering Division

In accordance with IFRS 8, The Linde Group therefore reports in four segments. The "Reconciliation" column comprises corporate activities and consolidation adjustments. ► [SEE TABLE 40, PAGE 108.](#)

A brief description of the segments is given below:

Gases Division (EMEA, Asia/Pacific and Americas):

The activities of the Gases Division comprise the production, sale and distribution of gases for applications in industry, medicine, environmental protection and in research and development. In addition, this division offers technical application know-how, specialised services and the necessary hardware to use the gases. The business model in the three segments within the Gases Division (EMEA, Asia/Pacific and Americas) is largely identical in each segment.

Engineering Division:

The activities of the Engineering Division comprise the design and realisation of turnkey olefin plants, plants for the production of hydrogen and synthesis gases and the processing of natural gas, and air separation plants. This division also develops and manufactures plant components and offers specialised services.

Segment accounting policies

The same accounting policies as those set out in ► [NOTE \[5\]](#) apply to the segments. Exceptions apply to Group financing, which is allocated to Corporate. Pension obligations are allocated to the segment in which the relevant employees work. The provision for existing pension obligations arising from the BOC pension plan in respect of the legal entities in the UK is allocated to the EMEA segment. The service cost was charged to the EMEA and Corporate segments. Transactions between the reportable segments described above are conducted under the same conditions as for non-related third parties.

To arrive at the figure for the Gases Division as a whole from the figures for the three segments within the Gases Division, consolidation adjustments of EUR 174 m (2016: EUR 185 m) have been applied to revenue. This means that 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.

Segment profit is calculated on the basis of operating profit.

Capital expenditure per segment represents the amounts invested during the financial year from the point of view of the subsidiary. Included in the "Reconciliation" column are not only consolidation adjustments required from the Group's point of view, but also adjustments as a result of variances in Group acquisition and manufacturing cost as a result of supplies made by the Engineering Division to the Gases Division.

RECONCILIATIONS OF SEGMENT REVENUE AND OF THE SEGMENT RESULT

114

in EUR m	2016	2017
Revenue		
Total revenue from the segments	17,243	17,376
Consolidation	-295	-263
GROUP REVENUE FROM CONTINUING OPERATIONS	16,948	17,113
Operating profit		
Operating profit from segments	4,406	4,488
Operating profit from corporate activities	-338	-273
Consolidation	30	-2
Restructuring and merger costs (special items)	126	373
Amortisation	1,897	1,896
Financial income	29	37
Financial expenses	353	302
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	1,751	1,679

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REVENUE BY PRODUCT AREA

115

<i>in EUR m</i>	2016	2017
GASES DIVISION	14,892	14,988
On-site	3,757	3,994
Healthcare	3,740	3,361
Liquefied gases	3,575	3,767
Cylinder gases	3,820	3,866
ENGINEERING DIVISION	2,351	2,388
Olefin plants	819	848
Natural gas plants	448	639
Air separation plants	419	494
Hydrogen and synthesis gas plants	485	236
Other	180	171
CONSOLIDATION	-295	-263
GROUP REVENUE FROM CONTINUING OPERATIONS	16,948	17,113

[30] Employees

EMPLOYEES BY SEGMENT (CONTINUING OPERATIONS)

116

	2016	2017
Gases Division	53,684	51,840
EMEA	20,508	19,855
Asia/Pacific	11,398	11,204
Americas	21,778	20,781
Engineering Division	6,580	6,198
Corporate activities	371	343
GROUP	60,635	58,381

In 2017, the average number of employees in the companies included in the Group financial statements on a line-by-line basis was 169 (2016: 169). Part-time employees have been included on a pro rata basis.

All in all, personnel expenses in 2017 totalled EUR 3.780 bn (2016: EUR 3.724 bn), of which EUR 3.489 bn (2016: EUR 3.431 bn) related to salaries (including social security contributions) and EUR 291 m (2016: EUR 293 m) to pensions.

[31] Recommendation for the approval of the annual financial statements and appropriation of profit of Linde AG

The unappropriated profit of Linde AG at 31 December 2017 was EUR 1,299,466,497.00 (2016: EUR 686,860,862.70).

The annual financial statements of Linde AG prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) are published and filed in the German Federal Gazette (Bundesanzeiger).

STATEMENT OF FINANCIAL POSITION OF LINDE AG – ASSETS

<i>in EUR m</i>	31.12.2016	31.12.2017
Intangible assets	82	63
Tangible assets	458	492
Financial assets	17,553	17,587
NON-CURRENT ASSETS	18,093	18,142
Inventories	2,951	2,963
less advance payments received from customers	-2,951	-2,963
Receivables and other assets	2,110	1,810
Securities	107	606
Liquid assets	168	285
CURRENT ASSETS	2,385	2,701
Prepaid expenses and deferred charges	130	138
TOTAL ASSETS	20,608	20,981

STATEMENT OF FINANCIAL POSITION OF LINDE AG – EQUITY AND LIABILITIES

<i>in EUR m</i>	31.12.2016	31.12.2017
Capital subscribed	475	475
Conditionally authorised capital of EUR 57 m (2016: EUR 57 m)		
Capital reserve	6,563	6,563
Revenue reserves	2,419	1,332
Unappropriated profit	687	1,299
EQUITY	10,144	9,669
Provisions for pensions and similar obligations	188	226
Other provisions	819	792
PROVISIONS	1,007	1,018
Liabilities	9,451	10,290
Prepaid expenses and deferred charges	6	4
TOTAL EQUITY AND LIABILITIES	20,608	20,981

INCOME STATEMENT OF LINDE AG

<i>in EUR m</i>	2016	2017
REVENUE	2,917	2,958
Cost of sales	2,120	2,117
GROSS PROFIT	797	841
Marketing and selling expenses	315	330
Research and development costs	117	115
General administration expenses	335	398
Other operating income	199	195
Other operating expenses	111	214
Investment income	871	404
Other interest and similar income	213	193
of which from affiliated companies EUR 134 m (2016: EUR 158 m)		
Amortisation of financial assets and securities held as current assets	30	43
Interest and similar charges	223	312
of which to affiliated companies EUR 78 m (2016: EUR 109 m)		
Income tax expense	10	9
PROFIT FOR THE YEAR	939	212
Transfer to revenue reserves	-252	-
Withdrawal from revenue reserves	-	1,087
UNAPPROPRIATED PROFIT	687	1,299

The Executive Board recommends that, when the annual financial statements of Linde AG are approved at the meeting of the Supervisory Board on 7 March 2018, the Supervisory Board proposes that the appropriation of profit of EUR 1,299,466,497.00 (2016: EUR 686,860,862.70) be voted on at the Annual General Meeting on 3 May 2018:

- payment of a dividend of EUR 7.00 (2016: EUR 3.70) per no-par value share entitled to dividend. The total dividend payout for 185,638,071 (2016: 185,638,071) no-par value shares entitled to dividend therefore amounts to EUR 1,299,466,497.00 (2016: EUR 686,860,862.70).

The 95,109 treasury shares held by the company without any dividend entitlement at the time of the proposal are not included in the calculation of the amount to be distributed.

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[32] Related party transactions

In addition to the subsidiaries included in the Group financial statements, Linde AG is related, directly or indirectly, while carrying out its normal business activities, to non-consolidated subsidiaries, joint ventures and associates. The business relationships with these companies are generally conducted under the same conditions as for non-related third parties. Related companies which are controlled by The Linde Group or over which The Linde Group may exercise significant influence are disclosed in the list of shareholdings, arranged by division.

The full list of Group shareholdings ► [NOTE \[39\]](#) has been filed in the electronic German Federal Gazette. The information about the remuneration of the Executive Board and the Supervisory Board is set out in ► [NOTE \[33\]](#).

REVENUE WITH RELATED PARTIES

120

in EUR m	2016				2017			
	Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total	Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total
Sales of goods	-	18	-	18	-	23	-	23
Revenue based on PoC	-	40	-	40	-	59	-	59
Other revenue	-	2	-	2	-	2	-	2

PURCHASED GOODS AND SERVICES FROM RELATED PARTIES

121

in EUR m	2016				2017			
	Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total	Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total
Goods and services purchased from related parties	2	88	-	90	3	112	-	115

Related persons are mainly the members of the Executive Board and Supervisory Board. In 2017, there were no significant transactions between The Linde Group and members of the Executive Board and Supervisory Board or their family members which were outside the bounds of existing employment, service or appointment agreements or remuneration contracts.

Some members of Linde's Executive Board and Supervisory Board 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.

RECEIVABLES FROM AND LIABILITIES TO RELATED PARTIES

122

in EUR m	31.12.2016				31.12.2017			
	Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total	Non-consolidated subsidiaries	Associates or joint ventures	Other related parties	Total
Receivables from related parties	-	46	-	46	1	67	-	68
Liabilities to related parties	-	63	-	63	2	45	-	47

There were no charge-free guarantee agreements in place for associates or joint ventures on the reporting date (2016: EUR 0 m), nor any open purchase orders relating to joint ventures (2016: EUR 1 m).

[33] Additional information about the Supervisory Board and Executive Board

Disclosed below are the total emoluments of the Executive Board and the Supervisory Board as required by § 315a (2) in conjunction with § 314 (1) No. 6 of the German Commercial Code (HGB). The information required by IAS 24.17 regarding the total emoluments of the Executive Board is also reported in this Note.

Supervisory Board

The total emoluments of the Supervisory Board shown in the table below are based on the cost incurred in the financial year in accordance with IAS 24.17.

In the 2017 financial year, there were no advances or loans to members of the Supervisory Board.

EMOLUMENTS OF THE SUPERVISORY BOARD (INCL. VAT)

123

in EUR	2016	2017
Fixed emoluments	2,886,433	2,892,433
Attendance fees	133,280	149,940
TOTAL EMOLUMENTS	3,019,713	3,042,373

Executive Board

The total emoluments of the Executive Board in accordance with the provisions of the German Commercial Code (HGB) and German Accounting Standard DRS 17 were as follows:

EMOLUMENTS OF THE EXECUTIVE BOARD IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

124

in EUR	2016	2017
Fixed emoluments/ Benefits in kind/ Other benefits	3,772,668	3,479,379
Variable cash emoluments short-term	3,778,902	3,537,853
Variable cash emoluments long-term	2,519,268	2,358,568
TOTAL CASH EMOLUMENTS	10,070,838	9,375,800
Long Term Incentive Plan (value on the grant date)	2,875,045	2,925,039
TOTAL EMOLUMENTS (HGB)	12,945,883	12,300,839
Service cost for pension obligation	736,174	842,576
TOTAL EMOLUMENTS	13,682,057	13,143,415

SHARES GRANTED FROM SHARE-BASED PAYMENTS

125

	2016		2017	
	units	Value per unit when granted in EUR	units	Value per unit when granted in EUR
Options (LTIP 2012)	41,196	55.83	29,840	78.42
Matching shares (LTIP 2012)	4,737	121.40	3,672	159.31

In the reporting year as well as the in the year before, there were no advances or loans to members of the Executive Board.

Total remuneration paid to former members of the Executive Board and their surviving dependants amounted to EUR 2,944,748 (2016: EUR 10,202,212). A provision of EUR 58,364,954 (2016: EUR 59,710,818) has been made in The Linde Group for current pensions and future pension benefits in respect of former members of the Executive Board and their surviving dependants. Within Linde AG, the corresponding provision was EUR 47,625,733 (2016: EUR 46,747,736).

The emoluments of the Executive Board in accordance with IAS 24.17, based on the cost incurred in the financial year, were as follows:

EMOLUMENTS OF THE EXECUTIVE BOARD
IN ACCORDANCE WITH IFRS

126

in EUR	2016	2017
Short-term cash emoluments	7,551,570	7,017,232
Long-term cash emoluments	2,519,268	2,358,568
TOTAL CASH EMOLUMENTS	10,070,838	9,375,800
Change in value of virtual shares	-133,253	41,526
Cost Long Term Incentive Plan	-161,942	1,397,378
Service cost for pension obligation	953,525	1,112,822
TOTAL EMOLUMENTS (IFRS)	10,729,168	11,927,526

No post-employment benefits arose in the 2017 financial year (2016: EUR 6,565,134).

The remuneration report presents the basic features and structure of the remuneration of the Executive Board. It is presented on ► [PAGES 24 TO 39](#) of the 2017 Financial Report as part of the combined management report.

[34] Declaration of compliance
with the German Corporate
Governance Code

The Executive Board and Supervisory Board of Linde AG have approved the prescribed declaration pursuant to § 161 of the German Stock Corporation Act (AktG) on the recommendations of the German Corporate Governance Code and made it accessible to the shareholders on a permanent basis. The Declaration of Compliance has been published on the Internet at ► WWW.LINDE.COM/DECLARATIONOF COMPLIANCE.

A detailed commentary on corporate governance at Linde is set out in the Corporate Governance section of the Financial Report.

[35] Other Board memberships

[Disclosures regarding other Board memberships are as at 31 December 2017 or as at the date of appointment to or retirement from the Supervisory Board]

Supervisory Board

Members of the Supervisory Board of Linde Aktiengesellschaft are members of the following other German statutory supervisory boards and comparable German and foreign boards:

PROFESSOR DR WOLFGANG REITZLE

Chairman of the Supervisory Board of Linde AG, former Chief Executive Officer of Linde AG

EXTERNAL OFFICES:

Axel Springer SE
Continental AG (Chairman of the Supervisory Board)
Medical Park (Chairman of the Supervisory Board)

EXTERNAL OFFICES:

Ivoclar Vivadent AG
(Member of the Administrative Board)

GERNOT HAHL

Deputy Chairman of the Supervisory Board of Linde AG since 1 January 2018,
Chairman of the Worms Works Council,
Gases Division, Linde AG

FRANZ FEHRENBACH

Second Deputy Chairman of the Supervisory Board of Linde AG since 10 May 2017,
Chairman of the Supervisory Board of Robert Bosch GmbH,
Managing Partner of Robert Bosch Industrietreuhand KG

EXTERNAL OFFICES:

BASF SE
Robert Bosch GmbH
(Chairman of the Supervisory Board)
STIHL AG (Deputy Chairman of the Supervisory Board)

EXTERNAL OFFICES:

STIHL Holding AG & Co. KG
(Member of the Advisory Board)

PROFESSOR DR ANN-KRISTIN ACHLEITNER

Professor at the Technical University Munich [TUM]

EXTERNAL OFFICES:

Deutsche Börse Aktiengesellschaft
Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft, Munich

EXTERNAL OFFICES:

ENGIE SA (Member of the Administrative Board)

PROFESSOR DR CLEMENS BÖRSIG

Former Chairman of the Supervisory Board of Deutsche Bank AG

EXTERNAL OFFICES:

Daimler AG

EXTERNAL OFFICES:

Emerson Electric Co.
(Member of the Board of Directors)

ANKE COUTURIER

Head of Global Pensions, Linde AG

DR THOMAS ENDERS

Chief Executive Officer of Airbus SE
(Member of the Supervisory Board since 10 May 2017)

GROUP OFFICES:

Airbus Defence and Space GmbH
(Chairman of the Supervisory Board)

EXTERNAL OFFICES:

WORLDVU Satellites Ltd. (OneWeb)
(Member of the Board of Directors)

GROUP OFFICES:

Airbus SAS (Member of the Shareholder Board)
Airbus Helicopters SAS
(Chairman of the Supervisory Board)
Airbus DS Holdings B.V.
(Chairman of the Supervisory Board)

MEMBERSHIP OF OTHER GERMAN STATUTORY SUPERVISORY BOARDS

MEMBERSHIP OF COMPARABLE GERMAN AND FOREIGN BOARDS

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DR MARTIN KIMMICH

Second Authorised Representative, IG Metall Munich

— EXTERNAL OFFICES:

- MTU Aero Engines AG
- Nokia Solutions and Networks Management GmbH

DR VICTORIA OSSADNIK

Vice President (VP) Enterprise Services Delivery
at Microsoft Deutschland GmbH

ANDREA RIES

Chair of the Unterschleissheim Works Council,
Gases Division, Linde AG
(Member of the Supervisory Board since 1 January 2018)

XAVER SCHMIDT

Head of department,
Chairman of IG Bergbau, Chemie, Energie Hanover

FRANK SONNTAG

Chairman of the Dresden Works Council,
Engineering Division, Linde AG

**The following members resigned from
the Supervisory Board in the 2017 financial year:**

MICHAEL DIEKMANN

Second Deputy Chairman of the Supervisory Board
of Linde AG,
Chairman of the Supervisory Board of Allianz SE
(Member and Second Deputy Chairman
of the Supervisory Board up until 10 May 2017)

— EXTERNAL OFFICES:

- Allianz SE (Chairman of the Supervisory Board)
- BASF SE (Deputy Chairman of the Supervisory Board)
- Fresenius Management SE
- Fresenius SE & Co. KGaA
(Deputy Chairman of the Supervisory Board)
- Siemens AG

HANS-DIETER KATTE

Deputy Chairman of the Supervisory Board of Linde AG,
Member of the Pullach Works Council,
Engineering Division, Linde AG, up until 31 December 2017
(Member and Deputy Chairman of the Supervisory Board
up until 31 December 2017)

Executive Board

In addition to their individual management functions
in affiliated companies and in companies in which an
investment is held, members of the Executive Board of
Linde Aktiengesellschaft are members of the following
German statutory supervisory boards and comparable
German and foreign boards:

PROFESSOR DR ALDO BELLONI

Chief Executive Officer

— EXTERNAL OFFICES:

- Evonik Industries AG

DR CHRISTIAN BRUCH

Member of the Executive Board

BERND EULITZ

Member of the Executive Board

— GROUP OFFICES:

- African Oxygen Limited, Johannesburg
(Chairman of the Board of Directors)

SANJIV LAMBA

Member of the Executive Board

— GROUP OFFICES:

- LINDE INDIA LIMITED
(Chairman of the Board of Directors)

DR SVEN SCHNEIDER

Member of the Executive Board (since 8 March 2017)

— MEMBERSHIP OF OTHER GERMAN
STATUTORY SUPERVISORY BOARDS

— MEMBERSHIP OF COMPARABLE
GERMAN AND FOREIGN BOARDS

[36] Contingent liabilities and other financial commitments

CONTINGENT LIABILITIES

<i>in EUR m</i>	31.12.2016	31.12.2017
Guarantees	1	2
Warranties	-	-
Other contingent liabilities	73	69
TOTAL	74	71

Warranties and guarantee agreements

Contingent liabilities arise at Linde from guarantees and warranties, among other things. In exceptional cases, Linde enters into warranties with banks to secure loans of non-consolidated companies.

Other contingent liabilities mainly include penalties and interest for a potential subsequent tax payment in Brazil. Judicial proceedings have been ongoing in this matter for some years now. It is not possible to reliably pinpoint the timing of potential cash outflows. There is no entitlement to reimbursement.

In the 2017 financial year, contingent assets of EUR 2 m were also recognised. These relate, among other things, to potential reimbursements of litigation expenses if a judgment is passed in Linde's favour.

Other contingencies

The Engineering Division regularly enters into contracts with consortium partners to build turnkey industrial plants, under which the consortium partners assume joint and several liability to the customer for the total volume of the contract. There are clear internal rules here as to how the liability should be split between the partners. At present, there are plant construction orders with one of our consortium partners totalling EUR 7 m (2016: EUR 732 m). Linde currently anticipates that there will be no joint and several liability claim and has therefore not disclosed any contingent liability in respect of these contracts.

Other financial commitments

Other financial commitments include lease commitments relating to operating leases and commitments relating to orders. Commitments relating to orders are in respect of open orders for which a contractual payment obligation has already been agreed.

OTHER FINANCIAL COMMITMENTS

<i>in EUR m</i>	31.12.2016	31.12.2017
Obligations under non-cancellable operating leases	538	485
Capital expenditure commitment (tangible fixed assets)	247	360
Capital expenditure commitment (intangible assets)	3	1
TOTAL	788	846

PROCUREMENT LEASES

<i>in EUR m</i>	31.12.2016	31.12.2017
Total future minimum lease payments (gross investment)		
due within one year	131	119
due in one to five years	262	246
due in more than five years	145	120
TOTAL	538	485

The minimum lease payments relate to leased buildings, technical equipment, fixtures, furniture and equipment (procurement leases). They are in respect of a large number of individual contracts. In the 2017 financial year, costs arising from operating leases of EUR 296 m (2016: EUR 297 m) were recognised.

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Litigation

The Linde Group or one of its Group companies are involved in current or foreseeable legal or arbitration proceedings in the normal course of business.

In 2010, the Brazilian competition authority CADE imposed fines on a number of gases companies, including Linde's Brazilian subsidiary, on the grounds of alleged anti-competitive business conduct in the years 1998 to 2004. An amount of around BRL 188 m is attributable to The Linde Group in this respect. Based on the exchange rate on the reporting date, this equates to around EUR 47 m. Seen from today's perspective and as a result of positive judgments in the first and second

instance, Linde assumes that this decision will not stand up to judicial review in the third instance either, and deems the possibility of cash outflows to be extremely unlikely. As a result, no provision has been set up as a liability, and the matter is not reflected in the contingent liabilities either.

Linde is also party to various current or foreseeable legal or arbitration proceedings in respect of which the probability of a claim is unlikely or the impact on the economic situation of The Linde Group will be immaterial. Appropriate provisions for potential financial liabilities have been made in the relevant Group company for all other proceedings in which Linde is involved.

[37] Auditors' fees and services

AUDITORS' FEES AND SERVICES

130

in EUR m	2016		2017	
	Group	Thereof KPMG AG ¹	Group	Thereof KPMG AG ¹
Audit (including expenses)	11	5	11	5
Other attestation services	1	-	2	2
Tax consultancy	1	-	1	-
Other services	-	-	11	11
TOTAL	13	5	25	18

¹ KPMG AG Wirtschaftsprüfungsgesellschaft.

The fees relating to the audit of the annual financial statements include the expenses for the audit of the Group financial statements of The Linde Group, the audit of the annual financial statements of Linde AG, audits of subsidiaries included in the Group financial statements and the expenses for the quarterly audit reviews.

Other attestation services mainly relate to the issue of comfort letters, due diligence reviews and other audits required by law or in accordance with contractual provisions, such as those required under the German Renewable Energy Act (EEG) or pursuant to § 20 of the German Securities Trading Act (WpHG) old version (EMIR).

Tax consultancy costs relate mainly to the preparation of tax returns, transfer pricing analyses, tax advice relating to current or proposed business transactions and the assessment of individual tax-related scenarios.

The fees for other services relate mainly to consultancy services in connection with the initial introduction of new accounting standards (e.g. IFRS 9, 15, 16), the review of IT systems and the use of IT applications, consultancy services and quality assurance relating to the implementation of current and potential future regulatory requirements (e.g. EU General Data Protection Regulation, Sarbanes-Oxley Act), as well as support in preparing for the planned merger with Praxair Inc.

[38] Reconciliation of key financial figures

The key financial figures relating to The Linde Group are presented below after adjusting for special items. Special items are items which, due to their nature, frequency and/or extent, are likely to have an adverse impact on how accurately the key financial figures reflect the sustainability of the earning capacity of The Linde Group in the capital market. In the 2017 financial year, restructuring costs and costs in connection with the planned merger with Praxair were classified as special items.

RECONCILIATION OF KEY FINANCIAL FIGURES

131

in EUR m	31.12.2016			31.12.2017		
	As reported	Special items	Key financial figures before special items	As reported	Special items	Key financial figures before special items
Revenue	16,948	–	16,948	17,113	–	17,113
Cost of sales	–10,847	27	–10,820	–11,274	81	–11,193
GROSS PROFIT	6,101	27	6,128	5,839	81	5,920
Research and development costs, marketing, selling and administration expenses	–4,228	99	–4,129	–4,116	292	–3,824
Other operating income and expenses	189	–	189	202	–	202
Share of profit or loss from associates and joint ventures (at equity)	13	–	13	19	–	19
EBIT FROM CONTINUING OPERATIONS	2,075	126	2,201	1,944	373	2,317
Financial result	–324	–	–324	–265	–	–265
Income tax expense	–424	–31	–455	–143	–98	–241
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	1,327	95	1,422	1,536	275	1,811
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	–52	–	–52	30	–	30
PROFIT FOR THE YEAR	1,275	95	1,370	1,566	275	1,841
attributable to Linde AG shareholders	1,154	94	1,248	1,434	275	1,709
attributable to non-controlling interests	121	1	122	132	–	132
Amortisation of intangible assets/depreciation of tangible assets from continuing operations	–1,897	–	–1,897	–1,896	–	–1,896
OPERATING PROFIT FROM CONTINUING OPERATIONS	3,972	126	4,098	3,840	373	4,213
Equity including non-controlling interests ¹	15,034	95	15,129	14,609	275	14,884
+ Financial debt	8,528	–	8,528	8,019	–	8,019
+ Liabilities from finance leases	74	–	74	54	–	54
Less: Receivables from finance leases	214	–	214	103	–	103
Less: Cash, cash equivalents and securities	1,594	–	1,594	2,055	–	2,055
+ Net pension obligations	1,449	–	1,449	1,141	–	1,141
CAPITAL EMPLOYED	23,277	95	23,372	21,665	275	21,940
EARNINGS PER SHARE FROM CONTINUING OPERATIONS						
in EUR – UNDILUTED	6.50	0.50	7.00	7.56	1.48	9.04
EARNINGS PER SHARE FROM CONTINUING OPERATIONS						
in EUR – DILUTED	6.48	0.51	6.99	7.56	1.48	9.04
RETURN ON CAPITAL EMPLOYED (ROCE)						
in % – CONTINUING OPERATIONS	8.9		9.4	8.7		10.2

¹ For the purposes of calculating the capital employed from continuing operations, the equity of The Linde Group was adjusted by the equity of Gist.

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[39] List of shareholdings of The Linde Group and Linde AG at 31 December 2017 in accordance with the provisions of § 313 (2) of the German Commercial Code (HGB)

The results of companies acquired in 2017 are included as of the date of acquisition. The information about the equity and the net income or net loss of the companies is as at 31 December 2017 and complies with International Financial Reporting Standards, unless specifically disclosed below.

COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

132

	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in EUR m	Profit/loss for the year in EUR m	Note
Gases Division							
EMEA							
AFROX – África Oxigénio, Limitada	Luanda	AGO	100		–	–	
LINDE GAS MIDDLE EAST LLC	Abu Dhabi	ARE	49	49	2.1	–3.9	f
LINDE HEALTHCARE MIDDLE EAST LLC	Abu Dhabi	ARE	49	49	–7.7	–1.3	f
LINDE HELIUM M E FZCO	Jebel Ali	ARE	100		4.7	0.6	
Linde Electronics GmbH	Stadl-Paura	AUT	100		11.4	1.5	
Linde Gas GmbH	Stadl-Paura	AUT	100		297.2	21.6	
PROVISIS Gase & Service GmbH	Bad Wimsbach-Neydharting	AUT	100		1.7	0.5	
Linde Gas Belgium NV	Grimbergen	BEL	100		3.9	0.9	
Linde Homecare Belgium SPRL	Scladina	BEL	100	100	3.7	0.5	
Linde Gas Bulgaria EOOD	Stara Zagora	BGR	100		7.7	–0.1	
"Linde Gaz Bel" FLLC	Telmy	BLR	100	99	0.3	–0.3	
AFROX GAS & ENGINEERING SUPPLIES (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100		–	–	
BOTSWANA OXYGEN COMPANY (PTY) LIMITED	Gaborone	BWA	100		–	–	
BOTSWANA STEEL ENGINEERING (PTY) LIMITED	Gaborone	BWA	100		–	–	
HANDIGAS (BOTSWANA) (PTY) LIMITED	Gaborone	BWA	100		–	–	
HEAT GAS (PTY) LIMITED	Gaborone	BWA	100		–	–	
KIDDO INVESTMENTS (PTY) LIMITED	Gaborone	BWA	100		–	–	
PanGas AG	Dagmersellen	CHE	100		103.8	23.5	
RDC GASES & WELDING (DRL) LIMITED	Lubumbashi	COD	100		0.8	–	
LINDE HADJIKYRIAKOS GAS LIMITED	Nicosia	CYP	51	51	10.6	1.7	
Linde Gas a.s.	Prague	CZE	100		183.2	57.8	
Linde Sokolovská s.r.o.	Prague	CZE	100		30.0	7.4	
Gas & More GmbH	Pullach	DEU	100		0.1	–	a
Hydromotive GmbH & Co. KG	Leuna	DEU	100	100	3.4	0.4	
Hydromotive Verwaltungs-GmbH	Leuna	DEU	100	100	0.1	–	
Linde Electronics GmbH & Co. KG	Pullach	DEU	100	100	21.7	–3.3	
Linde Electronics Verwaltungs GmbH	Pullach	DEU	100	100	14.8	3.2	
Linde Gas Produktionsgesellschaft mbH & Co. KG	Pullach	DEU	100	100	341.5	3.5	
Linde Gas Therapeutics GmbH	Oberschleißheim	DEU	100		47.2	–	a
Linde Gas Verwaltungs GmbH	Pullach	DEU	100	100	–	–	
Linde Hydrogen Concepts GmbH	Pullach	DEU	100		8.5	0.2	
Linde Remeo Deutschland GmbH	Blankenfeld-Mahlow	DEU	100		4.0	–	a

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Linde Schweißtechnik GmbH	Pullach	DEU	100		1.2	-	a
Linde Welding GmbH	Pullach	DEU	100		0.4	-	a
MTA GmbH Medizin-Technischer-Anlagenbau	Mainhausen	DEU	100		0.1	-	a
Nauticor Beteiligungs-GmbH	Hamburg	DEU	100	100	-	-	
Nauticor GmbH & Co. KG	Hamburg	DEU	100	100	2.8	-1.7	
Tega-Technische Gase und Gasetechnik Gesellschaft mit beschränkter Haftung	Würzburg	DEU	100	6	2.8	-	a
Unterbichler Gase GmbH	Munich	DEU	100		1.0	-	a
AGA A/S	Copenhagen	DNK	100		25.0	11.6	
GI/LINDE ALGERIE SPA	Algiers	DZA	100	40	8.5	1.5	
Linde Gas Algerie S.p.A.	Algiers	DZA	66	66	88.1	14.0	
Abelló Linde, S.A.U.	Puçol	ESP	100	100	154.5	28.7	
LINDE ELECTRONICS, S.L.	Puçol	ESP	100		1.3	5.1	
Linde Médica, S.L.	Puçol	ESP	100		122.2	7.9	
LINDE MEDICINAL, S.L.	Puçol	ESP	100		263.3	15.5	
AS Eesti AGA	Tallinn	EST	100		33.0	1.1	
Kiinteistö Oy Karakaasu	Espoo	FIN	100		-2.1	-	c
Kiinteistö Oy Karaportti	Espoo	FIN	100		-3.4	-	c
Oy AGA Ab	Espoo	FIN	100		755.5	7.7	c
TK-Teollisuuskaasut Oy	Espoo	FIN	100		-0.5	-	c
LINDE ELECTRONICS SAS	Saint-Priest	FRA	100		3.1	0.2	
Linde France S.A.	Saint-Priest	FRA	100		132.8	3.9	
LINDE HOMECARE FRANCE SAS	Saint-Priest	FRA	100		26.8	-	
ALLWELD INDUSTRIAL AND WELDING SUPPLIES LIMITED	Guildford	GBR	100		-0.3	-	c, d
BOC HEALTHCARE LIMITED	Guildford	GBR	100		0.7	0.1	
BOC TRUSTEES LIMITED	Guildford	GBR	100		-	-	c
EXPRESS INDUSTRIAL & WELDING SUPPLIES LIMITED	Guildford	GBR	100		1.0	-0.2	c, d
FLUOROGAS LIMITED	Guildford	GBR	100		0.1	-	
FUTURE INDUSTRIAL AND WELDING SUPPLIES LTD.	Guildford	GBR	100		0.7	0.2	c, d
GAFFNEY INDUSTRIAL & WELDING SUPPLIES LTD	Guildford	GBR	80		1.7	0.1	c, d
GAS & GEAR LIMITED	Guildford	GBR	100		-	-	c, d
INDUSTRIAL & WELDING SUPPLIES (NORTH WEST) LIMITED	Guildford	GBR	100		-1.4	0.1	c, d
INDUSTRIAL AND WELDING MANAGEMENT LIMITED	Guildford	GBR	100		-	-0.1	c, d
INDUSTRIAL SUPPLIES & SERVICES LIMITED	Guildford	GBR	100		11.5	0.8	c, d
IWS (INDUSTRIAL & WELDING SUPPLIES) LIMITED	Guildford	GBR	100		-0.5	-	c, d
LEEN GATE INDUSTRIAL & WELDING SUPPLIES (SCOTLAND) LIMITED	Guildford	GBR	100		0.7	-	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (LINCOLN) LIMITED	Guildford	GBR	100		0.2	-	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NORTH EAST) LIMITED	Guildford	GBR	100		0.8	-0.1	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES (NOTTINGHAM) LIMITED	Guildford	GBR	100		-0.6	-	c, d
LEENGATE INDUSTRIAL & WELDING SUPPLIES LIMITED	Guildford	GBR	100		0.6	0.1	c, d
LINDE GAS HOLDINGS LIMITED	Guildford	GBR	100	100	-	4.3	c, d
LINDE HELIUM HOLDINGS LIMITED	Guildford	GBR	100		-	4.3	c, d
PENNINE INDUSTRIAL & WELDING SUPPLIES LIMITED	Guildford	GBR	100		-0.1	-0.1	c, d
REMOE HEALTHCARE LIMITED	Guildford	GBR	100		0.2	0.2	
ROCK INDUSTRIAL & WELDING SUPPLIES LIMITED	Guildford	GBR	88		2.3	0.4	c, d
RYVAL GAS LIMITED	Guildford	GBR	100		-	-	c, d
WELDER EQUIPMENT SERVICES LIMITED	Guildford	GBR	100		0.4	-	c, d
WESSEX INDUSTRIAL & WELDING SUPPLIES LIMITED	Guildford	GBR	100		-0.3	-	c, d

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			in percent	in percent	in EUR m	in EUR m	
Linde Hellas Monoprosopi E.P.E.	Mandra	GRC	100	100	36.1	0.3	
Linde Gáz Magyarország Zrt.	Répcelak	HUN	100		123.3	32.6	
BOC (TRADING) LIMITED	Dublin	IRL	100		-	-	c
BOC GASES IRELAND HOLDINGS LIMITED	Dublin	IRL	100		7.3	30.0	
BOC Gases Ireland Limited	Dublin	IRL	100		61.8	43.2	c
COOPER CRYOSERVICE LIMITED	Dublin	IRL	100		1.7	-	
ISAGA ehf.	Reykjavík	ISL	100		24.6	4.9	
Linde Gas Italia S.r.l.	Arluno	ITA	100		136.5	0.7	
LINDE MEDICALE Srl	Arluno	ITA	100		27.3	-3.4	
REMEO MEDICALE S.P.A.	Arluno	ITA	100		-	-	
TOO Linde Gaz Kazakhstan	Almaty	KAZ	100	100	1.4	2.7	
TOO Linde Technical Gases Temirtau	Almaty	KAZ	100	100	-	-	
BOC Kenya Limited	Nairobi	KEN	65		11.2	0.3	
AFROX (LESOTHO) (PTY) LTD	Maseru	LSO	100		1.0	0.1	
LESOTHO OXYGEN COMPANY (PTY) LIMITED	Maseru	LSO	100		-	-	
UAB "AGA"	Vilnius	LTU	100		5.2	-	
AGA SIA	Riga	LVA	100		27.4	4.2	
LINDE GAS BITOLA DOOEL Skopje	Skopje	MKD	100		0.6	-	
Afrox Moçambique, Limitada	Maputo	MOZ	100		3.1	0.4	c
BOC GASES MOZAMBIQUE LIMITED	Maputo	MOZ	100		1.2	1.2	c
Linde Gases Moçambique, Limitada	Maputo	MOZ	100		-	-	c
AFROX INTERNATIONAL LIMITED	Port Louis	MUS	100		-	-	
Afrox Malawi Limited	Blantyre	MWI	79		-	1.3	
IGL (PTY) LIMITED	Windhoek	NAM	100		6.5	2.9	
IGL PROPERTIES (PTY) LIMITED	Windhoek	NAM	100		0.2	0.1	
NAMOX Namibia (PTY) LIMITED	Windhoek	NAM	100		0.1	-	d
REPTILE INVESTMENT NINE (PTY) LIMITED	Windhoek	NAM	100		-	-	d
REPTILE INVESTMENT TEN (PTY) LIMITED	Windhoek	NAM	100		0.1	-	d
BOC Gases Nigeria Plc	Lagos	NGA	60		5.4	0.6	
B.V. Nederlandse Pijpleidingmaatschappij	Rotterdam	NLD	100		2.3	-4.3	
Linde Electronics B.V.	Schiedam	NLD	100		8.2	2.6	
Linde Gas Benelux B.V.	Schiedam	NLD	100		129.9	16.8	
Linde Gas Cryoservices B.V.	Hedel	NLD	100		0.2	-0.4	
Linde Gas Therapeutics Benelux B.V.	Eindhoven	NLD	100		27.2	-5.2	
Linde Homecare Benelux B.V.	Nuland	NLD	100		4.3	1.2	
Naamloze Vennootschap Linde Gas Benelux	Schiedam	NLD	100		286.5	24.7	
OCAP CO2 B.V.	Schiedam	NLD	100		5.8	2.1	
AGA AS	Oslo	NOR	100		48.5	22.3	
Eurogaz-Gdynia Sp. z o.o.	Gdynia	POL	99		4.8	0.4	
LINDE GAZ POLSKA Spółka z o.o.	Krakow	POL	100	100	121.2	10.5	
LINDE GLOBAL SERVICES PORTUGAL, UNIPessoal LDA	Maia	PRT	100		0.9	0.1	
LINDE PORTUGAL, LDA	Lisbon	PRT	100		81.5	-0.1	
LINDE SAÚDE, LDA	Maia	PRT	100		34.2	9.3	
Gas Pentru Gaze Si Aparatura S.R.L.	Cluj-Napoca	ROU	100		-	-	
ITO Industries International SA	Bucharest	ROU	100		0.6	-0.2	
LINDE GAZ ROMANIA S.R.L.	Timisoara	ROU	100		169.0	24.4	
Rodmir Expert SA	Bucharest	ROU	100		-0.3	-0.2	
AO "Linde Gas Rus"	Balashikha	RUS	100	100	37.0	-8.4	

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AO "Linde Uraltehgaz"	Yekaterinburg	RUS	74	74	10.2	0.7	
Linde Jubail Industrial Gases Factory LLC	Al-Khobar	SAU	100	84	142.1	8.3	
Saudi Industrial Gas Company	Al-Khobar	SAU	51		59.1	-0.6	
LINDE GAS SRBIJA Industrija gasova a.d. Bečej	Bečej	SRB	87	87	8.7	0.7	
Aries 94 s.r.o.	Bratislava	SVK	100		2.7	0.5	
Linde Gas k.s.	Bratislava	SVK	100		24.1	5.0	
AB Held	Lidingö	SWE	100		-	-	
AGA Fastighet Göteborg AB	Lidingö	SWE	100		-	-	
AGA Gas Aktiebolag	Lidingö	SWE	100		-	-	
AGA Industrial Gas Engineering Aktiebolag	Lidingö	SWE	100		-	-	
AGA International Investment Aktiebolag	Lidingö	SWE	100		-	-	
AGA Medical Aktiebolag	Lidingö	SWE	100		-	-	
Agatronic AB	Lidingö	SWE	100		0.1	-	
Flaskgascentralen i Malmö Aktiebolag	Svedala	SWE	100		-	-	
Linde Healthcare AB	Lidingö	SWE	100		19.8	1.6	
NORLIC AB	Lidingö	SWE	90		16.0	-	
Svenska Aktiebolaget Gasaccumulator	Lidingö	SWE	100		0.1	-	
Svets Gas Aktiebolag	Lidingö	SWE	100		-	-	
HANDIGAS SWAZILAND (PTY) LIMITED	Mbabane	SWZ	100		-	-	
SWAZI OXYGEN (PTY) LIMITED	Mbabane	SWZ	100		2.0	1.6	
Linde Gas Tunisie S.A.	Ben Arous	TUN	60	60	4.4	0.3	
İsdemir Linde Gaz Ortaklığı A.Ş.	Dörtüyl	TUR	50		8.0	2.2	f, i
Linde Gaz Anonim Şirketi	Istanbul	TUR	100	100	58.8	-4.9	
BOC Tanzania Limited	Dar es Salaam	TZA	100		0.3	-0.2	
BOC Uganda Limited	Kampala	UGA	100		0.8	0.1	
Private Joint Stock Company "Linde Gas Ukraine"	Dnipro	UKR	100	96	-9.4	10.2	
African Oxygen Limited	Johannesburg	ZAF	56		258.4	39.0	
AFROX (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		-	-	
AFROX AFRICAN INVESTMENTS (PTY) LIMITED	Johannesburg	ZAF	100		12.4	13.2	d
AFROX EDUCATIONAL SERVICES (PROPRIETARY) LTD	Johannesburg	ZAF	100		-	-	
AFROX PROPERTIES (PTY) LIMITED	Johannesburg	ZAF	100		-	-0.1	
AMALGAMATED GAS AND WELDING (PTY) LIMITED	Johannesburg	ZAF	100		-	-	
AMALGAMATED WELDING AND CUTTING HOLDINGS (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		-	-	
AWCE (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		-	-	c
HUMAN PERFORMANCE SYSTEMS (PTY) LIMITED	Johannesburg	ZAF	100		-	-	
INDUSTRIAL RESEARCH AND DEVELOPMENT (PTY) LIMITED	Johannesburg	ZAF	100		0.2	-	
ISAS TRUST	Johannesburg	ZAF	100		16.6	1.1	
NASIONALE SWEISWARE (PTY) LTD	Johannesburg	ZAF	100		-	-	
NICOWELD (PTY) LIMITED	Sandton	ZAF	100		-	-	
PPE-ISIZO (PTY) LIMITED	Johannesburg	ZAF	100		-	-	
SAFETY GAS (PROPRIETARY) LIMITED	Johannesburg	ZAF	100		-	-	
AFROX ZAMBIA LIMITED	Ndola	ZMB	70		8.3	2.1	
BOC Zimbabwe (Private) Limited	Harare	ZWE	100		29.4	3.6	
<i>Asia/Pacific</i>							
AUSCOM HOLDINGS PTY LIMITED	North Ryde	AUS	100		0.9	-	
BOC CUSTOMER ENGINEERING PTY LTD	North Ryde	AUS	100		8.1	-	

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BOC GASES FINANCE LIMITED	North Ryde	AUS	100		46.6	47.5	
BOC GROUP PTY LIMITED	North Ryde	AUS	100		-4.4	-	
BOC Limited	North Ryde	AUS	100		258.9	100.3	
BOGGY CREEK PTY LIMITED	North Ryde	AUS	100		5.2	0.5	
ELGAS AUTOGAS PTY LIMITED	North Ryde	AUS	100		-10.7	-	
ELGAS LIMITED	North Ryde	AUS	100		234.5	70.1	
ELGAS RETICULATION PTY LIMITED	North Ryde	AUS	100		5.1	0.3	
PACIFIC ENGINEERING SUPPLIES PTY LIMITED	North Ryde	AUS	100		-1.4	-	
SOUTH PACIFIC WELDING GROUP PTY LIMITED	North Ryde	AUS	100		4.1	1.1	
TIAMONT PTY LIMITED	North Ryde	AUS	100		6.0	0.7	
UNIGAS JOINT VENTURE PARTNERSHIP	Mulgrave	AUS	100		21.2	-0.3	
UNIGAS TRANSPORT FUELS PTY LTD	North Ryde	AUS	100		0.2	-	
Linde Bangladesh Limited	Dhaka	BGD	60		37.3	10.7	
Anhui JuLan Industrial Gases Co., Ltd.	Lu'an	CHN	100		0.4	-0.7	
ASIA UNION (SHANGHAI) ELECTRONIC CHEMICAL COMPANY LIMITED	Shanghai	CHN	100		-	-	
AUECC Shanghai	Shanghai	CHN	100		-	-2.1	
AUECC Shanghai Co. Ltd.	Shanghai	CHN	100		13.5	-	
BOC (China) Holdings Co., Ltd.	Shanghai	CHN	100		203.9	18.3	
BOC Gases (Nanjing) Company Limited	Nanjing	CHN	100		6.7	0.1	
BOC Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100		51.5	1.5	
BOC Gases (Tianjin) Company Limited	Tianjin	CHN	100		4.3	-2.6	
BOCLH Industrial Gases (Chengdu) Co., Ltd	Chengdu	CHN	100		15.6	0.2	
BOCLH Industrial Gases (DaLian) Co., Ltd.	Dalian	CHN	100		24.8	3.6	
BOCLH Industrial Gases (Shanghai) Co., Ltd.	Shanghai	CHN	100		12.4	1.3	
BOCLH Industrial Gases (Songjiang) Co., Ltd.	Shanghai	CHN	100		7.4	2.8	
BOCLH Industrial Gases (Suzhou) Co., Ltd.	Suzhou	CHN	100		38.2	4.3	
BOCLH Industrial Gases (Waigaoqiao) Co., Ltd.	Shanghai	CHN	100		2.6	1.2	
BOCLH Industrial Gases (Xiamen) Co., Ltd.	Xiamen	CHN	100		5.5	-1.0	
BOC-TISCO GASES CO., Ltd	Taiyuan	CHN	50		121.5	27.3	f, i
Dalian Xizhong Island Linde Industrial Gases Co., Ltd.	Dalian	CHN	70		0.1	-	
Fuzhou Linde Lienhwa Gases Co., Ltd	Fuqing	CHN	100		13.1	0.8	
Guangkong Industrial Gases Company Limited	Guangzhou	CHN	50		31.3	1.4	f, i
Guangzhou Pearl River Industrial Gases Company Limited	Guangzhou	CHN	50		6.4	-0.1	f, i
Jianyang Linde Medical Gases Company Limited	Jianyang	CHN	100		1.4	0.1	
KunShan Asia Union Electronic Chemical Corp. Co., Ltd.	Kunshan	CHN	65		12.7	-	
Linde (Quanzhou) Carbon Dioxide Co. Ltd.	Quanzhou	CHN	100		1.0	-0.1	
Linde Arooxy (Xi'an) Life Science Co., Ltd.	Xi'an	CHN	65		1.9	0.2	
Linde Carbonic (Wuhu) Company Ltd.	Wuhu	CHN	60		-0.9	-3.9	i
Linde Carbonic Company Ltd., Shanghai	Shanghai	CHN	60	46	7.5	-1.9	i
Linde Dahua (Dalian) Gases Co., Ltd	Dalian	CHN	50		35.8	0.4	f, i
Linde Electronics & Specialty Gases (Suzhou) Co Ltd.	Suzhou	CHN	100	100	10.7	-1.0	
Linde Gas Ningbo Ltd.	Ningbo	CHN	100		120.2	8.0	
Linde Gas Shenzhen Ltd.	Shenzhen	CHN	100		4.8	0.5	
Linde Gas Southeast (Xiamen) Ltd.	Xiamen	CHN	100		3.7	0.5	
Linde Gas Xiamen Ltd.	Xiamen	CHN	100	100	37.8	3.2	
Linde Gas Zhenhai Ltd.	Ningbo	CHN	100		6.1	1.0	
Linde Gases (Changzhou) Company Limited	Changzhou	CHN	100		12.8	2.4	

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Linde Gases (Chengdu) Co., Ltd.	Chengdu	CHN	100		12.0	0.5	
Linde Gases (Fushun) Co., Ltd.	Fushun	CHN	100		1.4	-0.2	
Linde Gases (Hefei) Co., Ltd.	Hefei	CHN	100		12.2	0.4	
Linde Gases (Huizhou) Co., Ltd.	Huizhou	CHN	100		3.2	-0.1	
Linde Gases (Langfang) Co., Ltd.	Langfang	CHN	100		15.2	3.6	
Linde Gases (Meishan) Co., Ltd.	Meishan	CHN	100		5.0	-5.4	
Linde Gases (Nanjing) Company Limited	Nanjing	CHN	100		-4.9	-0.5	
Linde Gases (Shanghai) Co., Ltd.	Shanghai	CHN	100		18.9	1.3	
Linde Gases (Suzhou) Company Limited	Suzhou	CHN	100		9.9	0.4	
Linde Gases (Taixing) Co., Ltd.	Taixing	CHN	100		10.2	-	
Linde Gases (Xuzhou) Company Limited	Xuzhou	CHN	100		18.6	1.1	
Linde Gases (Yantai) Co., Ltd.	Yantai	CHN	90		43.7	6.0	
Linde Gases (Zhangzhou) Co., Ltd.	Zhangzhou	CHN	100		19.2	2.6	
Linde Gases Daxie Company Limited	Ningbo	CHN	100		16.7	3.8	
Linde GISE Gas (Guangzhou) Co., Ltd.	Guangzhou	CHN	50		39.9	5.9	f, i
Linde GISE Gas (Shenzhen) Co., Ltd.	Shenzhen	CHN	50		23.1	1.3	f, i
Linde Huachang (Zhangjiagang) Gas Co. Ltd.	Zhangjiagang	CHN	75		5.1	0.4	i
Linde Lienhwa China Holding Co., Ltd.	Shanghai	CHN	100		26.2	-0.5	
Linde Lienhwa Gases (Beijing) Co., Ltd.	Beijing	CHN	100		16.4	1.4	
Linde Lienhwa Gases (Chengdu) Co., Ltd.	Chengdu	CHN	100		13.8	-0.2	
Linde Lienhwa Gases (Wuhan) Co., Ltd.	Wuhan	CHN	100		1.3	0.7	
Linde Lienhwa Industrial Gases (Xianyang) Co., Ltd.	Xianyang	CHN	100		7.8	-0.1	
Linde Nanjing Chemical Industrial Park Gases Co., Ltd.	Nanjing	CHN	100		7.0	-0.3	
Linde Qiangsheng Gases (Nanjing) Co., Ltd.	Nanjing	CHN	100		2.2	-0.1	
Ma'anshan BOC-Ma Steel Gases Company Limited	Ma'anshan	CHN	50		91.6	22.6	f, i
Shanghai BOC Gases Co., Ltd.	Shanghai	CHN	100		-1.0	-1.9	
Shanghai BOC Huayang Carbon Dioxide Co., Ltd.	Shanghai	CHN	80		-0.7	-0.6	
Shanghai HuaLin Industrial Gases Co. Ltd.	Shanghai	CHN	50		87.7	22.2	f, i
Shanghai Linhua Gas Transportation Co., Ltd.	Shanghai	CHN	100		0.6	-	
Shenzhen Feiying Industrial Gases Company Limited	Shenzhen	CHN	90		-0.7	-1.7	
ZHENJIANG XINHUA INDUSTRIAL GASES CO., LTD.	Zhenjiang	CHN	100		0.1	-	
HKO DEVELOPMENT COMPANY LIMITED	Kowloon	HKG	100		-	-	
LIEN HWA INDUSTRIAL GASES (HK) LIMITED	Wan Chai	HKG	100		-1.1	-	c
Linde Gas (H.K.) Limited	Hong Kong	HKG	100	100	462.9	21.5	
Linde GISE Gases (Hong Kong) Company Limited	Hong Kong	HKG	50		-	-	f, i
Linde HKO Limited	Hong Kong	HKG	100		90.4	62.0	
NEW SINO GASES COMPANY LIMITED	Tai Po	HKG	100		1.4	0.9	
P.T. Gresik Gases Indonesia	Jakarta	IDN	93		11.1	1.2	
P.T. Gresik Power Indonesia	Jakarta	IDN	92		-2.0	-2.8	
P.T. Townsville Welding Supplies	Jakarta	IDN	100		-0.3	-0.3	
PT. LINDE INDONESIA	Jakarta	IDN	100		10.5	-16.8	
BELLARY OXYGEN COMPANY PRIVATE LIMITED	Bellary	IND	50		14.3	1.8	f, i
LINDE INDIA LIMITED	Calcutta	IND	75		174.0	1.3	
Linde Korea Co., Ltd.	Pohang	KOR	100		365.5	36.1	
PS Chem Co., Ltd.	South Gyeong-sangnam Province	KOR	100		6.8	1.3	
PSG Co., Ltd.	Busan	KOR	51		38.5	4.3	i
Sam Kwang Gas Tech Co., Ltd.	Seoul	KOR	100		5.3	1.6	
Ceylon Oxygen Ltd.	Colombo	LKA	100	100	17.0	-0.1	
Linde EOX Sdn. Bhd.	Petaling Jaya	MYS	100		21.7	1.8	

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Linde Gas Products Malaysia Sdn. Bhd.	Petaling Jaya	MYS	100	100	20.0	-1.8	
LINDE INDUSTRIAL GASES (MALAYSIA) SDN. BHD.	Petaling Jaya	MYS	80	80	7.6	-	
LINDE MALAYSIA HOLDINGS BERHAD	Petaling Jaya	MYS	100		92.3	5.7	
LINDE MALAYSIA SDN. BHD.	Petaling Jaya	MYS	100		164.8	31.1	
LINDE ROC SDN. BHD.	Petaling Jaya	MYS	100		0.7	0.1	
LINDE WELDING PRODUCTS SDN. BHD.	Petaling Jaya	MYS	100		0.5	-0.1	
BOC LIMITED	Auckland	NZL	100		56.5	28.2	
BOC NEW ZEALAND HOLDINGS LIMITED	Auckland	NZL	100		35.9	22.0	
ELGAS LIMITED	Auckland	NZL	100		20.4	3.2	
SOUTH PACIFIC WELDING GROUP (NZ) LIMITED	Auckland	NZL	100		0.1	-	
Linde Pakistan Limited	Karachi	PAK	60		14.9	2.1	
BATAAN INDUSTRIAL GASES, INC.	Pasig	PHL	100		0.6	-	
BOC (PHILS.) HOLDINGS, INC.	Pasig	PHL	100		20.8	0.5	
CHATSWOOD INC.	Makati	PHL	62		-	-	c
CIGC CORPORATION	Pasig	PHL	100		1.3	0.1	
CRYO INDUSTRIAL GASES, INC	Pasig	PHL	100		0.3	-0.1	
DAVAO OXYGEN CORPORATION	Mandaue	PHL	100		-	-	c
GRANDPLAINS PROPERTIES, INC.	Pasig	PHL	40		2.1	-0.1	f, i
LINDE PHILIPPINES (SOUTH), INC.	Mandaue	PHL	100		23.3	0.3	
LINDE PHILIPPINES, INC.	Pasig	PHL	100		25.5	0.3	
ROYAL SOUTHMEADOWS, INC.	Mandaue	PHL	40		0.9	0.1	f, i
BOC Papua New Guinea Limited	Lae	PNG	74		26.2	2.6	
Linde Gas Asia Pte Ltd	Singapore	SGP	100		0.4	3.9	
Linde Gas Singapore Pte. Ltd.	Singapore	SGP	100	100	38.6	8.2	
LINDE TREASURY ASIA PACIFIC PTE.LTD.	Singapore	SGP	100		0.5	0.1	
BOC GASES SOLOMON ISLANDS LIMITED	Honiara	SLB	100		3.8	0.4	
KTPV (THAILAND) LIMITED	Chachoengsao	THA	100		13.0	-	
Linde (Thailand) Public Company Limited	Samut Prakan	THA	100		172.4	10.9	
Linde Air Chemicals Limited	Samut Prakan	THA	99		37.2	6.7	
Linde HyCO Limited	Samut Prakan	THA	100		20.0	-0.2	
MIG Production Company Limited	Samut Prakan	THA	54		62.7	9.7	
RAYONG ACETYLENE LIMITED	Samut Prakan	THA	87		2.9	0.1	
SKTY (Thailand) Limited	Chachoengsao	THA	100		-23.1	86.1	
T.I.G. TRADING LIMITED	Samut Prakan	THA	100		5.1	0.2	
ASIA UNION ELECTRONIC CHEMICAL CORPORATION	Taipei	TWN	70		33.8	3.3	
CONFEDERATE TECHNOLOGY COMPANY LIMITED	Taichung	TWN	91		11.9	3.1	c
FAR EASTERN INDUSTRIAL GASES COMPANY LIMITED	Kaohsiung	TWN	55		10.4	1.6	c
LIEN CHIA INDUSTRIAL GASES COMPANY LIMITED	Chiayi	TWN	100		0.1	-	c
LIEN CHUAN INDUSTRIAL GASES COMPANY LIMITED	Zhongli	TWN	100		0.2	0.1	c
LIEN FUNG PRECISION TECHNOLOGY DEVELOPMENT CO., LTD	Taichung	TWN	100		4.3	0.8	c
LIEN HWA COMMONWEALTH CORPORATION	Taipei	TWN	100		2.6	1.5	c
LIEN HWA LOX CRYOGENIC EQUIPMENT CORPORATION	Taipei	TWN	89		2.9	0.5	c
LIEN JIAN LPG COMPANY LIMITED	Su'ao	TWN	60		0.3	-	c
LIEN SHENG INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	100		0.3	0.2	c
LIEN TONG GASES COMPANY LIMITED	Kaohsiung	TWN	55		-	-0.2	c
LIEN YANG INDUSTRIAL GASES COMPANY LIMITED	Yilan	TWN	100		0.8	0.4	c
LIEN YI LPG COMPANY LIMITED	Taoyuan	TWN	60		1.9	-	c, d
LIENHWA UNITED LPG COMPANY LIMITED	Taipei	TWN	56		9.0	0.6	c

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LINDE LIENHWA INDUSTRIAL GASES CO. LTD.	Taipei	TWN	50		293.9	73.6	c, f, i
LUCK STREAM Co., Ltd.	Kaohsiung	TWN	100	100	2.0	-	
ASIA UNION ELECTRONIC CHEMICALS – RENO, INC.	Reno	USA	100		4.8	-0.2	
TUNG BAO CORPORATION	New Taipei City	TWN	51		23.3	-0.3	c
UNITED INDUSTRIAL GASES COMPANY LIMITED	Hsinchu	TWN	56		153.4	46.1	c
YUAN RONG INDUSTRIAL GASES COMPANY LIMITED	Taipei	TWN	60		12.7	1.3	c
AUECC (BVI) HOLDINGS LIMITED	Road Town	VGB	100		13.5	-0.3	
BOC LIENHWA (BVI) HOLDING Co., Ltd.	Road Town	VGB	100		159.7	0.1	
KEY PROOF INVESTMENTS LIMITED	Road Town	VGB	100		1.6	-	
PURE QUALITY TECHNOLOGY LIMITED	Road Town	VGB	100		-	-	c
SHINE SKY INTERNATIONAL COMPANY LIMITED	Road Town	VGB	100		13.5	-0.3	
SKY WALKER GROUP LIMITED	Road Town	VGB	100		1.5	-0.3	c
Linde Gas Vietnam Limited	Bà Rịa	VNM	100	100	2.4	-0.8	
Linde Vietnam Limited Company	Bà Rịa	VNM	100		28.1	0.7	
Americas							
BOC GASES ARUBA N.V.	Santa Cruz	ABW	100		3.0	-0.1	
Grupo Linde Gas Argentina S.A.	Buenos Aires	ARG	100	70	25.4	4.2	
Linde Salud S.A.	Buenos Aires	ARG	100	90	1.4	0.3	
The Hydrogen Company of Paraguana Ltd.	Hamilton	BMU	100		23.0	4.7	
Linde Gases Ltda.	Barueri	BRA	100		159.2	19.7	
LINDE-BOC GASES LIMITADA	Barueri	BRA	100		11.9	1.6	
177470 CANADA INC.	Mississauga	CAN	100		0.9	-	
177472 CANADA INC.	Mississauga	CAN	100		2.4	-	
44001 ONTARIO LIMITED	Mississauga	CAN	100		1.1	-	
BOC de Chile S.A.	Providencia	CHL	100		6.7	-0.4	
Linde Gas Chile S.A.	Santiago	CHL	100		126.8	-1.9	
Spectra Gases (Shanghai) Trading Co., LTD.	Shanghai	CHN	100		5.7	1.7	
Linde Colombia S.A.	Bogotá	COL	100		72.4	0.5	
REMEO Medical Services S.A.S.	Bogotá	COL	100		0.7	0.5	
Linde Gas Curaçao N.V.	Willemstad	CUW	100		1.4	0.2	
LINDE GAS DOMINICANA, S.R.L.	Santo Domingo	DOM	100		6.8	1.8	
Agua y Gas de Sillunchi S.A.	Quito	ECU	100		1.1	0.1	
Linde Ecuador S.A.	Quito	ECU	100		58.8	-3.1	
Spectra Gases Limited	Guildford	GBR	100		1.0	-	
BOC GASES DE MEXICO, S.A. DE C.V.	Mexico City	MEX	100		-	-	
Compañía de Nitrógeno de Cantarell, S.A. de C.V.	Santa Fe	MEX	100		43.5	88.4	
Compañía de Operaciones de Nitrógeno, S.A. de C.V.	Santa Fe	MEX	100		7.6	2.5	c
SERVICIOS DE OPERACIONES DE NITRÓGENO, S.A. DE C.V.	Santa Fe	MEX	100		1.4	0.2	c
Linde Gas Perú S.A.	Callao	PER	100		9.2	-2.2	
Linde Gas Puerto Rico, Inc.	Cataño	PRI	100		-4.0	-2.4	
AGA S.A.	Montevideo	URY	100		11.4	0.2	
East Coast Oxygen Company	Bethlehem	USA	50		5.8	-1.4	f, i
Holox Inc.	Norcross	USA	100		-	-	
LAG Methanol LLC	Wilmington	USA	100		-	-	
Lincare (consolidated financial statements) including:					864.4	114.4	
1536502 Ontario Inc.	Hamilton	USA	100				h
AHP Alliance of Columbia	Columbia	USA	100				h
AHP Delmarva, LLP	Lutherville Timonium	USA	50				h
AHP Home Care Alliance of Gainesville	Gainesville	USA	100				h
AHP Home Care Alliance of Tennessee	Brentwood	USA	100				h

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AHP Home Care Alliance of Virginia	Richmond	USA	100				h
AHP Home Medical Equipment Partnership of Texas	Dallas	USA	100				h
AHP Knoxville Partnership	Knoxville	USA	100				h
AHP-MHR Home Care, LLP	Omaha	USA	50				h
ALPHA RESPIRATORY INC.	Wilmington	USA	100				h
American HomePatient Arkansas Ventures, Inc.	Dover	USA	100				h
American HomePatient Delaware Ventures, Inc.	Dover	USA	100				h
American HomePatient of Kingstree, LLC	Columbia	USA	100				h
American HomePatient of New York, Inc.	New York	USA	100				h
American HomePatient of Sanford, LLC	Sanford	USA	50				h
American HomePatient of Texas, LLC	Dallas	USA	100				h
American HomePatient of Unifour, LLC	Hickory	USA	50				h
American HomePatient Tennessee Ventures, Inc.	Dover	USA	100				h
American HomePatient Ventures, Inc.	Knoxville	USA	100				h
AMERICAN HOMEPATIENT, INC.	Wilmington	USA	100				h
American HomePatient, Inc.	Knoxville	USA	100				h
American HomePatient, Inc. (f/k/a AHP NV Corp.)	Carson City	USA	100				h
Baptist Ventures – AHP Homecare Alliance of Montgomery	Montgomery	USA	50				h
Blue Ridge Home Care	Brentwood	USA	50				h
CARING RESPONDERS LLC	Wilmington	USA	100				h
Catholic Health Home Respiratory, LLC	Williamsville	USA	50				h
Coastal Home Care	Conway	USA	70				h
Colorado Home Medical Equipment Alliance, LLC	Centennial	USA	100				h
Complete Infusion Services, LLC	Bingham Farms	USA	100				h
CONVACARE SERVICES, INC.	Bloomington	USA	100				h
CPAP SUPPLY USA LLC	Wilmington	USA	100				h
Designated Companies, Inc.	New York	USA	100				h
DME Supply USA, LLC	Wilmington	USA	100				h
Gamma Acquisition Inc.	Wilmington	USA	100				h
HCS TENS Services LLC	Wilmington	USA	100				h
HEALTH CARE SOLUTIONS AT HOME INC.	Wilmington	USA	100				h
HealthCare Solutions IV LLC	Wilmington	USA	100				h
HOME-CARE EQUIPMENT NETWORK INC.	Plantation	USA	100				h
Homelink Home Health Care	Little Rock	USA	50				h
LINCARE EQUIPMENT LLC	Wilmington	USA	100				h
LINCARE HOLDINGS INC.	Wilmington	USA	100				h
LINCARE INC.	Wilmington	USA	100				h
LINCARE LEASING LLC	Wilmington	USA	100				h
LINCARE LICENSING INC.	Wilmington	USA	100				h
LINCARE OF CANADA ACQUISITIONS INC.	Wilmington	USA	100				h
LINCARE OF CANADA INC.	Toronto	USA	100				h
LINCARE OF NEW YORK, INC.	New York	USA	100				h
LINCARE PHARMACY SERVICES INC.	Wilmington	USA	100				h
LINCARE PROCUREMENT INC.	Wilmington	USA	100				h
LINCARE PULMONARY REHAB MANAGEMENT, LLC	Wilmington	USA	100				h
Lincare Pulmonary Rehab Services of Missouri, LLC	Clayton	USA	100				h
LINCARE PULMONARY REHAB SERVICES OF OHIO, LLC	Cleveland	USA	100				h
Linde RSS LLC	Wilmington	USA	100				h

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mdINR, LLC	Wilmington	USA	100				h
MED 4 HOME INC.	Wilmington	USA	100				h
MediLink HomeCare, Inc.	Trenton	USA	100				h
MEDIMATICS LLC	Wilmington	USA	100				h
MidSouth Distribution, Inc.	Texarkana	USA	100				h
MRB ACQUISITION CORP.	Plantation	USA	100				h
Northeast Pennsylvania Alliance, LLC	Hazleton	USA	100				h
Northwest Washington Alliance, LLC	Olympia	USA	100				h
OCT Pharmacy, L.L.C.	Bingham Farms	USA	100				h
OPTIGEN, INC.	Plantation	USA	100				h
Patient Support Services, Inc.	Texarkana	USA	100				h
Piedmont Medical Equipment	Rock Hill	USA	50				h
Promed Home Care	Union	USA	70				h
PULMOREHAB LLC	Wilmington	USA	100				h
Raytel Cardiac Services, Inc.	Wilmington	USA	100				h
Shared Care of West Branch, LLC	West Branch	USA	50				h
Sleepcair, Inc.	Topeka	USA	100				h
The National Medical Rentals, Inc.	Little Rock	USA	100				h
Total Home Care of East Alabama, L.L.C.	Montgomery	USA	100				h
Linde Canada Investments LLC	Wilmington	USA	100		268.3	-	
Linde Delaware Investments Inc.	Wilmington	USA	100		297.2	128.4	
Linde Energy Services, Inc	Wilmington	USA	100		-0.5	-0.1	
Linde Gas North America LLC	Wilmington	USA	100		855.6	165.8	
Linde Merchant Production, Inc	Wilmington	USA	100		145.5	-0.8	
Linde North America, Inc.	Wilmington	USA	100	<0.1	-	231.8	
AGA Gas C.A.	Caracas	VEN	100		-0.9	-1.2	g
BOC GASES DE VENEZUELA, C.A.	Caracas	VEN	100		-1.1	-1.1	
PRODUCTORA DE GAS CARBONICO SA	Caracas	VEN	100		-	-	
General Gases of the Virgin Islands, Inc.	Saint Croix	VIR	100		4.8	0.1	
Engineering Division							
Linde Engineering Middle East LLC	Abu Dhabi	ARE	49	29	3.4	-1.1	f
Linde (Australia) Pty. Ltd.	North Ryde	AUS	100	100	1.0	-	
Cryostar do Brasil Equipamentos Rotativos & Criogenicos Ltda.	Vinhedo	BRA	100	90	-0.3	0.5	
Linde Process Plants Canada Inc.	Calgary	CAN	100		-27.1	-3.1	
Arboliana Holding AG	Pfungen	CHE	100		4.3	-	
Bertrams Heatec AG in Liquidation	Pratteln	CHE	100		0.5	-0.9	
Linde Kryotechnik AG	Pfungen	CHE	100		9.2	3.4	
Cryostar Cryogenic Equipments (Hangzhou) Co. Ltd.	Hangzhou	CHN	100	100	15.2	2.2	
Hangzhou Linde International Trading Co., Ltd.	Hangzhou	CHN	100		0.3	-	
Linde Engineering (Dalian) Co. Ltd.	Dalian	CHN	56	56	56.0	8.3	
Linde Engineering (Hangzhou) Co. Ltd.	Hangzhou	CHN	75	75	34.0	15.0	
Selas-Linde GmbH	Pullach	DEU	100	100	11.2	-	a
CRYOSTAR SAS	Hésingue	FRA	100		50.3	24.9	
LINDE CRYOPLANTS LIMITED	Guildford	GBR	100		7.8	1.2	
Linde Engineering India Private Limited	New Delhi	IND	100	100	36.0	3.8	
LPM, S.A. de C.V.	Mexico City	MEX	100	90	7.9	0.2	
Linde Engineering (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYS	100	100	3.0	1.5	

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OOO "Linde Engineering Rus"	Samara	RUS	100	100	10.2	5.7	
Linde Arabian Contracting Co., Ltd.	Riyadh	SAU	100	90	11.3	2.9	
Cryostar Singapore Pte Ltd	Singapore	SGP	100	100	11.7	5.1	
CRYO Aktiebolag	Gothenburg	SWE	100		-	-	
Cryostar USA LLC	Wilmington	USA	100		-0.4	0.1	
Linde Engineering North America Inc.	Wilmington	USA	100		18.3	-91.1	
Linde Engineering South Africa (Pty) Ltd.	Johannesburg	ZAF	100	100	15.7	0.4	
Other Activities & Corporate Activities							
BOC AIP Limited Partnership	North Ryde	AUS	100		895.5	125.8	
BOC Australia Pty Limited	North Ryde	AUS	100		66.0	26.0	
Gist Österreich GmbH	Wallern an der Trattnach	AUT	100		-0.3	-0.1	c
Linde Österreich Holding GmbH	Stadl-Paura	AUT	100	62	753.7	161.4	
Gist Belgium BVBA	Lochristi	BEL	100		-	-	
PRIESTLEY COMPANY LIMITED	Hamilton	BMU	100		22.7	-	
Linde Canada Limited	Mississauga	CAN	100		227.2	32.6	
Linde Holding AG	Dagmersellen	CHE	100	100	22.8	3.6	
GISTRANS Czech Republic s.r.o.	Olomouc	CZE	100		6.7	0.9	
Commercium Immobilien- und Beteiligungs-GmbH	Munich	DEU	100	100	2,220.4	-	a
Linde US Beteiligungs GmbH	Munich	DEU	100		503.2	7.7	
LINDE INVESTMENTS FINLAND OY	Helsinki	FIN	100		0.9	-	
GIST FRANCE S.A.R.L.	Garges-lès-Gonesse	FRA	100		-0.2	-0.2	c
Linde Holdings SAS	Saint-Priest	FRA	100		415.2	43.2	
The Boc Group S.A.S.	Hésingue	FRA	100		56.4	24.9	
AIRCO COATING TECHNOLOGY LIMITED	Guildford	GBR	100		-	-	
BOC CHILE HOLDINGS LIMITED	Guildford	GBR	100		41.1	-	
BOC DISTRIBUTION SERVICES LIMITED	Guildford	GBR	100		0.1	-	
BOC DUTCH FINANCE	Guildford	GBR	100		0.6	-	
BOC GASES LIMITED	Guildford	GBR	100		38.5	0.1	
BOC HELEX	Guildford	GBR	100		4,507.4	154.4	
BOC HOLDINGS	Guildford	GBR	100		4,574.7	683.3	
BOC INVESTMENT HOLDINGS LIMITED	Guildford	GBR	100		711.9	100.6	
BOC INVESTMENTS (LUXEMBOURG) LIMITED	Guildford	GBR	100		-	-	
BOC INVESTMENTS NO.1 LIMITED	Guildford	GBR	100		178.2	23.3	
BOC INVESTMENTS NO.5	Guildford	GBR	100		74.6	10.5	
BOC INVESTMENTS NO.7	Guildford	GBR	100		-	-	
BOC JAPAN	Guildford	GBR	100		-	-	
BOC KOREA HOLDINGS LIMITED	Guildford	GBR	100		110.7	4.7	
BOC LIMITED	Guildford	GBR	100		712.2	172.8	
BOC LUXEMBOURG FINANCE	Guildford	GBR	100		-	-	
BOC NETHERLANDS HOLDINGS LIMITED	Guildford	GBR	100		536.2	145.0	
BOC NOMINEES LIMITED	Guildford	GBR	100		-	-	
BOC PENSION SCHEME TRUSTEES LIMITED	Guildford	GBR	100		-	-	
BOC PENSIONS LIMITED	Guildford	GBR	100		-	-	
BOC RSP TRUSTEES LIMITED	Guildford	GBR	100		-	-	
BOC SEPS TRUSTEES LIMITED	Guildford	GBR	100		-	-	
BOC SERVICES LIMITED	Guildford	GBR	100		-	-	

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BRITISH INDUSTRIAL GASES LIMITED	Guildford	GBR	100		-	-	
CRYOSTAR LIMITED	Guildford	GBR	100		-	-	
EHVIL DISSENTIENTS LIMITED	Guildford	GBR	100		-	-	
G.L BAKER (TRANSPORT) LIMITED	Guildford	GBR	100		-12.0	0.2	
GIST LIMITED	Guildford	GBR	100		151.4	11.4	
HANDIGAS LIMITED	Guildford	GBR	100		15.6	-0.1	
HICK, HARGREAVES AND COMPANY LIMITED	Guildford	GBR	100		-	-	
INDONESIA POWER HOLDINGS LIMITED	Guildford	GBR	100		14.2	-	
LANSING GROUP LIMITED	Guildford	GBR	100	100	10.1	-	
LINDE CANADA HOLDINGS LIMITED	Guildford	GBR	100		152.7	237.4	
LINDE CRYOGENICS LIMITED	Guildford	GBR	100		0.8	10.9	
LINDE FINANCE	Guildford	GBR	100		-	-	
LINDE INVESTMENTS No.1 LIMITED	Guildford	GBR	100		4,079.6	605.5	
LINDE NORTH AMERICA HOLDINGS LIMITED	Guildford	GBR	100		1,684.6	-0.2	
LINDE UK HOLDINGS LIMITED	Guildford	GBR	100	85	16,332.5	1,553.4	
LINDE UK PRIVATE MEDICAL TRUSTEES LIMITED	Guildford	GBR	100		-	-	
MEDISHIELD	Guildford	GBR	100		0.4	-	
MEDISPEED	Guildford	GBR	100		292.9	7.5	
RRS (FEBRUARY 2004) LIMITED	Guildford	GBR	100		-0.4	-	
SPALDING HAULAGE LIMITED	Guildford	GBR	100		3.6	-	
STORESHIELD LIMITED	Guildford	GBR	100		325.7	0.1	
THE BOC GROUP LIMITED	Guildford	GBR	100		10,159.1	1,510.0	
THE BRITISH OXYGEN COMPANY LIMITED	Guildford	GBR	100		0.1	-	
TRANSHIELD	Guildford	GBR	100		15.5	0.1	
WELDING PRODUCTS HOLDINGS LIMITED	Guildford	GBR	100		10.3	-	
BOC NO. 1 LIMITED	Saint Peter Port	GGY	100		1.2	-	
BOC NO. 2 LIMITED	Saint Peter Port	GGY	100		0.3	-	
BRITISH OXYGEN (HONG KONG) LIMITED	Hong Kong	HKG	100		8.6	-	
Linde Global Support Services Private Limited	Calcutta	IND	100		0.8	0.5	
BOC INVESTMENT HOLDING COMPANY (IRELAND) LIMITED	Dublin	IRL	100		13.7	-	
BOC Investments Ireland Unlimited Company	Dublin	IRL	100		3.1	-	
Gist Distribution Limited	Dublin	IRL	100		13.6	3.0	
PRIESTLEY DUBLIN BOC COMPANY LIMITED	Dublin	IRL	100		0.9	-0.1	
ALBOC (JERSEY) LIMITED	Saint Helier	JEY	100		1.7	-	
BOC AUSTRALIAN FINANCE LIMITED	Saint Helier	JEY	100		3.6	-	
BOC PREFERENCE LIMITED	Saint Helier	JEY	100		64.7	-	
BOC Europe Holdings B.V.	Dongen	NLD	100		409.4	19.4	
Gist Containers B.V.	Bleiswijk	NLD	100		-1.9	0.9	c
Gist Forwarding B.V.	Bleiswijk	NLD	100		-	-	
Gist Holding B.V.	Bleiswijk	NLD	100		-5.8	1.6	c
Gist Nederland B.V.	Bleiswijk	NLD	100		-8.8	2.0	c
Linde Finance B.V.	Amsterdam	NLD	100		321.8	5.8	
Linde Holdings Netherlands B.V.	Schiedam	NLD	100	100	1,123.5	56.5	
The BOC Group B.V.	Dongen	NLD	100		44.6	19.3	
Linde Holdings New Zealand Limited	Auckland	NZL	100		2.2	22.0	
BOC GIST INC	Makati	PHL	100		0.1	-	
Linde Global IT Services s.r.o.	Bratislava	SVK	100		0.9	0.1	
AGA Aktiebolag	Lidingö	SWE	100		1,454.3	63.6	

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COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS (IN ACCORDANCE WITH IFRS 10)

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	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Profit/loss for the year	Note
			in percent	in percent	in EUR m	in EUR m	
BOC Intressenter AB	Helsingborg	SWE	100		35.0	0.2	
LindeGas Holding Sweden AB	Lidingö	SWE	100	100	3,849.2	102.9	
DeVine Products, Inc.	Wilmington	USA	100		0.2	-3.1	
Gist USA LLC	Wilmington	USA	100		2.7	0.7	
Linde Holdings, LLC	Wilmington	USA	100		73.0	2.7	
LINDE INVESTMENTS LLC	Wilmington	USA	100		1,177.1	2.3	
Linde LLC	Wilmington	USA	100		820.6	162.0	

COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS ON A LINE-BY-LINE BASIS (IN ACCORDANCE WITH IFRS 11)

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	Registered office	Country	Participating interest	Thereof Linde AG	Equity	Profit/loss for the year	Note
			in percent	in percent	in EUR m	in EUR m	
<i>Gases Division</i>							
<i>EMEA</i>							
Adnoc Linde Industrial Gases Co. Limited (Elixir)	Abu Dhabi	ARE	49	49	125.4	5.6	
OOO "Linde Azot Togliatti"	Tolyatti	RUS	50		44.7	4.3	
<i>Asia/Pacific</i>							
BOC-SPC Gases Co., Ltd.	Shanghai	CHN	50		20.7	5.4	
Chongqing Linde-SVW Gas Co., Ltd.	Chongqing	CHN	50		15.3	2.7	
Ningbo Linde-ZRCC Gases Co., Ltd.	Ningbo	CHN	50		32.3	0.3	
Zibo BOC-QILU Gases Co., Ltd.	Zibo	CHN	50		26.3	6.1	
<i>Americas</i>							
East Coast Nitrogen Company LLC	Wilmington	USA	50		23.2	-	

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (IN ACCORDANCE WITH IAS 28)

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	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in EUR m	Profit/loss for the year in EUR m	Note
Gases Division							
EMEA							
Plyny Jehlár s.r.o.	Břest	CZE	34		0.2	-	c
H ₂ Mobility Deutschland GmbH & Co. KG	Berlin	DEU	28	28	22.8	-1.8	b, c, d
HELISON PRODUCTION S.p.A.	Skikda	DZA	51	51	27.4	-0.5	b, f
Messer Algeria SPA	Algiers	DZA	40		2.8	1.4	b, c
Oxígeno de Sagunto, S.L.	Barcelona	ESP	50		13.0	-	c, e
Oy Innogas Ab	Kulloo	FIN	50		1.3	-	b, c
Parhaat Yhdessä koulutusyhdistys ry	Vantaa	FIN	25		0.2	-	c, d
LIDA S.A.S.	Saint-Quentin-Fallavier	FRA	22		0.2	0.2	b, c, d
LIMES SAS	Saint-Herblain	FRA	50		4.6	0.2	b, c, d
Helison Marketing Limited	Saint Helier	GBR	51		14.4	9.3	b, f
Company for Production of Carbon Dioxide Geli DOO Skopje	Skopje	MKD	50	50	0.6	-	b
LES GAZ INDUSTRIELS LIMITED	Port Louis	MUS	38		6.1	0.3	e
ENERGY SOLUTIONS (PTY) LIMITED	Windhoek	NAM	26		-	-	d
Tjeldbergodden Luftgassfabrikk DA	Aure	NOR	38		15.2	6.5	b, c, d
Asia/Pacific							
Beijing Fudong Gas Products Co., Ltd.	Beijing	CHN	60		0.4	-0.3	b, f
Fujian Linde-FPCL Gases Co., Ltd.	Quanzhou	CHN	50		77.8	15.5	b
Linde Carbonic Co. Ltd., Tangshan	Qian'an	CHN	80		-	-0.4	b, f
Linde-Huayi (Chongqing) Gases Co., Ltd	Chongqing	CHN	20		-37.5	-3.2	
Nanjing BOC-YPC Gases CO., LTD.	Nanjing	CHN	50		58.7	15.3	b
INDUSTRIAL GASES SOLUTIONS SDN BHD	Petaling Jaya	MYS	50		2.3	0.8	b
Kulim Industrial Gases Sdn. Bhd.	Kuala Lumpur	MYS	50		28.5	5.2	b, c, e
PENGERANG GAS SOLUTIONS SDN. BHD.	Kuala Lumpur	MYS	49		7.2	-0.4	b
Map Ta Phut Industrial Gases Company Limited	Bangkok	THA	40		8.6	0.1	b, c
Blue Ocean Industrial Gases Co., Ltd.	Taipei	TWN	50		32.4	3.2	b, c, e
Americas							
CLIFFSIDE HELIUM, L.L.C.	Wilmington	USA	26		0.1	-	b
Cliffside Refiners, L.P.	Wilmington	USA	27		4.4	2.1	b
High Mountain Fuels, LLC	Wilmington	USA	50		13.1	4.4	b
Hydrochlor LLC	Wilmington	USA	50		7.2	-1.7	b
Spectra Investors, LLC	Branchburg	USA	49		2.0	-	b
Other Activities & Corporate Activities							
CAPTURE POWER LIMITED	London	GBR	33		-2.7	-	b

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NON-CONSOLIDATED SUBSIDIARIES

	Registered office	Country	Participating interest in percent	Thereof Linde AG in percent	Equity in EUR m	Profit/loss for the year in EUR m	Note
Gases Division							
EMEA							
AUTOGAS (BOTSWANA) (PROPRIETARY) LIMITED	Gaborone	BWA	100		N/A	N/A	
Linde Schweiz AG	Dagmersellen	CHE	100		0.1	-	c
Blue LNG Beteiligungsgesellschaft mbH	Hamburg	DEU	90		-	-	c
Blue LNG GmbH & Co. KG	Hamburg	DEU	90		0.1	-	c
LINDE SPAIN SA	Puçol	ESP	100	100	0.1	-	c
ELECTROCHEM LIMITED	Guildford	GBR	100	100	-	-	c
GAS & EQUIPMENT LIMITED	Guildford	GBR	100		-	-	c
HYDROGEN SUPPLIES LIMITED	Guildford	GBR	100	100	0.9	-	c, d
INTELLEMETRICS LIMITED	Glasgow	GBR	100		-	-	c, d
Linde Delvar Afzar Gases Private Joint Stock Company	Tehran	IRN	51		N/A	N/A	k
Linde Gas Jordan Ltd	Zarqa	JOR	100		-0.5	-0.2	c, d
EAST AFRICAN OXYGEN LIMITED	Nairobi	KEN	100		-	-	c
KS Luftgassproduksjon	Oslo	NOR	100		-	-	c
Norgas AS	Oslo	NOR	100		0.1	-	c
OOO "Linde Gas Helium Rus"	Moscow	RUS	100	100	-	-	c
Linde Technické Plyn spol. s r.o.	Bratislava	SVK	100		0.1	-	c
Nynäshamns Gasterminal AB	Lidingö	SWE	100		-	-	c
Asia/Pacific							
BANGLADESH OXYGEN LIMITED	Dhaka	BGD	100		-	-	d
BOC Bangladesh Limited	Dhaka	BGD	100		-	-	d
Guangzhou GNIG Industrial Gases Company Limited	Guangzhou	CHN	60		-	-	c
BOC PAKISTAN (PVT.) LIMITED	Karachi	PAK	100		-	-	c, d
CIGI PROPERTIES, INC.	Mandaluyong	PHL	100		-	-	c
LIEN XIANG ENERGY CORPORATION LIMITED	Tainan	TWN	50		0.8	-	c
Americas							
LINDE ENERGY SERVICES S.A.S.E.S.P.	Bogotá	COL	100		-	-	
Engineering Division							
Linde Engenharia Do Brasil Ltda.	Barueri	BRA	100	90	0.5	-	c
Linde Engineering Korea Ltd.	Seoul	KOR	100	100	1.2	0.1	c
OOO "CRYOSTAR RUS"	Saint Petersburg	RUS	100	100	0.1	-	c
OOO "Linde Power machines"	Saint Petersburg	RUS	50	50	3.2	-0.2	c
Linde Engineering Taiwan Ltd.	Taipei	TWN	100		0.7	-	c
Other Activities & Corporate Activities							
Linde Australia Holdings Pty Limited	North Ryde	AUS	100	100	-	-	c
GLPS TRUSTEES LIMITED	Guildford	GBR	100		-	-	c
Hong Kong Oxygen & Acetylene Company Limited	Kowloon	HKG	100		-	-	c
AIRCO PROPERTIES INC	Wilmington	USA	100		N/A	N/A	
SELOX, INC	Nashville	USA	100		N/A	N/A	

Key:

a Profit/loss transfer agreement.

b Joint venture.

c Local GAAP.

d Figures from financial years prior to 2017.

e Financial year differs from the calendar year due to local circumstances.

f Consolidation method differs from percentage of shares held due to de facto control or a contractual agreement.

g The distribution of dividend for 2008 is subject to foreign exchange restrictions.

h No preparation of individual financial statements under commercial law.

i Distribution of dividend is subject to the approval of non-controlling interests.

k Established in 2017.

N/A = No financial data available.

[40] Events after the reporting date

No significant events occurred for The Linde Group between the reporting date and 19 February 2018.

On 19 February 2018, the Executive Board of Linde AG released the consolidated financial statements for submission to the Supervisory Board. It is the responsibility of the Supervisory Board to examine the consolidated financial statements and to state whether it approves them. The Group financial statements, the statutory financial statements of Linde AG and the annual report are published on 8 March 2018 after they have been approved at the Supervisory Board meeting on 7 March 2018.

MUNICH, 19 FEBRUARY 2018

PROFESSOR DR ALDO BELLONI
[CHIEF EXECUTIVE OFFICER]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE
BOARD]

DR CHRISTIAN BRUCH
[MEMBER OF THE EXECUTIVE
BOARD]

DR SVEN SCHNEIDER
[MEMBER OF THE EXECUTIVE
BOARD]

BERND EULITZ
[MEMBER OF THE EXECUTIVE
BOARD]

INDEPENDENT AUDITOR'S REPORT

To Linde Aktiengesellschaft, Munich

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of Linde Aktiengesellschaft, Munich and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, group statement of profit or loss and group statement of comprehensive income, group statement of cash flows and statement of changes in group equity for the financial year from 1 January 2017 to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Linde Aktiengesellschaft combined with the management report of the company ("group management report") for the financial year from 1 January 2017 to 31 December 2017.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January 2017 to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group

management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements and principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of Goodwill

With respect to the accounting policies applied, we refer to Note 5 in the notes to the consolidated financial statements. Information on the impairment test performed can be found in Note 12 of the notes

to the consolidated financial statements. Information concerning the discontinued operation is provided in Note 19 of the notes to the consolidated financial statements.

The financial statement risk

As at 31 December 2017 goodwill amounted to EUR 10,681 million and represents a significant portion of the Linde's total assets.

The recoverability of the goodwill is separately monitored for the Engineering Division as well as for the three reportable segments of the Gases Division (Europe Middle East Africa "EMEA", Asia Pacific and America). The monitoring of the recoverability of goodwill is thus carried out entirely at the level of the operating segments of Linde AG. The impairment test was performed in the fourth quarter of 2017 on the basis of the data as of 30 September 2017. As at 31 December 2016, the "Gist" division was classified as a discontinued operation. This classification remained unchanged as at 31 December 2017. According to IFRS 5, assets, including goodwill, and liabilities of the disposal group were separately presented.

The goodwill impairment test is complex and is based on a number of judgemental assumptions. These include in particular the expected business and profit development of the Linde Group for the next five years, which considers, among other factors, the estimates of an international economic research institute for the sales markets and the planned order intake of the Engineering Division. Additional factors are the assumed long-term growth rates and the underlying segment-specific and region-specific costs of capital. As a result of the impairment test on the basis of the data as at 30 September 2017, no need for an impairment was identified. Based on a sensitivity analysis, Linde determined that no impairment was required even in the event of a reasonably possible change in a key assumption.

The disposal group as a whole was measured as at 31 December 2017 at its carrying value, representing the lower value of the carrying amount and fair value less costs to sell.

With respect to "Gist", there is the risk for the consolidated financial statements that the criteria for the classification as a discontinued operation are no longer fulfilled and that the fair value less costs to sell is below the carrying amount. In addition, there is the risk that the disclosures in connection with the accounting as a discontinued operation are inappropriate.

Furthermore, there is the risk for the consolidated financial statements that the required impairments were not sufficiently recorded. In addition, there is a risk that the related disclosures in the notes to the consolidated financial statements are incomplete or inappropriate.

Our Audit Approach

We have assessed the appropriateness of the significant assumptions and judgements, as well as of the calculation method of the impairment test, with the involvement of our valuation specialists. In connection with the assessment of the underlying corporate planning, we have discussed the assumptions regarding the development of the sales markets with the individuals responsible for the planning. We have challenged the order intake of the Engineering Division with the planned sales revenues for plausibility. We compared the planned development of the sales revenues and results with estimates of analysts regarding the development of Linde and peer companies. Furthermore, we have assessed the long-term growth rates utilized through analysis of economic and statistical sources. In addition, we performed a comparison with the budget prepared by the Executive Board which was approved by the supervisory board. We assessed the Company's planning accuracy by comparing projections for previous financial years and interim periods with the actual results realised and analysed deviations. We compared the assumptions and parameters underlying the costs of capital, especially the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data. To account for the uncertainty of forecast information, we then assessed reasonably possible changes in the discount rate, and in the long-term growth rate on the value by calculating alternative scenarios and comparing these with the Company's valuation results (sensitivity analysis).

To ensure the mathematical accuracy we recalculated the Company's calculations on the basis of elements selected in a risk-orientated manner.

Finally, we assessed whether the disclosures in the notes to the consolidated financial statements with respect to the recoverability of the carrying amount of the goodwill are complete and appropriate.

With respect to the classification of "Gist" as a discontinued operation, we assessed the ongoing compliance with the conditions according to IFRS 5 and the valuation at the carrying amount. For this purpose, we conducted interviews with the Executive Board and assessed the internal reporting and the available external correspondence regarding the sales process. In addition, we assessed the appropriateness of the disclosures in the notes to the consolidated financial statements in connection with the accounting as a discontinued operation.

Our observations

The underlying valuation model used in the impairment test of goodwill is appropriate and consistent with the applicable accounting principles. The Company's assumptions, parameters and judgements underlying the

valuation are within an acceptable bandwidth and are, on the whole, balanced. The disclosures in the notes to the consolidated financial statements associated herewith are complete and appropriate.

The classification of "Gist" as a discontinued operation and the assumptions underlying the valuation at the carrying amount, being the lower amount of the carrying amount and the fair value less costs to sell, are appropriate. The disclosures in the notes to the consolidated financial statements regarding the discontinued operation are appropriate.

Recognition and measurement of restructuring provisions

With respect to the accounting policies applied, we refer to Note 5 in the notes of the consolidated financial statements. Information on the restructuring measures can be found in the Group Management Report in the section "Business Review of the Linde Group".

The financial statement risk

In 2016, Linde initiated a Group-wide efficiency programme. Primarily in connection with this efficiency program restructuring provisions in the amount of EUR 237 million have been recognised as at 31 December 2017 in the consolidated financial statements within other provisions.

Provisions for restructuring measures are recognised if the general and specific recognition criteria under the applicable rules have been fulfilled. In our view, this matter is of particular importance, since the recognition and measurement of the significant restructuring provisions – in addition to the fulfilment of the recognition criteria – are based to a large extent on estimates and assumptions of the Executive Board with respect to the arrangement of social plans, the severance payments and the site closure costs.

There is the risk to the consolidated financial statements that the criteria for the recognition of the restructuring provisions have not been satisfied respectively that these have not been appropriately measured.

Our Audit Approach

For Group companies selected on a risk-oriented basis, we have assessed the recognition criteria for restructuring measures which have been initiated or are in the process of being implemented. We have particularly assessed whether in each case a formal and detailed restructuring plan exists and, through the start of the restructuring measures or the announcement of its main features, a valid expectation has been raised to those affected that the restructuring measures will be carried out.

In connection with the measurement, we have obtained explanations for the valuation of significant assumptions (especially personnel expenses and

acceptance quotas). We have assessed the consistency of the assumptions with the detailed formal restructuring plans. Furthermore, we have compared the assumptions with the restructuring measures implemented in the past, and we have critically assessed the contracts and agreements already entered into as at the balance sheet date.

Our observations

The criteria for the recognition of restructuring provisions have been satisfied as at 31 December 2017. The underlying estimates and assumptions for the measurement made by the Executive Board are appropriate.

Revenue recognition in the Engineering Division

With respect to the accounting policies applied, we refer to Note 5 in the notes to the consolidated financial statements.

The financial statement risk

A significant portion of the revenues and results in the area of the Linde Engineering Division relates to long-term construction contracts and is recognised according to the progress of the individual projects. In particular the determination of the respective percentage of completion requires to a large extent estimates and judgements, which are based, among other factors, on continually revised planning. With respect to potential loss projects, the expected cost overruns are to be estimated and recognised as expected losses.

There is the financial statement risk that the revenues and results attributable to construction contracts are allocated to the incorrect financial years as well as that expected losses resulting from construction contracts are not recognised in a timely manner.

Our Audit Approach

We have assessed the reasonableness of the significant estimates and judgements that the Linde Engineering Division has made in connection with the long-term construction contracts. Our focus, among others, was on the assessment of the underlying current cost reports of the contracts, the posting logic and on the estimates of those responsible for the projects. We tested the operating effectiveness of the internal controls in connection with determination and validation of the percentage of completion and, based on risk considerations, performed for selected projects substantive test work. We discussed these projects with the management of the Linde Engineering Division and assured ourselves in an individual case on site as to the completion stage of the project. For the technical engineering assessment of contract calculations, project progress and project risks, we involved an external expert. Moreover, we compared the actual costs incurred

to date for projects already completed as well as for projects in progress with the original calculation in order to assess the general planning accuracy.

Our observations

The assumptions underlying the accounting for long-term construction contracts are overall balanced.

Other Information

The Executive Board is responsible for the other information. The other information comprises the parts of the financial report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Board and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The Executive Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Executive Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Executive Board is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going

concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Executive Board is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Executive Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and

of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Executive Board and the reasonableness of estimates made by the Executive Board and related disclosures.
- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Executive Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 10 May 2017. We were engaged by the supervisory board on 10 May 2017. We have been the group auditor of the Linde Aktiengesellschaft, Munich without interruption for more than 24 years.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Harald v. Heynitz.

M U N I C H , 1 9 F E B R U A R Y 2 0 1 8

K P M G A G
W I R T S C H A F T S P R Ü F U N G S -
G E S E L L S C H A F T

[O R I G I N A L G E R M A N V E R S I O N
S I G N E D B Y :]

B E C K E R	V . H E Y N I T Z
W I R T S C H A F T S -	W I R T S C H A F T S -
P R Ü F E R	P R Ü F E R
[G E R M A N P U B L I C	[G E R M A N P U B L I C
A U D I T O R]	A U D I T O R]

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RESPONSIBILITY STATEMENT

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

MUNICH, 19 FEBRUARY 2018

LINDE AKTIENGESELLSCHAFT
THE EXECUTIVE BOARD

PROFESSOR DR ALDO BELLONI
[CHIEF EXECUTIVE OFFICER]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE
BOARD]

DR CHRISTIAN BRUCH
[MEMBER OF THE EXECUTIVE
BOARD]

DR SVEN SCHNEIDER
[MEMBER OF THE EXECUTIVE
BOARD]

BERND EULITZ
[MEMBER OF THE EXECUTIVE
BOARD]

MANAGEMENT ORGANISATION

AS AT 12 FEBRUARY 2018

MANAGEMENT ORGANISATION EXECUTIVE BOARD

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<i>Executive Board Member</i>	<i>Responsibilities</i>	<i>Corporate & Support Functions</i>
Professor Dr Aldo Belloni, Chief Executive Office	Opportunity & Project Development, Programme Management, Americas segment, Gist ¹	Corporate Communications & Investor Relations, Corporate Internal Audit, Corporate Office, Corporate Strategy & Market Intelligence, Group Human Resources, Group Legal & Compliance, Group Information Services, SHEQ (Safety, Health, Environment, Quality)
Dr Sven Schneider	Finance/Controlling for the EMEA, Americas, Asia/Pacific segments	Group Accounting & Reporting, Group Insurance, Group Merger & Acquisitions, Group Risk Management, Group Tax, Group Treasury, Operational Finance, Controlling & Investments, Real Estate
Dr Christian Bruch	Engineering Division	Technology & Innovation, Digitalisation
Bernd Eulitz	Segment EMEA, Centre of Excellence, Performance Management EMEA	Group Procurement
Sanjiv Lamba	Segment Asia/Pacific, Electronics, Global Gases Business Helium & Rare Gases, Asia Joint Venture Management	

¹ Discontinued operation.

DIVISIONS

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<i>Gases Division</i>	<i>Engineering Division</i>	<i>Gist¹</i>
See diagram on the right for organisation	Jürgen Nowicki	Martin Gwynn
	John van der Velden	
	Tilman Weide	

¹ Discontinued operation.

MANAGEMENT ORGANISATION

GASES DIVISION

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<i>EMEA segment (Europe, Middle East, Africa)</i>	<i>Americas segment</i>	<i>Asia/Pacific segment</i>
RBU Northern Europe Dr. Andreas Opfermann	RBU Americas Jens Lühring	RBU East Asia Steven Fang
RBU Central Europe Jens Waldeck	Finance/Controlling Americas Jens Lühring	RBU South Asia & ASEAN Rob Hughes
RBU Southern Europe Arnold Coppin	Lincare Crispin Teufel	RBU South Pacific John Evans
RBU Africa & UK Oliver Pfann		Finance/Controlling Asia/Pacific Binod Patwari
RBU Middle East & Eastern Europe Elena Skvortsova		
RBU Healthcare Andrew Harvey		
Finance/Controlling EMEA Elisabeth Tyroller (acting)		

GLOBAL FUNCTIONS

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Centre of Excellence Urmi Richardson
Electronics Andreas Weisheit
Global Gases Business Helium & Rare Gases Claus Nussgruber
Opportunity & Project Development Ernst Rost
Programme Manager Matthias von Plotho

CORPORATE & SUPPORT FUNCTIONS

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Corporate Communications & Investor Relations	Dr Harry Roegner
Corporate Internal Audit	Thomas Müller
Corporate Office	Andrea Reutershahn
Digitalisation	Philipp Karmires
Group Accounting & Reporting, Group Risk Management, Group Insurance, Real Estate	Björn Schneider
Group Human Resources	Werner Boekels
Group Information Services	Sandeep Sen
Group Legal & Compliance	Dr Christoph Hammerl
Group Mergers & Acquisitions	Christian Graf zu Ortenburg
Group Procurement	Christoph Clausen
Group Tax	Dr Wolfgang Salzberger
Group Treasury	Dr Sven Schneider
SHEQ (Safety, Health, Environment, Quality)	Solen Karavelioglu Hanisch
Operational Finance, Controlling & Investments	Michael Ullrich
Technology & Innovation	Dr Andreas Bröcker

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FINANCIAL CALENDAR

[1]
PRESS CONFERENCE ON
THE ANNUAL RESULTS
PUBLICATION OF THE GROUP
FINANCIAL STATEMENTS
8 March 2018
Carl von Linde Haus, Munich,
Germany

[2]
INTERIM REPORT
JANUARY TO MARCH 2018
25 April 2018

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

[4]
DIVIDEND PAYMENT
8 May 2018

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

STATEMENTS RELATING TO THE FUTURE

This Annual Report contains statements relating to the future which are based on the management's current estimates about future developments. These statements are not to be understood as guarantees that these expectations will prove to be true. The future development and the results actually achieved by The Linde Group and its affiliated companies are dependent on a number of risks and uncertainties and may therefore deviate significantly from the statements relating to the future. Linde has no plans to update its statements relating to the future, nor does it accept any obligation to do so.

FORWARD-LOOKING STATEMENTS

This communication includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on our beliefs and assumptions on the basis of factors currently known to us. These forward-looking statements are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, potential, forecast, and similar expressions. These forward-looking statements include, but are not limited to, statements regarding benefits of the proposed business combination, integration plans and expected synergies, and anticipated future growth, financial and operating performance and results. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted or expected. No assurance can be given that these forward-looking statements will prove accurate and correct, or that projected or anticipated future results will be achieved. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to: the expected timing and likelihood of the completion of the contemplated business combination, including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the contemplated business combination that could reduce anticipated benefits or cause the parties to abandon the transaction; the occurrence of any event, change or other circumstances that could give rise to the termination of the business combination agreement; the ability to successfully complete the proposed business combination and the exchange offer; regulatory or other limitations imposed as a result of the proposed business combination; the success of the business following the proposed business combination; the ability to successfully integrate the Praxair and Linde businesses; risks related to disruption of management time from ongoing business operations due to the proposed business combination; the risk that the announcement or consummation of the proposed business combination could have adverse effects on

the market price of Linde’s or Praxair’s common stock or the ability of Linde and Praxair to retain customers, retain or hire key personnel, maintain relationships with their respective suppliers and customers, and on their operating results and businesses generally; the risk that Linde plc may be unable to achieve expected synergies or that it may take longer or be more costly than expected to achieve those synergies; state, provincial, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an effect on rate structure, and affect the speed at and degree to which competition enters the industrial gas, engineering and healthcare industries; outcomes of litigation and regulatory investigations, proceedings or inquiries; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates; general economic conditions, including the risk of a prolonged economic slowdown or decline, or the risk of delay in a recovery, which can affect the long-term demand for industrial gas, engineering and healthcare and related services; potential effects arising from terrorist attacks and any consequential or other hostilities; changes in environmental, safety and other laws and regulations; the development of alternative energy resources; results and costs of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general market and economic conditions; increases in the cost of goods and services required to complete capital projects; the effects of accounting pronouncements issued periodically by accounting standard-setting bodies; conditions of the debt and capital markets; market acceptance of and continued demand for Linde’s and Praxair’s products and services; changes in tax laws, regulations or interpretations that could increase Praxair’s, Linde’s or Linde plc’s consolidated tax liabilities; and such other factors as are set forth in Linde’s annual and interim financial reports made publicly available and Praxair’s and Linde plc’s public filings made with the SEC from time to time, including but not limited to those described under the headings “Risk Factors” and “Forward-Looking Statements” in Praxair’s Form 10-K for the fiscal year ended December 31, 2017, which are available via the SEC’s Web site at ► WWW.SEC.GOV. The foregoing list of risk factors is not exhaustive. These risks, as well as other risks associated with the contemplated business combination, are more fully discussed in the proxy statement/prospectus and the offering prospectus included in the Registration Statement on Form S-4 filed by Linde plc with the SEC and in the offering document and/or any prospectuses or supplements filed with BaFin in connection with the contemplated business combination. In light of these risks, uncertainties and assumptions, the events described in the

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

FIVE-YEAR SUMMARY

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		2013	2014	2015	2016	2017
REVENUE FROM CONTINUING OPERATIONS	<i>EUR m</i>	16,655	17,047	17,345	16,948	17,113
Germany	%	7.9	7.4	7.5	7.3	7.4
Abroad	%	92.1	92.6	92.5	92.7	92.6
PROFIT FROM CONTINUING OPERATIONS						
Operating profit ¹	<i>EUR m</i>	3,966	3,920	4,087	4,098	4,213
EBIT	<i>EUR m</i>	2,171	1,885	2,029	2,075	1,944
EBIT (before special items)	<i>EUR m</i>	2,171	2,180	2,221	2,201	2,317
Profit before taxes on income	<i>EUR m</i>	1,794	1,520	1,632	1,751	1,679
Profit for the year – attributable to Linde AG shareholders	<i>EUR m</i>	1,317	1,102	1,133	1,206	1,404
Earnings per share – undiluted ²	<i>EUR</i>	7.10	5.94	6.10	6.50	7.56
Earnings per share – undiluted (before special items) ²	<i>EUR</i>	7.10	7.13	6.82	7.00	9.04
Dividend	<i>EUR m</i>	500	585	640	687	1,299
Dividend per share	<i>EUR</i>	3.00	3.15	3.45	3.70	7.00
Number of shares outstanding (as at 31.12.)	<i>in thou.</i>	185,588	185,638	185,638	185,638	185,638
ASSET STRUCTURE						
Intangible, tangible and financial assets	<i>EUR m</i>	25,184	26,453	27,445	26,911	24,787
Inventories	<i>EUR m</i>	1,088	1,155	1,241	1,231	1,211
Receivables ³	<i>EUR m</i>	3,111	3,362	2,995	2,971	2,777
Cash, cash equivalents and securities	<i>EUR m</i>	1,348	1,658	1,838	1,594	2,055
Other assets	<i>EUR m</i>	2,018	1,797	1,828	2,482	2,683
Total assets	<i>EUR m</i>	32,749	34,425	35,347	35,189	33,513
Capital structure						
Equity	<i>EUR m</i>	13,586	14,267	15,449	15,480	15,059
Provisions	<i>EUR m</i>	2,381	2,769	2,687	3,230	2,867
Financial liabilities	<i>EUR m</i>	9,577	9,856	9,483	8,528	8,019
Miscellaneous liabilities	<i>EUR m</i>	7,205	7,533	7,728	7,951	7,568
Total capital	<i>EUR m</i>	32,749	34,425	35,347	35,189	33,513
STATEMENT OF CASH FLOWS (ONLY CONTINUING OPERATIONS)						
Cash flow from operating activities	<i>EUR m</i>	3,144	3,001	3,583	3,400	3,478
NUMBER OF EMPLOYEES AT 31.12 (ONLY CONTINUING OPERATIONS)		63,487	65,591	59,774	59,715	57,605
Germany	%	12.3	12.3	13.4	13.1	13.0
Abroad	%	87.7	87.7	86.6	86.9	87.0
KEY PERFORMANCE INDICATORS (ONLY CONTINUING OPERATIONS)						
Capital expenditure	<i>EUR m</i>	2,268	1,954	2,036	2,004	1,766
Equity ratio	%	41.5	41.4	43.7	44.0	44.9
Return on capital employed (before special items)	%	9.7	9.5	9.5	9.4	10.2
EBIT return on sales	%	13.0	11.1	11.7	12.2	11.4
Cash flow from operating activities as a percentage of revenue	%	18.9	17.6	20.7	20.1	20.3

¹ EBIT (before special items) adjusted for amortisation of intangible assets and depreciation of tangible assets.² Based on the weighted average number of shares outstanding.³ Incl. receivables from finance leases.

COMBINED NON-FINANCIAL REPORT

Linde publishes key non-financial indicators and qualitative information on sustainability in this combined separate non-financial report in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB. The Corporate Responsibility Report provides supplementary information, including further details on the focus areas. Linde's sustainability reporting is based on the framework provided by the Global Reporting Initiative (GRI G4).

The Linde Group is obliged to make a non-financial declaration (in accordance with § 289b of the German Commercial Code (HGB)) and to make a Group non-financial declaration (in accordance with § 315b HGB). The Group declaration has to reflect the companies included in the consolidated financial statements of The Linde Group. This combined separate non-financial report fulfils the reporting obligations incumbent both on The Linde Group and on Linde AG.

This non-financial report includes reportable information on concepts for environmental, employee-related and social matters, as well as for respecting human rights and combating corruption. It includes indicators that are used to manage these areas and that are significant in terms of facilitating an understanding of the course of business and the impact of the company's business activities on the individual aspects.

The combined separate non-financial report was audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The audit was performed in accordance with ISAE 3000 for obtaining limited assurance regarding the information required under HGB.

Business model and strategy

The business model of The Linde Group is described in the management report, ► [PAGE 44](#). Sustainability is a component of the Group strategy, the aim being to combine long-term business success with ecological and social responsibility. In order to achieve this, Linde continually monitors the impact of its business activities on people and the environment, as well as the opportunities that the Group has to use innovation and products to contribute to sustainable development. Sustainability aspects are incorporated into key business processes of the company.

Decisions on sustainability

The Executive Board of Linde AG makes decisions on key issues relating to sustainable development. In the 2017 financial year, the Executive Board adopted a standardised Group-wide safety policy setting out the overall framework for dealing with risks and hazardous situations. A code of conduct for responsible lobbying in the political sphere was also adopted. Experts from within the Group advise on key strategic activities relating to sustainability and prepare decision papers for the Executive Board. This allows the Executive Board to address matters including social issues or to agree global objectives focusing on environmental protection, for example on reducing emissions.

The Corporate Responsibility department coordinates the implementation of initiatives for corporate responsibility in consultation with specialist departments and the individuals responsible for these topics at a regional level. It is also the central point of contact for stakeholders in sustainability-related matters.

Involvement of stakeholders

Linde analyses what key stakeholders expect of the company on a regular basis. These stakeholders include employees, customers, suppliers and shareholders, as well as representatives from the world of politics, the business world, academia and non-governmental organisations. In 2017, Linde once again conducted satisfaction surveys among customers from various areas, for example selected customers from the Linde Engineering Division and patients in the Linde REMEO® programme. Surveys were also conducted among employees in several regions. In the 2017 financial year, the Group's Corporate Responsibility department answered more than 1,300 questions on sustainability at Linde, for example about capital market ratings as well as customer enquiries. Linde also works with the municipalities near its business locations, for example on key issues such as safety. In 2017, Linde conducted around 120 joint activities, such as safety training sessions with fire brigades or other municipal organisations. The company also cooperates with academic institutions and other companies in numerous partnerships and is involved in trade associations.

Dealing with risks

Linde implements global management systems in order to exclude and reduce risks relating to key aspects of sustainability. These include management systems for safety and environmental protection. These are based on globally valid guidelines supplemented where appropriate by standards applicable to special areas and regions. Issues relating to sustainability are also included in the Group-wide enterprise risk management system. Experts at the company assess potential risks on a regular basis and define targets and measures to reduce them. Findings gleaned from dialogue with stakeholders and other sources are also taken into account as part of this process. Training measures and information campaigns support the implementation of the obligations. Internal monitoring systems are used to check, on a regular basis, whether requirements are being met. These measures include audits or the Group Integrity Hotline.

Employee-related matters

At 31 December 2017, Linde had 57,605 employees (2016: 59,715). 7,925 new employees were recruited in the 2017 financial year, with 12.3 percent of employees leaving Linde at their own request (2016: 12.1 percent). The overall staff turnover rate, which includes employees retiring and being dismissed, as well as employees

reaching the end of temporary contracts, was 20.3 percent (2016: 20.8 percent). By the end of 2017, around 2,900 employees across the globe had left the company as a result of the LIFT efficiency programme that was launched in 2016.

Occupational safety and health protection

Employee safety is a top priority for Linde. In order to rule out risks to the greatest extent possible, Linde has set up a safety management system based on globally valid standards and guidelines. The system focuses, in particular, on the production, filling and transportation of industrial gases, as well as on plant construction and operation.

In 2016, the Executive Board of Linde AG adopted a new safety strategy that provides for further improvement measures for the next few years. Linde has set itself the aim of continuously reducing the number of workplace accidents with at least one day of absence per million hours worked by employees between now and 2020. The base year is 2012. In 2017, the rate of workplace accidents at Linde sites around the world per million hours worked was 2.4 (2016: 2.2). This slight increase is due, first of all, to a higher number of hours in the homecare business, where the rate is generally higher than in the gases business. Second, the accident rate in one region increased slightly in the 2017 financial year after a very low rate in 2016. The absolute number of workplace accidents with at least one day of absence came to 297 in the 2017 financial year (2016: 269), and to 122 for contractors (2016: 131). Much to Linde's regret, one employee in the US and two employees working for contractors in Australia and Singapore lost their lives in transport accidents in 2017.

In order to further reduce risks, the measures taken by Linde focus first and foremost on prevention. Regular reviews ensure that key risks are recognised and that corresponding counter-measures are developed and implemented. This involves recording incidents that are particularly relevant to safety, as well as near misses, in order to identify any weak points. The company also trains managerial staff and employees on how to better identify, report and investigate incidents, and provides employees with regular information on safety. Audits are one way in which Linde checks whether standards within the company are being adhered to and whether the requirements for safe working conditions have been met. In 2017, audits were conducted at around 50 percent of Linde's operating sites.

HR development

From Linde's perspective, qualified and committed employees are a prerequisite for the company's success. This is why the HR strategy is aimed at attracting and promoting talent, as well as creating attractive working conditions. As a Group with global operations, Linde relies on being able to recruit and retain qualified employees, specialists and managers, particularly in key positions. As a result, Linde is working on increasing its appeal as an employer on an ongoing basis.

In order to attract qualified students and graduates and keep them with the company in the long term, Linde cooperates with universities and research institutions across the globe. The company also offers selected trainee and dual study programmes, as well as opportunities to undergo technical and commercial training.

Employees receive a market-oriented salary and variable remuneration components, depending on their position. Linde also offers various additional benefits such as occupational pensions and contributions towards health insurance or medical screening. These benefits reflect regional conditions and local competition. In order to ensure that employee performance is evaluated fairly, Linde has established a Group-wide performance assessment system. The system also includes a binding performance evaluation for managers. Managers undergo training so that they are able to evaluate performance in a fair and transparent manner. Managers' pay is based on the extent to which company targets and the employees' individual targets have been achieved. Senior managers also participate directly in the company's growth in value through the Linde Long Term Incentive Plan.

The company also helps its employees to achieve a better work-life balance by providing a range of opportunities that are based on the overall local conditions. In particular, these include flexible working models such as flexitime, part-time work and teleworking arrangements.

In order to promote life-long learning and successful collaboration, Linde invests in professional development of its employees. Around EUR 7.7 m (2016: EUR 8.5 m) was spent on this in the 2017 financial year. Professional development covers subject areas such as personnel management, intercultural communications and diversity. In 2017, around 40 percent of employees participated in one or several training sessions. For each employee participating in training, the average number of training days was 4.3 while the average amount spent was EUR 328.

Linde encourages its employees to be proactive and contribute their knowledge and ideas to benefit the company. The Linde Global Innovation Challenge, which invites employees across the globe to submit their ideas for innovation, was held for the second time in 2017. The requirements were based on the global

innovation strategy, with employees being asked to submit ideas relating to digitalisation or resource efficiency, in particular. More than 400 suggestions were submitted in total.

All in all, personnel expenses in 2017 totalled EUR 3.780 bn (2016: EUR 3.724 bn), of which EUR 3.489 bn (2016: EUR 3.431 bn) related to salaries (including social security contributions) and EUR 291 m (2016: EUR 293 m) to pensions.

INDICATORS RELATING TO EMPLOYEE-RELATED MATTERS

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		2016	2017
Employee structure			
Employees in the Group		59,715	57,605
Gases Division		52,907	51,138
EMEA		20,309	19,556
Asia/Pacific		11,343	11,147
Americas		21,255	20,435
Engineering Division		6,432	6,144
Corporate Activities		376	323
Part-time employees ¹	<i>in %</i>	3.6	3.4
Number of new hires		9,513	7,925
thereof women	<i>in %</i>	50.5	46.0
Proportion of female employees			
in total workforce	<i>in %</i>	32.5	32.5
in the first management tier below the Executive Board	<i>in %</i>	15.6	15.0
in the second management tier below the Executive Board	<i>in %</i>	17.6	14.5
in the Supervisory Board	<i>in %</i>	25.0	25.0
Staff turnover rate ²	<i>in %</i>	12.1	12.3
Total staff turnover rate	<i>in %</i>	20.8	20.3
HR development			
Total personnel expenses	<i>in EUR m</i>	3,724	3,780
Salaries	<i>in EUR m</i>	3,431	3,489
Pension costs	<i>in EUR m</i>	293	291
Employees who have taken up training opportunities	<i>in %</i>	38.2	40.6
Average training days per training participant		3.7	4.3
Average expenditure on training programmes per training participant	<i>in EUR</i>	372	328
Expenditure on training	<i>in EUR m</i>	8.5	7.7
Occupational safety and health protection			
Workplace accidents with at least one day of employee absence	<i>per million hours worked</i>	2.2	2.4
Workplace accidents with at least one day of employee absence		269	297
Workplace accidents with at least one day of contractor absence		131	122
Fatal industrial accidents of employees		1	1
Fatal industrial accidents of contractors		1	2

¹ The proportion of part-time employees shows the number of employees actually working part time in relation to the total workforce. In general, employee indicators are otherwise shown as full-time equivalents unless otherwise indicated.

² The staff turnover rate relates to employees who left the Group voluntarily during the 2017 financial year.

Diversity

Linde operates on the basis of a decentralised business model. The company relies on employees who understand the individual local markets and customers and use their varying experience and perspectives to enrich the work of their team. Diversity is one of the four values in The Linde Spirit, which defines the company's values and principles. This also forms the basis for the Leadership Competency Model, which is used in most countries to evaluate managers working at Linde and to foster their professional development. The company's Code of Ethics, which is binding for all employees, also states that employees must not be discriminated against on the basis of their origin, gender, age, religion or orientation.

One of Linde's main priorities in the area of diversity relates to measures to increase the proportion of female managers in the Group. Linde had set itself the target of increasing the proportion of women in the first management tier below the Executive Board to 14 percent by mid-2017. At 31 December 2017, the proportion of female senior managers in this tier was 15 percent. This figure should rise to 18 percent by mid-2022. In the second management tier below the Executive Board, Linde was aiming for the proportion of women to be 17 percent by mid-2017. This figure was 14.5 percent at 31 December 2017. This figure should rise to 22 percent by mid-2022. In order to achieve these targets, the Executive Board supports numerous measures, some of which have also been derived from employee initiatives. In accordance with the statutory regulations in Germany, Linde has also set itself targets for the proportion of women on the Supervisory Board and Executive Board. The Supervisory Board of Linde AG, for example, has set a target of 20 percent women on the Executive Board by mid-2022. In line with the German legislation, the Supervisory Board must consist of at least 30 percent women and at least 30 percent men. At 31 December 2017, the Supervisory Board of Linde AG was 75 percent male and 25 percent female. In the 2017 financial year, the proportion of women in the work force as a whole was 32.5 percent (2016: 32.5 percent).

Social issues

Product stewardship

High product stewardship standards form part of Linde's global safety management system. As a result, Linde evaluates safety along the entire value chain, analyses potential risks and takes measures to reduce them. Based on globally valid standards, this process looks not only at production and transportation, but also at the use of products ► [SEE ALSO SECTION ON OCCUPATIONAL SAFETY AND HEALTH PROTECTION](#). Linde examines potential risks which might arise from established products,

products which are used in new applications or new products to be introduced into the market. The main factors that play a key role in the risk assessment include customer applications, substance properties and the quantity sold. Depending on the risk potential, Linde also assesses whether customer sites have the conditions in place for the proper handling of gases. The company's own training programmes are used to train employees and customers alike on the safe handling of products and plants.

In order to minimise risks and increase safety levels in connection with the handling of its products, the company keeps more than 25,000 safety data sheets on hand in a variety of languages to provide customers with information.

The company also monitors adherence to statutory requirements on an ongoing basis. In the 2017 financial year, Linde continued to prepare for the third registration phase under the EU Chemicals Regulation REACH in 2018. Only a small proportion of the substances produced by Linde, however, are subject to the registration requirement under REACH. Linde uses an Internet platform to provide transparent information on what the Group is doing to comply with the REACH requirements and which substances are being registered. In order to ensure the successful implementation of the requirements, Linde also engages in dialogue with its customers and suppliers and cooperates with the European Industrial Gases Association.

Through its product stewardship programme, Linde also supports the Global Product Strategy (GPS) devised by the International Council of Chemical Associations for the safe handling of chemical substances and the United Nations Globally Harmonised System (GHS) of Classification and Labelling of Chemicals.

Transport safety

Every year, the company's own trucks and vehicles belonging to Linde's transport service providers cover around 900 million kilometres on the roads. This means that safety within the context of the transportation of Linde's products is a key issue that is taken into account in the Group's global safety management programme. Linde aims to minimise the number of transport accidents. By the end of 2020, the aim is to have reduced the number of serious transport incidents per million kilometres travelled by 20 percent compared with 2015. At 31 December 2017, Linde had managed to reduce the frequency of serious transport incidents by around 5 percent as against the base year of 2015.

In order to reduce risks, Linde continues to investigate all accidents involving both its own and third-party vehicles and conducts transport audits throughout the company. A particular emphasis is placed on training for employees and transport service providers. In 2017, for example, another 37 employees were trained as

internal accident investigators and transport auditors. The aim is to conduct investigations after accidents and transport audits based on uniform standards throughout the company in order to gain key insights in order to improve transport safety, to identify root causes and to reduce similar risks in the future. These training programmes will be continued in 2018.

Linde also trains its drivers on safety and how to handle hazardous situations on an ongoing basis. All drivers, irrespective of whether they work for Linde or for transport service providers, have to undergo mandatory training sessions that have to be repeated at varying intervals. These cover topics such as defensive driving and how to recognise and avoid situations that could result in vehicle rollover.

Products for health

Healthcare is a key growth market for Linde. Respiratory therapies and services for clinical care and support outside of the hospital environment help to improve patients' quality of life and to take the strain off the healthcare systems. In 2017, Linde generated revenue of EUR 3.361 bn with its healthcare business.

Healthcare risks are addressed as part of the enterprise risk management system. Reducing risks along the healthcare product value chain forms part of the management system for responsible production and safety ► [SEE ALSO SECTIONS ON OCCUPATIONAL SAFETY AND HEALTH PROTECTION AND ON PRODUCT STEWARDSHIP](#). This is why a monitoring system is in place to monitor the entire lifecycle of healthcare products. One of the ways in which Linde counteracts risks relating to the use of the products on patients is by conducting targeted initial and further training sessions for employees and individuals who use these products.

As a manufacturer of medical devices, Linde implements the requirements set out in the European RoHS Directive (Restriction of the Use of Hazardous Substances) across the globe. When operating production plants for medical gases, the company also complies with good manufacturing practice for pharmaceutical products. Findings resulting from dialogue with patients, customers and institutions in the healthcare sector are incorporated into Linde's internal analysis of performance and potential for improvement.

Sustainability in the supply chain

Linde works with suppliers in more than 85 countries. When selecting suppliers, Linde considers not only commercial criteria such as quality, price and availability, but also aspects such as safety and the environment.

The main procurement items include energy, gas cylinders and valves, tanks and tank equipment, vehicles, IT products, services, equipment for production plants, and devices and consumables for the healthcare business.

In 2013, Linde introduced a global Code of Conduct for Suppliers, setting out minimum requirements in the areas of safety, environmental protection, labour rights and human rights, as well as corporate integrity. The Code was developed by comparing in-house guidelines against the requirements for responsible supply chain management. In addition, Linde conducted a risk analysis on its supply chain with the support of an external provider in order to analyse country and product risks. The Code of Conduct for Suppliers forms part of the local General Terms and Conditions of Business that all suppliers that want to deal with Linde have to accept.

This means that it is a binding component of any contract concluded with new suppliers. At the same time, Linde is continually incorporating suppliers with which it already had a contractual relationship prior to 2013 into the system.

Linde conducts random checks to ensure that its suppliers are complying with the guidelines set out in the Code of Conduct. It focuses on suppliers from areas that pose a high risk in terms of sustainability. Particular attention is paid to product transportation and Linde's construction sites. Linde investigates any breaches of the requirements. In the 2017 financial year, for example, construction site audits identified around 200 deviations, for example relating to risk assessments and work permit procedures, tidiness and cleanliness, work involving a danger of falling, or environmental protection. Together with the contractors in question, Linde defined measures for improvement and monitored their implementation. During the 2017 financial year, 34 cases concerning supplier relationships were reported via the Group's Integrity Line.

Linde also involves its suppliers in its own safety and environmental management processes. In the 2017 financial year, for example, the programme to promote safety-conscious behaviour on construction sites, which was launched in 2015, was pursued further. This means that the programme reached a total of around 2,500 employees working for contractors. Drivers working for service providers also regularly participate in driver education programmes and training organised by the Group.

Environmental matters

Linde's products and services support its customers' efforts to make their business processes more efficient and more environmentally friendly. Linde also takes care to reduce the environmental impact of its own activities and to use energy, resources and materials as efficiently as possible. To ensure that this is the case, the Group has established a global management system for environmental protection based on standards and guidelines which apply worldwide. The global environmental management system is based on international standards and includes management, monitoring and improvement measures in areas such as energy and climate protection, waste, water, emissions into the air and soil and the impact on ecosystems. Linde analyses risks worldwide and records and evaluates incidents and near misses that are particularly relevant to environmental protection using a global process. Linde conducts audits to verify compliance with the prescribed standards within the company.

Linde's environmental management measures focus, in particular, on the development of products that offer environmental advantages, as well as on energy efficiency and climate protection in its own business activities. Linde is also working on making continuous improvements in other areas of environmental protection. As far as its own production is concerned, Linde identified potential for saving around 70,000 cubic metres of water and around EUR 70,000 a year in two locations in China and Indonesia, for example, in 2017. The Group's key indicators in the area of environmental protection relate, in particular, to indicators relating to energy and climate protection. Linde also calculates indicators in areas such as water management and waste, which are particularly relevant to the global sustainability agenda and to the Group's stakeholders.

Energy and climate protection

Linde is an energy-intensive company and is constantly working on optimising the energy efficiency of its production processes. A global energy management system that encompasses plants and processes worldwide has been set up for this purpose. The Group monitors and reports its energy consumption and greenhouse gas emissions worldwide. This reporting is based on the requirements set out in Corporate Accounting and Reporting Standard (Scope 1 and 2) of the Greenhouse Gas Protocol Initiative of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). Linde counters risks that can arise due to air pollution, for example, by engaging in research activities designed to promote higher levels of efficiency in production.

Most of the electricity that Linde requires is used to operate its air separation plants. Around 60 percent of

the Group's CO₂ emissions are by-products of electricity generation by energy providers and are reported by Linde as indirect emissions. Direct emissions at Linde stem mainly from the operation of hydrogen and synthesis gas plants.

In order to reduce the impact on the environment and further optimise its processes, Linde has set itself the target of avoiding a total of 6 million tonnes in CO₂ emissions by 2020 – 4.8 million tonnes in air separation plants (scope 2 emissions) and 1.2 million tonnes in HyCO plants (scope 1 emissions). The reference value refers to the base year of 2009. To meet this target, the company is focusing on technical improvements in plant design and more efficient production processes in its HyCO and air separation plants. By the end of the 2017 financial year, Linde had avoided a total of 4.1 million tonnes in CO₂ emissions, of which 0.9 million tonnes were direct and 3.2 million tonnes were indirect emissions. In the reporting year, Linde identified more than 170 projects worldwide that will help to reduce the Group's energy consumption and CO₂ emissions – for example, by using more efficient compressors and replacing valves.

The Group's climate protection measures also focus on the transportation of products. Optimised routes, better use of transport capacity and defensive driving training enable Linde to reduce the number of kilometres travelled, cut the amount of fuel consumed and bring down the level of transport emissions.

In the 2017 financial year, the Group's energy consumption was 85.7 million megawatt hours, up by around 8 percent on the previous year. The increase in energy consumption in recent years is due primarily to the expansion of Linde's business activities. Other factors that can have an impact on energy consumption include shifts in product demand or utilisation levels at individual plants. A large part of the increase is attributable to the higher consumption of natural gas, due first and foremost to the commissioning of new HyCO plants in Saudi-Arabia and Finland.

INDICATORS RELATING TO ENVIRONMENTAL MATTERS

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		2016	2017
Energy consumption			
Electricity consumption	<i>in million MWh</i>	27.5	28.9
of which by air separation plants	<i>in million MWh</i>	24.8	36.3
Natural gas consumption	<i>in million MWh</i>	39.4	45.1
of which by HyCO plants	<i>in million MWh</i>	29.3	33.8
Consumption of other energy sources ¹	<i>in million MWh</i>	12.8	11.7
Total energy consumption	<i>in million MWh</i>	79.7	85.7
Greenhouse gas emissions			
Direct greenhouse gas emissions (scope 1)			
CO ₂ emissions	<i>in million t</i>	7.0	8.3
of which by HyCO plants	<i>in million t</i>	4.7	5.7
Linde transport fleet	<i>million t CO₂e</i>	0.8	0.8
Other greenhouse gases ²	<i>million t CO₂e</i>	1.8	1.9
Total scope 1 emissions	<i>million t CO₂e</i>	9.6	11.0
Indirect greenhouse gas emissions (scope 2) ³			
CO ₂ emissions	<i>in million t</i>	16.2	17.4
of which by air separation plants	<i>in million t</i>	14.7	15.9
Total greenhouse gas emissions (scope 1 and 2)	<i>in million t CO₂ equivalents</i>	25.8	28.4
Waste			
Total waste	<i>in thousand t</i>	70.5 ⁴	67.8
of which non-hazardous waste	<i>in %</i>	67 ⁴	69
of which hazardous waste	<i>in %</i>	33 ⁴	31
Water			
Water use	<i>in million m³</i>	716	811
Water consumption ⁵	<i>in million m³</i>	54.8	56.4
Waste water	<i>in million m³</i>	13.1	13.6
Research and development			
Research and development costs	<i>in EUR m</i>	121	112

¹ Other energy sources include, for example, heating oil, biofuel energy, propane, butane, thermal energy and diesel fuel. As of 2015, the diesel consumption of transport contractors is also allocated to this indicator.

² Includes greenhouse gases specified in the Kyoto Protocol: methane (CH₄), nitrous oxide (laughing gas, N₂O), perfluorocarbons (PFCs), hydrofluorocarbons (HFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).

³ Converted using the conversion factors of the International Energy Agency from 2011.

⁴ The volumes of waste produced in the individual locations depend on the different business activities being performed and are based partly on recognised estimate methods. Due to the change in an estimate for one business area, the figures for the 2016 waste volumes have been adjusted to enable a better comparison with the 2017 financial year.

⁵ Water consumption relates to used drinking water and industrial water. Most of the water consumption relates to once-through water which is drawn from natural sources, solely heated and then piped back into the original source at a temperature posing no risk to the surrounding ecosystem.

Products that offer environmental advantages (ecological portfolio)

Linde's products help the company's customers to develop more sustainable processes in many ways – for example by boosting energy efficiency or reducing emissions. Linde aims to further expand its energy and environmental technology product portfolio. The range comprises, in particular, processes and technologies required along the renewable and fossil fuel value chain: from production via conversion, transportation and storage to their most efficient use.

In order to exploit the opportunities that this growth area offers, "environment and resources" has been defined as a key area of the company's innovation strategy. Linde invests in research in order to counteract risks that could emerge due to dwindling or insufficient innovative strength. During the 2017 financial year, Linde spent a total of EUR 112 m on research and development (2016: EUR 121 m). A large number of research and development projects in 2017 were also aimed at making a positive contribution to environmental protection. Many of the company's patents also relate to chemicals and the environment, clean energy and hydrogen technology. In engineering processes, energy efficiency, cost-effectiveness and environmental compatibility are often interrelated. This is why the lion's share of Linde's R&D activities are aimed at further optimising this interplay. The company also cooperates with partners such as universities, municipal utilities companies or research institutions in order to achieve this. Together with academic institutions and other companies, Linde is committed, among other things, to developing sustainable solutions for energy supplies and mobility. By way of example, Linde is a founding member of the Clean Energy Partnership, the largest pilot project for hydrogen mobility in Europe.

Linde works together with its customers and scientific and research partners to develop solutions which reduce emissions to air. LoTOx™ technology is being used in the chemicals industry, for example, to capture and store nitrogen oxides and other pollutants from waste gases arising from combustion processes. By the end of 2017, more than 30 such systems had been installed in customers' plants around the world, especially in the United States and China. This means that the company allowed its customers to avoid more than 14,500 tonnes in NOx emissions last year. In 2017 alone, Linde's Solvcarb® process was used by customers in six countries to bring around 790 million cubic metres of water up to drinking water quality.

Linde monitors product safety along the entire product value chain ► [SEE SECTIONS ON PRODUCT STEWARDSHIP AND OCCUPATIONAL SAFETY AND HEALTH PROTECTION](#). The Group also uses the Group-wide risk management system to monitor other potential risks to its business

development relating to products that offer environmental advantages, for example due to new legislation or changes in customer demand.

In order to evaluate the impact of its products, Linde calculates the savings associated with selected products that have particular potential to improve production efficiency and reduce emissions. These positive effects at the level of client use are compared against the impact of Linde's business activities on the environment.

Human rights

Linde supports respect for human rights and has set itself the target of preventing human rights violations in connection with its business activities. Linde has taken measures to support these voluntary commitments in various areas in which the company has the power to influence things. These include areas such as HR, safety and supply chain management. The measures taken by the company are also based on the United Nations Guiding Principles on Business and Human Rights.

Respect for human rights is included in key corporate guidelines. These include the Code of Ethics, purchasing guidelines and purchasing agreements, the Integrity Line guidelines and Group risk management. These standards, which apply throughout the Group, impose mandatory rules of conduct on Linde's employees.

In 2014, the Executive Board also adopted an official Group paper on human rights. It describes processes which support the company's commitment. Based on this position, Linde conducts regular internal surveys among HR employees in all regions to obtain information on the status of the processes introduced to ensure that human rights are protected. In recent years, these surveys have not identified any particular risks associated with breaches of legislation or material deviations from the company's requirements.

Linde's employees are trained on how to apply the Code of Ethics correctly. In the period between 2009 and 2017, more than 8,000 employees across the globe attended face-to-face training sessions on this topic – with more than 500 of them undergoing training in the 2017 financial year.

In its commitment to human rights, Linde also involves its stakeholders. Compliance with the standards set out in the Code of Conduct for Suppliers, for example, forms part of purchasing contracts and risk-based supplier reviews ► [SEE SECTION ON THE SUPPLY CHAIN](#).

The company also evaluates reports submitted via the Integrity Line in order to identify any weak points. Employees and external stakeholders can use the Integrity Line to report breaches of Linde's voluntary commitments. Around 32 percent (2016: 30 percent) of the reports submitted in the 2017 financial

year involved HR-related issues. These issues include, among other things, topics relating to human rights such as discrimination. Linde investigates all deviations or breaches. If necessary, disciplinary measures such as training and coaching sessions, reprimands and dismissals are imposed on employees, or business relationships with suppliers are terminated. In addition, Linde evaluates findings from customer audits conducted in the Group's locations that include aspects relating to human rights and enters into dialogue with customers regarding these aspects.

The focus areas that support the Group's work on respecting human rights include protection for employees and third parties, equal opportunities and promoting opportunities for women within the company. In these areas, Linde has also set itself quantifiable global goals and has implemented measures designed to help it achieve these goals ► [SEE SECTIONS ON OCCUPATIONAL SAFETY AND HEALTH PROTECTION AND HR DEVELOPMENT](#).

Anti-corruption

Responsible corporate governance is one of the key prerequisites for Linde's business success. This means ensuring compliance with the law, rules and regulations and voluntary commitments. The aim is to prevent compliance breaches. This is why Linde has defined key guidelines that also include the issue of corruption in its global Code of Ethics. The Group has also launched a global compliance programme that focuses, in particular, on information, training sessions and personal advice in order to prevent possible breaches. The Group's global compliance organisation helps to identify the compliance-related risks that Linde is exposed to as a major corporation with global operations, and to develop measures to prevent these risks from materialising. The risks that Linde is exposed to in this area include inappropriate business activities with customers, suppliers and the authorities – for example corruption.

The company's Compliance department helps to ensure that the obligations are fulfilled in day-to-day business operations. The Executive Board and the Supervisory Board's Audit Committee are provided with regular information on the activities of the compliance organisation and the progress made. Linde is also a signatory to the United Nations "Call to Action: Anti-Corruption and the Global Development Agenda". Within this context, the company has joined forces with others to foster the further development of efficient measures to combat corruption.

Linde employees are provided with information on compliance using a number of different internal channels. They also participate in mandatory compliance training sessions. In the 2017 financial year, around 4,000 employees worldwide took part in Linde's face-to-face training sessions. In addition, around 38,000 e-learning training sessions were conducted in 2017. Linde also involves its partners in its compliance efforts. By way of example, the company requires its suppliers to comply with the Code of Conduct for Suppliers.

The company's compliance officers are available via the Compliance Hotline to support employees, regardless of their role or seniority. In 2017, the Hotline received around 8,500 enquiries for advice in legal matters. Many of the enquiries related to preventing corruption (21 percent).

Linde has processes in place to identify and deal swiftly with any misconduct. The Integrity Line, for example, allows both internal and external stakeholders to report any doubts or suspicions they may have, which are then investigated internally ► [SEE ALSO THE SECTION ON HUMAN RIGHTS](#). Appropriate sanctions are imposed in cases where reports prove to be justified. The Integrity Line received a total of 351 (2016: 348) reports in 2017. 94 (2016: 106) of these cases related to suspected misconduct. Most of them related to HR issues (32 percent – 2016: 30 percent) and financial offences (24 percent – 2016: 31 percent). Linde also investigated reports relating to conflicts of interest (17 percent – 2016: 15 percent) and discrimination (1 percent – 2016: 1 percent).

INDICATORS FOR ANTI-CORRUPTION MEASURES

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		2016	2017
Integrity Line contacts		348	351
Investigations after reports via the Integrity Line		106	94
of which relating to HR issues	in %	30.1	32.1
of which relating to reports of financial offences	in %	30.7	24.1
of which relating to reports of discrimination	in %	1.3	1.2
of which relating to reports of conflicts of interest	in %	15.0	16.7

Non-financial issues relating to Linde AG

Linde AG

Linde AG, which has its registered office in Munich, Germany, is the parent company of subsidiaries in The Linde Group. The company focuses on the manufacture and distribution of technical and other gases and their downstream products, as well as on the construction, acquisition, marketing and operation of plants in which technical and other gases are produced or used. Linde AG is also responsible for the manufacture and distribution of pharmaceutical products and medical technology products, as well as for the planning and construction, acquisition, marketing and operation of engineering and other industrial plants. The company's procurement and sales markets largely correspond to those of The Linde Group. The annual financial statements of Linde AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Management systems

The global management systems and uniform standards implemented in the areas of safety and the environment that apply to the Group, as set out above, also apply to Linde AG. This also applies to the recording and evaluation of risks.

Separate indicators for Linde AG

Over and above the indicators already set out in this report, Linde AG also records and publishes separate indicators for employee-related matters and diversity in some cases. Linde AG does not publish separate environmental figures as it does not operate any major production facilities itself, meaning that it is only responsible for minor environmental emissions and energy consumption compared with the Group.

Employee-related matters: The average number of employees (part-time employees have been included on a pro rata basis) was distributed among the individual divisions of Linde AG as follows in the 2017 financial year.

Diversity: In the 2017 financial year, the proportion of women in leadership positions in the first management tier below the Executive Board was 24 percent (2016: 18.5 percent). In the second management tier below the Executive Board, this figure was around 12.4 percent (2016: 17 percent). The proportion of female employees in relation to the total workforce was around 21.7 percent in the 2017 financial year (2016: 22.2 percent).

INDICATORS LINDE AG

		2016	2017
<i>Employee structure</i>			
Employees of Linde AG		6,318	6,092
Linde Gases Division		2,805	2,739
Linde Engineering Division		3,210	3,077
Corporate Activities		303	276
<i>Proportion of female employees</i>			
in total workforce	<i>in %</i>	22.2	21.7
in the first management tier below the Executive Board	<i>in %</i>	18.5	24.0
in the second management tier below the Executive Board	<i>in %</i>	17.0	12.4

Limited Assurance Report of the Independent Auditor regarding the Combined Separate Non-Financial Report¹

To the Executive Board of Linde Aktiengesellschaft,
Munich

We have performed an independent limited assurance engagement on the Combined Separate Non-Financial Report of Linde Aktiengesellschaft and the Group (hereinafter "Linde") as well as the section "Business model of The Linde Group" of the Combined Management Report, which has been qualified as part of the Combined Separate Non-Financial Report by reference, according to Sections 315b and 315c in conjunction with 289c to 289e HGB (German Commercial Code) (hereinafter "Report") for the business year from January 1 to December 31, 2017.

Management's Responsibility

The legal representatives of the entity are responsible for the preparation of the Report in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

Independence and Quality Assurance on the Part of the Auditing Firm

We are independent from the entity in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the national statutory provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner's Responsibility

Our responsibility is to express a conclusion on the Report based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" published by IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance of whether any matters have come to our attention that cause us to believe that the Report of the entity has not been prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed amongst others the following procedures:

- Inquiries of personnel on corporate level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of Linde
- A risk analysis, including a media search, to identify relevant information on Linde's sustainability performance in the reporting period
- Evaluation of the design and implementation of the systems and processes for determining, processing and monitoring of disclosures relating to environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including the consolidation of the data
- Inquiries of personnel on corporate level who are responsible for determining disclosures on concepts, due diligence processes, results and risks, for conducting internal controls and consolidation of the disclosures
- Evaluation of selected internal and external documentation
- Analytical evaluation of data and trends of quantitative disclosures, which are submitted by all sites for consolidation on group level
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample at Leuna, as well as the regional business units for North America, Central Europe, South East Asia, East Asia and Middle East
- Assessment of the overall presentation of the disclosures

¹ Our engagement applied to the German version of the Report 2017.
This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Report of Linde, for the business year from January 1 to December 31, 2017, is not prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

Restriction of Use/Clause on General Engagement Terms

This assurance report is issued for the purpose of the Executive Board of Linde Aktiengesellschaft, Munich, only. We assume no responsibility with regard to any third parties.

Our assignment for the Executive Board of Linde Aktiengesellschaft, Munich, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 ► [HTTPS://WWW.KPMG.DE/BESCHEINIGUNGEN/LIB/AAB_ENGLISH.PDF](https://www.kpmg.de/BESCHEINIGUNGEN/LIB/AAB_ENGLISH.PDF). By reading and using the information contained in this assurance report, each recipient confirms having taken note of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the attached General Engagement Terms with respect to us.

MUNICH, 19 FEBRUARY 2018

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The Annual Report of The Linde Group is available in both German and English and can also be downloaded from our website at ► WWW.LINDE.COM. We can also offer you an interactive online version of the Annual Report on the same website. Supplementary information about Linde can be obtained from us free of charge.

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