9M

LINDE INTERIM REPORT
JANUARY TO SEPTEMBER 2014

Leading.

THE LINDE GROUP

LINDE FINANCIAL HIGHLIGHTS

[9M – JANUARY TO SEPTEMBER 2014]

Linde Financial Highlights		*January to September 2014*	*January to September 2013*	*Change*
Share				
Closing price	€	152.15	146.40	3.9 %
Year high	€	157.30	153.90	2.2 %
Year low	€	139.15	128.60	8.2 %
Market capitalisation (at closing price on 30 September)	€ million	28,250	27,174	4.0 %
Earnings per share – undiluted	€	4.41	5.38	–18.0 %
Earnings per share – undiluted (adjusted for non-recurring items)	€	5.31	5.38	–1.3 %
Number of shares outstanding at the end of the reporting period	000s	185,672	185,613	–
Group				
Revenue	€ million	12,584	12,468	0.9 %
Operating profit[1]	€ million	2,898	2,996	–3.3 %
Operating margin	%	23.0	24.0	–100 bp[3]
EBIT	€ million	1,400	1,644	–14.8 %
EBIT (adjusted for non-recurring items)	€ million	1,629	1,644	– 0.9 %
Profit for the period	€ million	863	1,078	–19.9 %
Number of employees[2]		64,439	63,487	1.5 %
Gases Division				
Revenue	€ million	10,398	10,510	–1.1 %
Operating profit[1]	€ million	2,837	2,913	–2.6 %
Operating margin	%	27.3	27.7	– 40 bp[3]
Engineering Division				
Revenue	€ million	2,226	2,068	7.6 %
Operating profit[1]	€ million	216	225	–4.0 %
Operating margin	%	9.7	10.9	–120 bp[3]

[1] EBIT (before non-recurring items) adjusted for amortisation of intangible assets and depreciation of tangible assets.
[2] At 30 September 2014/31 December 2013.
[3] Basis points.

LINDE INTERIM REPORT

[9M – JANUARY TO SEPTEMBER 2014]

JANUARY TO SEPTEMBER 2014: LINDE GENERATES A SLIGHT INCREASE IN REVENUE DESPITE UNFAVOURABLE EXCHANGE RATE EFFECTS – GROWTH TARGETS ADJUSTED DUE TO LOWER ECONOMIC EXPECTATIONS

- Group revenue increased by 0.9 percent to EUR 12.584 bn (2013: EUR 12.468 bn); up 4.8 percent after adjusting for exchange rate effects.
- Group operating profit[1]: EUR 2.898 bn (2013: EUR 2.996 bn); up 0.4 percent after adjusting for exchange rate effects.
- 2014 Group outlook:
  - Revenue: solid growth after adjusting for exchange rate effects.
  - Operating profit[1]: similar level to 2013 after adjusting for exchange rate effects and non-recurring items.
- Group medium-term targets for 2017:
  - Operating profit[1]: EUR 4.5 bn to EUR 4.7 bn.
  - ROCE[2]: 11 percent to 12 percent.

[1] EBIT (before non-recurring items) adjusted for amortisation of intangible assets and depreciation of tangible assets.
[2] Return on Capital Employed as reported.

GROUP INTERIM MANAGEMENT REPORT

General economic environment

Growth in the world economy further slowed down in the first nine months of 2014. Accordingly, projections for global gross domestic product (GDP) and worldwide industrial production (IP) have recently been revised down. The international forecasting institute The Economist Intelligence Unit Ltd. (EIU) is now expecting an increase in global GDP for the full year 2014 of 2.6 percent (H1 report: 2.8 percent). World economic output in 2013 rose by 2.3 percent. The EIU is still currently forecasting an increase in global industrial production (IP) of 3.1 percent for the full year 2014 (H1 report: 3.3 percent). In 2013, worldwide IP rose by 1.4 percent.[1]

It is assumed that structural growth in the emerging economies will remain the most important driver of global economic trends over the coming years. In addition, the energy and environmental sectors and the health sector should provide the greatest stimuli to long-term growth.

At the same time, the global economy faces increased risk, especially as a result of the rising number of geopolitical crises. Other factors which might hamper growth include sizeable ongoing government deficits in major economies and persistently high levels of unemployment in many industrialised countries.

The economic experts are continuing to expect different rates of growth in different regions of the world in 2014.

Once again, it is anticipated that the greatest economic growth will be in the Asia/Pacific region. The EIU is forecasting an increase in GDP here for the full year 2014 of 5.8 percent (H1 report: 5.7 percent). China is again expected to be the main driver of this trend, with a forecast increase in GDP of 7.5 percent. Economists are also predicting above-average growth for India. Here, the EIU is forecasting that economic output will rise by 6.0 percent. In Australia, the institute is predicting GDP growth of 2.8 percent. This increase will come primarily from the expansion of the service sector, while a weaker economic environment continues to be forecast for manufacturing industry. It is also anticipated that investment in the mining industry will continue to decline.

The economy will grow at a much slower rate in the EMEA region (Europe, Middle East, Africa) than in the Asia/Pacific segment. For the EMEA region as a whole, economists are expecting only a slight increase in GDP in 2014 of 1.6 percent (H1 report: 1.8 percent).

The forecasts for the eurozone have also been revised down when compared with the projections made in the H1 report. Here, the EIU is now forecasting an increase in economic output of only 0.8 percent (H1 report: 1.1 percent). The economic climate in Germany has also worsened, with economists now expecting GDP growth here of 1.5 percent (H1 report: 2.0 percent). The forecasts for Eastern Europe have continued to be revised down as a result of the conflict in Ukraine. According to the most recent EIU projections, GDP in this region is expected to increase by only 1.2 percent in 2014 (H1 report: 1.5 percent). The economic experts are continuing to predict robust growth of 4.2 percent in the Middle East and 4.0 percent in Africa for 2014. However, in South Africa, Linde's largest market on the African continent, economic forecasts have also been revised down.

The current forecast of economic trends in the Americas region as a whole is less positive than the forecast made at the end of the first half of the year. The EIU is now expecting GDP growth here of only 2.0 percent for 2014 (H1 report: 2.2 percent). Although the growth forecast for the United States remains unchanged at 2.2 percent, economists are now predicting an increase in economic output in South America in 2014 of only 0.8 percent (H1 report: 1.7 percent).

Business review of The Linde Group

In the first nine months of 2014, the technology company The Linde Group achieved a slight increase of 0.9 percent in Group revenue to EUR 12.584 bn (2013: EUR 12.468 bn). Exchange rate effects had a significant adverse impact on revenue, especially in the first half of 2014. These effects have arisen purely on the translation of various local currencies into the reporting currency (the euro) at the end of the reporting period. In the third quarter, exchange rate effects became less unfavourable to Linde. Above all, the US dollar has recently risen significantly against the euro. After adjusting for exchange rate effects (which equated to revenue of EUR 462 m during the reporting period), the increase in revenue in the first nine months of 2014 was 4.8 percent.

Group operating profit for the nine months to 30 September 2014 was EUR 2.898 bn, which was not quite as high as the figure achieved in the first nine months of 2013 of EUR 2.996 bn. Adverse currency fluctuations also need to be considered here. The effect of these distortions was to reduce earnings by EUR 109 m. Without the distortions, Linde would have achieved a 0.4 percent increase in Group operating profit.

The Group operating margin for the first nine months of 2014 was 23.0 percent (2013: 24.0 percent). When considering the fall in the Group's margin, it should be noted that the Engineering Division (as expected) contributed more to Group revenue in the reporting period than was the case in the first nine months of 2013. The Group's engineering business has a lower margin than its gases operations.

Cost of sales increased during the nine months to 30 September 2014 by EUR 461 m to EUR 8.400 bn (2013: EUR 7.939 bn). Gross profit on sales of EUR 4.184 bn (2013: EUR 4.529 bn) and the gross margin of 33.2 percent (2013: 36.3 percent) were both below the figures for the first nine months of 2013. Beside the greater contribution to revenue made by the Engineering Division in the first nine months of 2014 this was the result of non-recurring items[1]. Non-recurring items comprised of impairment losses in the Gases Division in the Asia/Pacific and Americas reportable segments of EUR 229 m. Thereof EUR 218 m impairment losses on technical equipment and machinery were recognised in the costs of sales. Additionally EUR 11 m are included in the marketing and selling expenses.

EBIT in the nine months to 30 September 2014 was EUR 1.400 bn, and did not reach the figure for the prior-year period of EUR 1.644 bn. This significant decrease was a result of non-recurring items. After adjusting for non-recurring items, EBIT in the reporting period was EUR 1.629 bn.

In both 2013 and 2014 Linde recognised income from an operating company in North America in which it holds an investment.

The net financial expense in the first nine months of 2014 was EUR 262 m (2013: EUR 288 m). The improvement in this figure was due to the positive impact of valuation gains due to exchange rate movements. In addition, gross financial debt disclosed was lower in the first nine months of 2014 than in the first nine months of 2013 and the interest expense was therefore lower in the current period than in the prior-year period.

Linde therefore generated a profit before tax in the nine months to 30 September 2014 of EUR 1.138 bn (2013: EUR 1.356 bn).

The income tax expense was EUR 275 m (2013: EUR 278 m). This gives an income tax rate of 24.2 percent (2013: 20.5 percent). In the prior-year period, various one-off effects had a positive impact on the income tax rate. In the first nine months of 2014, Linde's profit for the period (after deducting the tax expense) was EUR 863 m (2013: EUR 1.078 bn).

After adjusting for non-controlling interests, profit for the period attributable to Linde AG shareholders was EUR 818 m (2013: EUR 997 m). This gives earnings per share for the nine months ended 30 September 2014 of EUR 4.41 (2013: EUR 5.38). Earnings per share adjusted for non-recurring items were EUR 5.31 (2013: EUR 5.38).

Reference: The reconciliation of earnings per share adjusted for non-recurring items is given in *NOTE [12]* in this interim report.

[1] Non-recurring items are items which, due to their nature, frequency and/or extent, are likely to have an adverse impact on how accurately the key financial figures reflect the sustainability of Linde's earning capacity in the capital market.

Gases Division

As a result of unfavourable exchange rate fluctuations, Linde's revenue in the Gases Division in the first nine months of 2014 of EUR 10.398 bn was not quite as high as the figure of EUR 10.510 bn achieved in the prior-year period. If an adjustment were to be made for these exchange rate effects, Linde would have achieved a 3.3 percent increase in revenue. On a comparable basis (after adjusting in addition for fluctuations in the price of natural gas), Linde would have achieved a 3.1 percent increase in revenue in its gases business.

In the first nine months of 2014, operating profit in the Gases Division fell by 2.6 percent to EUR 2.837 bn (2013: EUR 2.913 bn). Exchange rate fluctuations also had a significant influence here. If these exchange rate movements had not occurred, Linde would have achieved a 1.1 percent increase in operating profit in the Gases Division.

The operating margin in the gases business was 27.3 percent (2013: 27.7 percent).

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

EMEA (Europe, Middle East, Africa)

In the EMEA reportable segment, Linde's largest sales market, the Group generated revenue in the first nine months of 2014 of EUR 4.497 bn (2013: EUR 4.569 bn). On a comparable basis, revenue rose slightly, by 0.8 percent. Operating profit increased by 2.3 percent to EUR 1.344 bn (2013: EUR 1.314 bn). The operating margin in the EMEA segment rose to 29.9 percent (2013: 28.8 percent). Proceeds on the sale of non-current assets also contributed to this increase.

In its on-site business Linde achieved double-digit growth rates in the Middle East. In Continental Europe, on the other hand, business performance in this product area in the first nine months of 2014 was temporarily affected by the stoppage for repairs of a hydrogen plant in Italy.

Against the prevailing background of modest economic growth in the eurozone, revenue in the liquefied gases and cylinder gas business in the EMEA region was only slightly above the figure achieved in the first nine months of 2013. Economic performance in Africa was affected by the weaker economic climate in South Africa in the wake of strikes.

In the Healthcare product area, a number of supply contracts relating to homecare operations acquired by Linde from Air Products in April 2012 were put out again to tender. As expected, due to the reorganisation of supply areas associated with this process, revenue in the Healthcare business in the EMEA segment in the first nine months of 2014 was slightly below the figure for the prior-year period. In accordance with the terms of its purchase agreement with Air Products, Linde was entitled to appropriate compensation which it duly received in the third quarter of 2014.

In its on-site business, Linde benefited during the reporting period from the ramp-up of new plants, particularly in Eastern Europe. So, for example, the air separation plants in Kaluga and Dzerzhinsk (both in Russia), constructed for ZAO KNPEMZ and SIBUR respectively, further increased their production capacity. The same applied to the air separation plant in Temirtau, Kazakhstan, which Linde brought on stream in March 2013 to supply ArcelorMittal.

A synthesis gas plant in Ploiesti, Romania, built by Linde for OMV, started production in the second quarter of 2014. From this plant, Linde supplies hydrogen and carbon monoxide to an OMV refinery.

In the second quarter, Linde also brought on stream an air separation plant in Mo i Rana, Norway. From this site, Linde supplies the steel company Celsa and also provides products for the regional market.

Linde is continuing to expand its on-site business in the EMEA region and in the third quarter of 2014 it entered into a long-term contract with steel company ArcelorMittal for the supply of oxygen and nitrogen to the ArcelorMittal factory on the Eisenhüttenstadt site in Germany. The agreement includes the construction of a new air separation plant. The total investment in the project is around EUR 85 m. Linde's Engineering Division is responsible for the construction of the plant, which will also supply liquefied products to the regional market. Production is expected to start in 2017. SEE ENGINEERING DIVISION, PAGE 6. With this project, Linde is continuing to strengthen its market position as an oxygen supplier to the steel sector.

Linde signed a long-term contract with Finnish oil company Neste Oil in the second quarter of 2014 for the supply of hydrogen. As part of the project, Linde's Engineering Division is to build a new hydrogen plant for Neste Oil's refinery in Porvoo, Finland. The total investment being made by the two companies is around EUR 100 m. The plant is expected to start production in 2016. SEE ENGINEERING DIVISION, PAGE 6.

In February 2014, Linde signed a long-term agreement with Nynas AB, one of the world leaders in naphthenic specialty oils (NSPs) and bitumen, to supply hydrogen on site to the Nynas refinery in Hamburg, Germany. The Engineering Division of The Linde Group is to build a new steam reformer for this purpose. Investment in the project by the Gases Division is around EUR 30 m. NSPs are used, for example, for tyre production, transformers, printing ink, industrial rubber and lubricants. The new hydrogen plant is expected to start production in the fourth quarter of 2015 and will be operated by Linde. With a capacity of 400,000 normal cubic metres of hydrogen per day, it will also be able to supply hydrogen to other customers in the port of Hamburg.

Linde is constantly expanding its European supply network for CO_2. In the third quarter of 2014, the Group brought on stream two CO_2 purification and liquefaction plants – in Salamanca, Spain, and in Norrköping, Sweden. In each of these projects, Linde is using raw CO_2 arising from the production of bioethanol.

Linde continues to be committed to establishing hydrogen as an environmentally friendly fuel and in the third quarter of 2014 it started the world's first small-series production for hydrogen fuelling stations in Vienna, Austria. This will enable the Group to have the flexibility required to meet growing demand in a variety of markets. At the same time as it was opening the small-series production facility in Vienna, Linde signed a framework agreement with Japanese company Iwatani Corporation for the supply of 28 hydrogen fuelling units.

During the reporting period, Linde has also made progress in the promising liquefied natural gas (LNG) business. The Group brought on stream, for example, a new LNG refuelling station in Avonmouth near Bristol in the UK. This had been commissioned by British supermarket chain Asda, which has set itself the target of reducing the emissions of its transport fleet by 60 percent by 2015. The new refuelling station will support Asda's fifty dual fuel (LNG and diesel) trucks.

Linde began the construction of a new air separation plant at the Coega site in South Africa in the first quarter of 2014. This plant, which is expected to produce 150 tonnes of liquefied gases per day, will enable the Group to supply industrial gases and medical gases to its customers in the Eastern Cape region. With this project, which involved investment of EUR 20 m, Linde is responding to an increase in demand in this area. It is anticipated that the plant will be completed in the first quarter of 2015.

Asia/Pacific

Business trends in the Asia/Pacific reportable segment were hampered mainly by unfavourable exchange rate effects. In the South Pacific region, the economic environment in manufacturing industry remained weak and investment in the mining industry declined. Both these factors had an adverse impact on growth.

In the third quarter of 2014 Linde recognised an impairment loss relating to parts of a plant complex of EUR 100 m in the Chongqing Chemical Park, China, which Linde has built together with Chongqing Chemical & Pharmaceutical Holding Group Company (CCPHC) to supply various industrial customers. The impairment was caused by a change to the structural organisation at this site, which had an impact on both the raw gas available as feedstock and the purchase volumes of the plant complex.

Due to changed conditions in one part of the region South & East Asia and in Australia Linde recognised further impairment losses of EUR 29 m.

The described measurements are disclosed as non-recurring items.

In the nine months to 30 September 2014 Linde generated revenue of EUR 2.822 bn in the Asia/Pacific segment almost the same as the figure for the prior-year period of EUR 2.843 bn. On a comparable basis, Linde achieved an increase in revenue here of 5.4 percent.

Operating profit fell slightly by 1.3 percent to EUR 737 m (2013: EUR 747 m). The operating margin remained virtually static at 26.1 percent (2013: 26.3 percent). Linde has succeeded in maintaining a high level of profitability in this region as well.

Within the Asia/Pacific segment, the most positive trends were to be seen in business operations in the Greater China region. Boosted by volume increases in all product areas, Linde was able to achieve double-digit revenue growth here. In the on-site business, Linde benefited from the ramp-up of new plants, e.g. the plants supplying gases to Samsung Electronics in Suzhou Industrial Park in eastern China, the hydrogen and synthesis gas plant built by Linde for Bayer in Caojing or the hydrogen plant in Jilin Chemical Industrial Park. At this integrated chemical site, Linde supplies high-purity hydrogen for the production facilities of several customers including Evonik Industries and Jishen.

Linde has also seen solid growth in its gases business in South & East Asia. Demand here was however not quite as dynamic as in the Greater China region.

In Singapore, Linde brought on stream an on-site plant on schedule in the third quarter of 2014. This plant supplies chemical company Evonik and is the first integrated industrial gases plant in the country to produce hydrogen, methane and CO_2.

In India, two new air separation plants which Linde had brought on stream on the Rourkela site have been working at full production capacity since the first quarter of 2014. From these plants, the Group supplies industrial gases to steel-producer Steel Authority of India (SAIL). In Map Ta Phut in Thailand, a plant for the production of liquefied carbon dioxide started up in the second quarter of 2014. Linde supplies this product to the regional market.

In the South Pacific, business performance continued to be affected by slack demand throughout the reporting period. Economic trends here remained weak, with the exception of the service sector.

In the second quarter of 2014, Linde started work on the construction of a CO_2 processing and liquefaction plant at Marsden Point in New Zealand. CO_2 is a by-product of the refinery which is operated on this site by oil company Refining NZ. Linde will supply the purified CO_2 mainly to customers in the food industry, the paper industry and the fertiliser industry. Investment in the new plant will be around EUR 30 m.

At the beginning of the year, Linde brought on stream a new air separation plant in New Zealand on the Glenbrook site. From this plant, Linde provides gases to steel company New Zealand Steel as well as to the regional market. Investment in this project was around EUR 50 m.

Americas

In the Americas reportable segment, Linde generated revenue of EUR 3.172 bn in the first nine months of 2014, around the same level as that achieved in the first nine months of 2013 (EUR 3.190 bn). On a comparable basis, revenue increased by 4.3 percent.

Whereas economic growth in North America was stable, the economic climate failed to improve in the first nine months of 2014 in some countries in South America, especially in Brazil. With regard to this development Linde again recognised impairment losses of EUR 100 m in Brazil during the reporting period (non-recurring items).

In the Americas reportable segment operating profit dropped by 11.3 percent to EUR 756 m, compared with a figure of EUR 852 m for the first nine months of 2013. The operating margin fell as a result to 23.8 percent (2013: 26.7 percent).

Higher natural gas prices in North America and inflation in some of the countries of South America had an adverse impact on the revenue trend and on the margin. In addition, it should be noted that Linde generated a lower amount of income from an operating company in which it holds an investment than in the prior-year period.

When comparing the figures with those for the prior-year period, a number of other factors should also be considered. Government tenders introduced in the healthcare business in North America in the second half of 2013, for example, resulted in reductions in prices, which as expected had an adverse impact on revenue and earnings in this segment in the first half of 2014. In the third quarter Linde was able to achieve its targeted revenue growth again. The Group had already begun to adapt its cost structures and in the course of the reporting period was increasingly seeing the benefits of this approach.

In addition, it should be noted that during the reporting period the Venezuelan government introduced a new exchange rate system with significant changes in exchange rates. Linde has felt the impact of these exchange rate effects since it started to apply the new system on 1 April 2014 and this is one of the factors which has had an influence on the revenue and operating profit of the Americas segment. If the Venezuelan government's fixed exchange rate which has applied until now had continued to apply throughout the reporting period, revenue in the Americas reportable segment would have been EUR 55 m higher than the actual figure for the first nine months of 2014.

In North America, Linde achieved growth in the liquefied gases product area in particular. The Group also generated an increase in revenue in the electronic gases market.

In the third quarter of 2014, Linde completed the expansion of its production capacity at its electronic gases site in Hillsboro, Oregon, USA. The Group is now well-equipped to deal with growing demand for high-purity nitrogen from customers in the semiconductor industry.

Linde is expanding its on-site business with refineries in North America and concluded a new supply contract in the second quarter of 2014 with Lima Refining, Lima, Ohio, USA. Under this agreement, Linde will construct an additional hydrogen plant, modernise existing facilities and thereby increase its capacity to produce hydrogen on the Lima site. The new plant will be the third plant of this type constructed by Linde in Lima and is expected to come on stream in 2016. Investment in the new project will exceed EUR 70 m. Lima Refining is a subsidiary of Husky Energy, one of the largest energy companies in Canada.

In Delta, which is also in Ohio, Linde brought a new nitrogen liquefaction plant on stream in the second quarter of 2014, which will complement the existing air separation plant on the site. The Group is responding to growing demand in the Ohio region and in neighbouring markets of the Midwest. An air separation plant in Lewisville, Texas, USA, also started production in the second quarter. From this plant, Linde supplies industrial gases to regional customers.

In Hammond, Indiana, USA, the Group opened a production plant for specialty gases in the first quarter of 2014. This new production facility, which complements an existing plant for industrial and medical gases, supplies specialty gases to customers in the food, pharmaceutical and biotechnology industries, as well as to laboratories and universities. By expanding the site in Hammond, the Group is reaffirming its strategy, which is to offer the broadest possible range of high-quality products to a wide variety of end customers.

During the reporting period, Linde continued to make progress on the development of a hydrogen fuelling station infrastructure in California in the United States. The Group will construct a new station on each of the following sites: Sacramento, Oakland and San Ramon. The Californian energy authority has awarded grants to Linde to enable it to do so.

In most of the countries in the region, the economy is characterised by persistent high inflation and low rates of growth. This environment has also hampered Linde's business performance, especially in the liquefied gases and cylinder gas product areas.

An air separation and pressure swing adsorption plant started production in the second quarter of 2014 in Guayaquil in Ecuador. This plant supplies steel-producer Andec Steel and the regional market with industrial gases.

Product areas

As explained in the comments on the reportable segments, each product area contributed to a different extent to the business performance of the Gases Division. The fastest rate of growth was again to be seen in the on-site business (where Linde supplies gases on site to major customers). On a comparable basis, revenue here in the first nine months of 2014 rose by 5.4 percent to EUR 2.765 bn (2013: EUR 2.623 bn).

In the liquefied gases product area, revenue increased on a comparable basis by 3.8 percent to EUR 2.476 bn (2013: EUR 2.385 bn). On a comparable basis, revenue in the cylinder gas product area of EUR 2.917 bn increased slightly to 0.3 percent above the figure for the first nine months of 2013 of EUR 2.907 bn.

Trends in the Healthcare product area have improved in the course of the reporting period from quarter to quarter. Linde generated revenue here in the first nine months of 2014 of EUR 2.240 bn. This was an increase of 3.0 percent when compared with the figure for the first nine months of 2013 of EUR 2.174 bn. A point to note is that supply contracts were again put out to tender. In Europe, the reorganisation of supply areas associated with this process affected the homecare operations acquired by Linde from Air Products in April 2012. In accordance with the terms of its purchase agreement with Air Products, Linde received an appropriate compensation payment in the third quarter of 2014. In North America, government tenders introduced in the second half of 2013 led to price reductions in the healthcare market. The growth in Linde's healthcare business in the first nine months of 2014 would have been 6.4 percent if the events described above had not occurred.

1 GASES DIVISION: REVENUE AND OPERATING PROFIT BY REPORTABLE SEGMENT

	January to September 2014			January to September 2013		
in € million	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	4,497	1,344	29.9	4,569	1,314	28.8
Asia/Pacific	2,822	737	26.1	2,843	747	26.3
Americas	3,172	756	23.8	3,190	852	26.7
Consolidation	–93	–	–	–92	–	–
GASES DIVISION	**10,398**	**2,837**	**27.3**	**10,510**	**2,913**	**27.7**

2 GASES DIVISION: REVENUE AND OPERATING PROFIT BY REPORTABLE SEGMENT

	3rd Quarter 2014			3rd Quarter 2013		
in € million	*Revenue*	*Operating profit*	*Operating margin in percent*	*Revenue*	*Operating profit*	*Operating margin in percent*
EMEA	1,519	455	30.0	1,523	438	28.8
Asia/Pacific	1,006	261	25.9	946	250	26.4
Americas	1,077	258	24.0	1,053	310	29.4
Consolidation	−29	–	–	−33	–	–
GASES DIVISION	**3,573**	**974**	**27.3**	**3,489**	**998**	**28.6**

Engineering Division

Revenue and earnings trends in Linde's international plant construction project business reflected the progress made on individual projects. The revenue of the Engineering Division in the first nine months of 2014 increased by 7.6 percent to EUR 2.226 bn (2013: EUR 2.068 bn), while operating profit of EUR 216 m was not as high as the figure for the first nine months of 2013 of EUR 225 m. This gives an operating margin of 9.7 percent (2013: 10.9 percent), which is well above the industry average and equal to the target of around 10 percent Linde set itself for the current financial year.

Order intake in the first nine months of 2014 was EUR 2.665 bn (2013: EUR 3.661 bn). It was characterised by a major contract awarded to Linde in the third quarter of 2014 by SIBUR LLC, one of the leading petrochemical companies in Russia. Linde will be responsible for the engineering and for the procurement of components for one of the largest ethylene plants in the world which is to be built in Tobolsk in western Siberia. The new plant is expected to produce around 1.5 million tonnes per annum (tpa) of ethylene and 525,000 tpa of propylene. These products are important base materials used in the manufacture of plastics. Back in 2012, Linde was awarded the contract for the licence and Front End Engineering Design (FEED) relating to this project.

The exceptionally high figure for order intake in the prior-year period included a major contract to build a large ethylene plant for ExxonMobil in Houston, Texas, USA. Linde's partner in this significant project is engineering company Bechtel.

In addition to the ethylene project for SIBUR, Linde was also awarded a number of relatively small contracts during the reporting period, especially in the energy, chemical and steel sectors.

The most significant new orders in the first half of 2014 were for hydrogen plants. Linde is to supply two hydrogen plants for the refinery operator PSC TAIF-NK in Nizhnekamsk, Republic of Tatarstan, Russian Federation. The contract is worth around EUR 120 m. Linde is also building a new hydrogen plant to supply the gas to Finnish oil company Neste Oil on its Porvoo site in Finland. This project forms part of a long-term on-site contract concluded by Linde's Gases Division with Neste Oil in the second quarter of 2014. The two companies are investing a total of around EUR 100 m in the project. *SEE GASES DIVISION, PAGE 3.*

In the third quarter of 2014, Linde's Gases Division signed a long-term on-site contract with ArcelorMittal, the world's largest steel company, to supply gases to a steelworks in Eisenhüttenstadt, Germany. As part of this project, Linde's Engineering Division will build a new air separation plant on the site. Total investment in the plant, which will also supply liquefied products for the regional gases market, is around EUR 85 m. Combining the production of gases and liquefied products in the new air separation plant will achieve significant increases in energy efficiency when oxygen is produced in the integrated steelworks. *SEE GASES DIVISION, PAGE 3.*

In the growth market for liquefied natural gas (LNG), Linde was able to achieve further success during the reporting period. In the third quarter, the Group won a contract to provide engineering and procurement services for a natural gas liquefaction plant in Canada. The contract was awarded by Woodfibre LNG Limited, a subsidiary of the company Pacific Oil & Gas, which specialises in the development of energy resources. The plant will have a capacity of 2.1 million tonnes per annum and will be built in the vicinity of Vancouver. After Hammerfest, this is the second largest LNG plant with which Linde has ever been involved.

Linde has secured a contract from Arctech Helsinki Shipyard in Finland to supply an LNG fuel gas system for an icebreaker for the Finnish transport agency. From January 2015 onwards, stricter emission standards will apply to many shipping routes in the North Sea and the Baltic. Ship owners and ship operators are required to reduce harmful emissions from their ships. Since 2011, Linde has been operating an LNG terminal in Nynäshamn in Sweden, and in 2012 it also formed a joint venture in Hamburg to establish an LNG infrastructure for shipping in north-western Europe.

Linde has been commissioned by agribusiness company J.R. Simplot to build an ammonia plant in Wyoming, USA. An agreement to this effect was signed in the third quarter of 2014. The plant will have a capacity of 600 tonnes per day and will supply the fertiliser production plants of J.R. Simplot on its Rock Springs and Pocatello sites. The plant is expected to come on stream at the end of 2016.

Moreover, in the second quarter of 2014, Linde entered into a promising partnership with US company Siluria Technologies, a pioneer in natural gas-based production of fuels and chemicals. The two companies have agreed to work together on continuing to develop ethylene technology. The aim of this cooperation is to produce ethylene directly from natural gas. Against the background of increasing exploitation of shale gas reserves, this process opens up new business opportunities. Ethylene is one of the most important base materials in the chemical industry.

In the first quarter of 2014, Linde signed a framework agreement with oil company Shell for the development of future ethane cracker construction projects. The agreement runs for ten years and can be extended.

More than 60 percent of the order intake during the reporting period came from Europe. This is mainly due to the major contract awarded to Linde by SIBUR. Just under a quarter of new business came from North America, where the market continued to be characterised by projects relating to the exploitation and processing of shale gas reserves. In the nine months to 30 September 2014, Linde was able to win new orders worth around USD 474 m. Approximately 10 percent of new orders came from the Asia/Pacific region.

Almost half of the order intake related to the olefin plant product area. The major order from SIBUR was a significant element in this figure. Around a quarter of new business related to the natural gas plant product area, while a further 16 percent related to the hydrogen and synthesis gas plant product line.

The order backlog in the Engineering Division at 30 September 2014 was EUR 5.021 bn. This was 11.5 percent higher than the very high figure for the order backlog at 31 December 2013 of EUR 4.504 bn.

3 ENGINEERING DIVISION

	3rd Quarter		January to September	
in € million	*2014*	*2013*	*2014*	*2013*
Revenue	808	820	2,226	2,068
Order intake	1,607	853	2,665	3,661
Order backlog at 30.09./31.12.	–	–	5,021	4,504
Operating profit	75	77	216	225
Operating margin	9.3 %	9.4 %	9.7 %	10.9 %

4 ENGINEERING DIVISION – ORDER INTAKE BY REGION

	January to September			
in € million	*2014*	*in percent*	*2013*	*in percent*
Asia/Pacific	248	9.3	1,391	38.0
Europe	1,676	62.9	870	23.8
North America	640	24.0	1,146	31.3
Middle East	45	1.7	138	3.8
Africa	31	1.2	85	2.3
South America	25	0.9	31	0.8
ENGINEERING DIVISION	**2,665**	**100.0**	**3,661**	**100.0**

5 ENGINEERING DIVISION – ORDER INTAKE BY PLANT TYPE

	January to September			
in € million	*2014*	*in percent*	*2013*	*in percent*
Natural gas plants	607	22.8	674	18.4
Air separation plants	204	7.7	1,144	31.2
Olefin plants	1,304	48.9	687	18.8
Hydrogen and synthesis gas plants	420	15.8	928	25.3
Other	130	4.8	228	6.3
ENGINEERING DIVISION	**2,665**	**100.0**	**3,661**	**100.0**

6 ENGINEERING DIVISION – ORDER INTAKE BY REGION

	3rd Quarter			
in € million	2014	in percent	2013	in percent
Asia/Pacific	49	3.0	206	24.2
Europe	1,302	81.0	218	25.6
North America	225	14.0	281	32.9
Middle East	14	0.9	95	11.1
Africa	15	0.9	49	5.7
South America	2	0.2	4	0.5
ENGINEERING DIVISION	**1,607**	**100.0**	**853**	**100.0**

7 ENGINEERING DIVISION – ORDER INTAKE BY PLANT TYPE

	3rd Quarter			
in € million	2014	in percent	2013	in percent
Natural gas plants	233	14.5	41	4.8
Air separation plants	87	5.4	124	14.5
Olefin plants	1,188	73.9	95	11.1
Hydrogen and synthesis gas plants	66	4.1	480	56.3
Other	33	2.1	113	13.3
ENGINEERING DIVISION	**1,607**	**100.0**	**853**	**100.0**

Finance

Cash flow from operating activities in the nine months to 30 September 2014 was EUR 1.888 bn. It should be noted that during the reporting period Linde made a payment of EUR 300 m for the further external funding of the defined benefit pension plans in Germany. After adjusting for this one-off item, cash flow from operating activities was EUR 2.188 bn, EUR 30 m above the figure for the first nine months of 2013 of EUR 2.158 bn. The decline in working capital in the nine months ended 30 September 2014 was EUR 110 m, compared with the decline in working capital in the prior-year period of EUR 168 m. This improvement was mainly due to a higher figure for advance payments received from customers in the plant construction business. Income taxes paid rose from EUR 410 m in the first nine months of 2013 to EUR 469 m in the first nine months of 2014. One-off effects had a positive impact on the figure for the prior-year period.

During the reporting period, Linde spent a total of EUR 1.449 bn on investments in tangible assets, intangible assets and financial assets (2013: EUR 1.557 bn). Payments made for investments in consolidated companies were EUR 51 m (2013: EUR 139 m). The purchase and sale of securities gave rise to net payments of EUR 551 m (2013: net proceeds of EUR 500 m). The net cash outflow from investing activities in the first nine months of 2014 increased by EUR 688 m to EUR 1.757 bn (2013: EUR 1.069 bn).

Within cash flow from financing activities, deducting loan repayments from proceeds of loans resulted in net loan repayments in the first nine months of 2013 of EUR 427 m and net loan proceeds of EUR 710 m in the first nine months of 2014. This was due not only to the issue of a EUR 300 m bond for the external funding of the pension plans in Germany, but also to the issue of two USD 200 m bonds. Net interest payments fell from EUR 310 m to EUR 270 m. This was partly due to interest payments falling due on different dates in the current and prior-year reporting periods. The net cash outflow from financing activities for the first nine months of 2014 was EUR 200 m (2013: EUR 1.248 bn).

Total assets increased by EUR 1.600 bn from EUR 32.749 bn at 31 December 2013 to EUR 34.349 bn at 30 September 2014.

Goodwill increased in the first nine months of 2014 by EUR 471 m to EUR 10.866 bn (2013: EUR 10.395 bn). This increase was mainly due to exchange rate effects. The total figure for goodwill rose by EUR 49 m due to additions as a result of acquisitions made during the reporting period.

Other intangible assets, comprising customer relationships, brand names and sundry intangible assets, fell by EUR 108 m from EUR 3.076 bn at 31 December 2013 to EUR 2.968 bn at 30 September 2014. The main reason for the reduction in the figure was amortisation of EUR 254 m partially offset by positive exchange rate effects.

Tangible assets are stated at a carrying amount of EUR 11.774 bn at 30 September 2014 (31 December 2013: EUR 11.384 bn). Additions of EUR 1.261 bn are set against depreciation of EUR 1.007 bn. Furthermore, impairment losses of EUR 218 m (2013: EUR 64 m) were recognised during the reporting period.

Included in current assets are securities, which increased by EUR 551 m to EUR 721 m at 30 September 2014, mainly as a result of purchases (31 December 2013: EUR 170 m).

Equity rose by EUR 475 m to EUR 14.061 bn (31 December 2013: EUR 13.586 bn). One of the factors contributing to the increase was the profit for the period of EUR 863 m. Another factor was the improvement in other comprehensive income. Exchange rate movements in particular had a positive impact here. Dividend payments of EUR 624 m reduced the equity figure. The equity ratio at 30 September was 40.9 percent (31 December 2013: 41.5 percent).

Provisions for pensions and similar obligations stood at EUR 1.018 bn at 30 September 2014, virtually the same as the figure at 31 December 2013 of EUR 1.027 bn. The funding of the pension plans in Germany led to an increase in plan assets and therefore to a reduction in the pension provision. This was however almost entirely offset by the change in actuarial assumptions.

Net financial debt comprises gross financial debt less short-term securities and cash and cash equivalents. At 30 September 2014, net financial debt was EUR 8.667 bn (31 December 2013: EUR 8.229 bn).

Gross financial debt rose during the reporting period by EUR 940 m to EUR 10.517 bn (31 December 2013: EUR 9.577 bn). One of the reasons for the increase was the issue of a EUR 300 bond by Linde in May 2014. The funds generated by the bond were used for the external funding of the pension plans in Germany. The ten-year bond was placed under the EUR 10 bn Debt Issuance Programme. It has a coupon of 1.875 percent and was issued at 40 basis points over the euro mid-swap rate. In the third quarter, Linde also issued two new USD 200 m bonds under the EUR 10 bn Debt Issuance Programme to refinance a USD 400 m bond which matures in November. Until that bond matures, Linde is initially investing some of the funds released from the two new bonds in short-term securities.

Of the gross financial debt, EUR 1.376 bn (31 December 2013: EUR 1.161 bn) is disclosed as current financial debt. The remaining financial debt of EUR 9.141 bn (31 December 2013: EUR 8.416 bn) – by far the largest proportion – is due in more than one year and is accordingly classified as non-current financial debt.

With short-term securities of EUR 721 m, cash and cash equivalents of EUR 1.129 bn and its EUR 2.5 bn syndicated credit facility, available liquidity for Linde at 30 September 2014 was EUR 2.974 bn (31 December 2013: EUR 2.687 bn). The five-year syndicated credit facility agreed in July 2013 originally had two options to extend the facility, in each case by one year (subject to the agreement of the lenders). During the reporting period, Linde successfully extended the facility until 2019. One option to extend the facility by one year remains.

The dynamic indebtedness factor (net financial debt to operating profit for the last twelve months) was 2.2 at 30 September 2014. As expected, this was slightly higher than the figure of 2.1 at 31 December 2013 due to the dividend payment in May 2014 and the one-off effect of the external funding of the pension plans. The dynamic indebtedness factor at 30 September 2014 has fallen in comparison with the figure of 2.4 at 30 June 2014 as a result of the reduction in net financial debt.

The Group's gearing (the ratio of net debt to equity) was 61.6 percent at 30 September 2014 (31 December 2013: 60.6 percent).

On 16 June 2014, the international rating agency Moody's increased Linde's credit rating from A3 to A2. The key criteria for the new rating were Linde's stable business model and its good financial structure.

Employees

The number of employees in The Linde Group worldwide at 30 September 2014 was 64,439 (31 December 2013: 63,487). Of this number, 52,421 were employed in the Gases Division and 7,227 in the Engineering Division. The majority of the 4,791 staff in the Other Activities segment are employed by Gist, Linde's logistics service-provider.

8 EMPLOYEES BY REPORTABLE SEGMENT AT THE BALANCE SHEET DATE

	30.09.2014	31.12.2013
Gases Division	52,421	51,536
EMEA	21,707	21,544
Asia/Pacific	12,208	12,122
Americas	18,506	17,870
Engineering Division	7,227	6,997
Other Activities	4,791	4,954
GROUP	**64,439**	**63,487**

Outlook

Group

The expectations for the global economy have worsened over the course of the nine months to 30 September 2014. However, economic experts are still projecting that growth in 2014 will be somewhat stronger than in 2013. The international forecasting institute The Economist Intelligence Unit Ltd. (EIU) is currently predicting growth in global gross domestic product (GDP) for 2014 of 2.6 percent (H1 report: 2.8 percent). The EIU is now forecasting that global industrial production (IP) will increase by 3.1 percent in 2014 (H1 report: 3.3 percent).

Uncertainty about medium-term economic trends has increased recently. Some economic research institutes have already reduced their growth forecasts for 2015 and beyond, especially as a result of the plethora of geopolitical crises. The high level of sovereign debt in major economies is expected to continue to have a great impact on macroeconomic trends. The global economy could also be adversely affected by currency fluctuations or high unemployment in many industrialised countries.

Linde still assumes that it will be able to continue to deliver a relatively steady business performance. Based on the current economic forecasts and after adjusting for exchange rate effects, the Group expects to achieve solid growth in Group revenue in the 2014 financial year compared with the figure achieved in 2013. Linde now expects to achieve a similar level of Group operating profit in the 2014 financial year as in 2013, after adjusting for exchange rate effects and non-recurring items[1]. Non-recurring items comprised of impairment losses recognised in the first nine months of 2014 and future costs to be recognised for structural and organisational measurements to further improve the efficiency in the Gases Division.

Given those non-recurring items Linde will no longer be able to achieve the target it had set itself for the 2014 financial year of around 10 percent for return on capital employed (reported ROCE).

Linde will maintain the pursuit of its earnings-based strategy which focuses on sustainable growth. The Group anticipates that it will continue to benefit in the coming years from megatrends such as energy, the environment and health and from dynamic growth in the emerging economies.

For the 2016 financial year, Linde has set itself the target of achieving Group operating profit of at least EUR 5 bn and a return on capital employed of around 13 percent (reported ROCE) or around 14 percent (adjusted ROCE[2]).

The medium-term targets were founded on the assumption that there will not be any significant shifts in exchange rates compared with those prevailing at 31 December 2012 when the medium-term outlook was formulated. Since then, there have been significant changes in exchange rates which have not been favourable to Linde. If exchange rates over the coming years are as unfavourable as they have been recently, this would reduce Group operating profit in 2016 by around EUR 400 m and might also have an adverse impact on return on capital employed.

Furthermore, the medium-term targets were defined based on the expectation that the global economy will grow dynamically in the planning horizon 2013 to 2016. In the context of the actual economic environment this expectation can no longer be maintained. Nevertheless, Linde will continue to pursue its financial targets. Linde will therefore implement further initiatives to increase efficiency and will investigate possibilities for suitable portfolio optimization. However, if global economy continues to develop rather moderately – as currently expected – the company assumes that it will not be able to achieve the medium-term operating profit target it originally set itself for 2016 until 2017. Depending on the economic development, Linde expects to achieve Group operating profit of EUR 4.5 bn to EUR 4.7 bn and a reported ROCE of 11 percent to 12 percent in 2017, based on current exchange rates.

Outlook – Gases Division

Recent economic forecasts indicate that the global gases market will grow at a slightly faster pace in 2014 than was the case in 2013, although the rate of growth will not be as dynamic as was expected at the beginning of the year. Linde remains committed to its original target in the gases business of outperforming the market and continuing to increase productivity.

In its on-site business, Linde has a healthy project pipeline which will make a contribution to revenue and earnings in the 2014 financial year and an even more significant contribution to revenue and earnings in subsequent years. The Group is forecasting that its liquefied gases and cylinder gas product areas will perform in line with macroeconomic trends. In the Healthcare product area, stable growth is expected.

Against this background, Linde still expects to achieve (after adjusting for exchange rate effects) a moderate increase in revenue in the Gases Division in 2014 when compared with the 2013 financial year. The Group now anticipates that it will achieve a slight improvement in operating profit after adjusting for exchange rate effects and non-recurring items.

Outlook – Engineering Division

A relatively stable market environment is expected in the international large-scale plant construction business in 2014. Linde is well positioned in the olefin plant, natural gas plant, air separation plant and hydrogen and synthesis gas plant product areas and also has a high order backlog.

Linde still expects to achieve solid revenue growth in the Engineering Division in 2014 compared with 2013. The Group anticipates that it will achieve an operating margin in this division of around 10 percent.

[1] Non-recurring items are items which, due to their nature, frequency and/or extent, are likely to have an adverse impact on how accurately the key financial figures reflect the sustainability of Linde's earning capacity in the capital market.

[2] Adjusted for the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation.

Opportunity and risk report

As a group with a global footprint, Linde operates in a dynamic environment in which new market opportunities are constantly emerging. These business opportunities, which were described in detail in the 2013 Financial Report *(SEE PAGES 88 TO 90)*, have not changed significantly in the nine months to 30 September 2014.

The risk situation for Linde as described in the 2013 Financial Report *(SEE PAGES 90 TO 103)* has not changed decisively in the first nine months of 2014. No risks were identified which might, individually or in total, have an adverse impact on the viability of The Linde Group as a going concern.

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

9 GROUP STATEMENT OF PROFIT OR LOSS

	3rd Quarter		January to September	
in € million	2014	2013	2014	2013
Revenue	4,372	4,261	12,584	12,468
Cost of sales	3,084	2,801	8,400	7,939
GROSS PROFIT	**1,288**	**1,460**	**4,184**	**4,529**
Marketing and selling expenses	632	629	1,819	1,885
Research and development costs	26	21	75	69
Administration expenses	358	356	1,081	1,061
Other operating income	124	145	334	255
Other operating expenses	72	55	159	140
Share of profit or loss from associates and joint ventures (at equity)	3	3	16	15
EBIT	**327**	**547**	**1,400**	**1,644**
Financial income	19	14	46	54
Financial expenses	102	116	308	342
PROFIT BEFORE TAX	**244**	**445**	**1,138**	**1,356**
Taxes on income	61	82	275	278
PROFIT FOR THE PERIOD	**183**	**363**	**863**	**1,078**
attributable to Linde AG shareholders	194	337	818	997
attributable to non-controlling interests	–11	26	45	81
Earnings per share in € – undiluted	1.05	1.82	4.41	5.38
Earnings per share in € – diluted	1.04	1.81	4.39	5.35

Reference: The reconciliation of key financial figures adjusted for non-recurring items is given in NOTE [12] in this interim report.

10 GROUP STATEMENT OF COMPREHENSIVE INCOME

	3rd Quarter		January to September	
in € million	*2014*	*2013*	*2014*	*2013*
PROFIT FOR THE PERIOD	**183**	**363**	**863**	**1,078**
OTHER COMPREHENSIVE INCOME (NET OF TAX)	**430**	**–290**	**226**	**–694**
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**575**	**–261**	**509**	**–731**
Unrealised gains/losses on available-for-sale financial assets	–3	–1	–10	–1
Unrealised gains/losses on derivative financial instruments	–270	95	–410	196
Currency translation differences	848	–355	929	–926
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**–145**	**–29**	**–283**	**37**
Remeasurement of defined benefit plans	–145	–29	–283	37
TOTAL COMPREHENSIVE INCOME	**613**	**73**	**1,089**	**384**
attributable to Linde AG shareholders	572	76	998	353
attributable to non-controlling interests	41	–3	91	31

11 GROUP STATEMENT OF FINANCIAL POSITION

in € million	30.09.2014	31.12.2013
Assets		
Goodwill	10,866	10,395
Other intangible assets	2,968	3,076
Tangible assets	11,774	11,384
Investments in associates and joint ventures (at equity)	235	214
Other financial assets	82	115
Receivables from finance leases	252	277
Trade receivables	3	8
Other receivables and other assets	613	702
Income tax receivables	6	3
Deferred tax assets	380	342
NON-CURRENT ASSETS	**27,179**	**26,516**
Inventories	1,244	1,088
Receivables from finance leases	60	50
Trade receivables	3,104	2,784
Other receivables and other assets	744	804
Income tax receivables	168	146
Securities	721	170
Cash and cash equivalents	1,129	1,178
Non-current assets classified as held for sale and disposal groups	–	13
CURRENT ASSETS	**7,170**	**6,233**
TOTAL ASSETS	**34,349**	**32,749**

12 GROUP STATEMENT OF FINANCIAL POSITION

in € million	*30.09.2014*	*31.12.2013*
Equity and liabilities		
Capital subscribed	475	475
Capital reserve	6,723	6,712
Revenue reserves	6,504	6,523
Cumulative changes in equity not recognised through the statement of profit or loss	–484	–944
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	**13,218**	**12,766**
Non-controlling interests	843	820
TOTAL EQUITY	**14,061**	**13,586**
Provisions for pensions and similar obligations	1,018	1,027
Other non-current provisions	442	457
Deferred tax liabilities	1,904	1,968
Financial debt	9,141	8,416
Liabilities from finance leases	51	56
Trade payables	2	2
Other non-current liabilities	491	400
NON-CURRENT LIABILITIES	**13,049**	**12,326**
Current provisions	888	897
Financial debt	1,376	1,161
Liabilities from finance leases	20	22
Trade payables	3,301	3,100
Other current liabilities	1,150	1,033
Liabilities from income taxes	504	624
CURRENT LIABILITIES	**7,239**	**6,837**
TOTAL EQUITY AND LIABILITIES	**34,349**	**32,749**

13 GROUP STATEMENT OF CASH FLOWS

in € million	January to September 2014	January to September 2013
PROFIT BEFORE TAX	1,138	1,356
Adjustments to profit before tax to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	1,498	1,352
Impairments on financial assets	1	1
Profit/loss on disposal of non-current assets	−52	−25
Net interest	273	278
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	15	19
Share of profit or loss from associates and joint ventures (at equity)	−16	−15
Distributions/dividends received from associates and joint ventures	11	8
Income taxes paid	−469	−410
Changes in assets and liabilities		
Change in inventories	−119	−89
Change in trade receivables	−251	−244
Change in provisions	−88	−205
Change in trade payables	260	165
External funding/allocation to plan assets re. defined benefit plans	−300	–
Change in other assets and liabilities	−13	−33
CASH FLOW FROM OPERATING ACTIVITIES	1,888	2,158
Payments for tangible and intangible assets and plants held under leases in accordance with IFRIC 4/IAS 17	−1,402	−1,525
Payments for investments in consolidated companies	−51	−139
Payments for investments in financial assets	−47	−32
Payments for investments in securities	−555	−176
Proceeds on disposal of securities	4	676
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	87	111
Proceeds on disposal of consolidated companies and from purchase price repayment claims	98	15
Proceeds on disposal of non-current assets held for sale and disposal groups	42	–
Proceeds on disposal of financial assets	67	1
CASH FLOW FROM INVESTING ACTIVITIES	−1,757	−1,069

14 GROUP STATEMENT OF CASH FLOWS

	January to September	
in € million	*2014*	*2013*
Dividend payments to Linde AG shareholders and non-controlling interests	–624	–550
Cash inflows/outflows for sale/purchase of non-controlling interests	–	53
Proceeds from issue of employee shares	–	1
Interest received	121	138
Interest paid	–391	–448
Proceeds of loans and capital market debt	2,583	3,698
Cash outflows for the repayment of loans and capital market debt	–1,873	–4,125
Change in liabilities from finance leases	–16	–15
CASH FLOW FROM FINANCING ACTIVITIES	–200	–1,248
NET CASH INFLOW/OUTFLOW	–69	–159
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	1,178	1,284
Effects of currency translation	20	–38
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1,129	1,087

15 STATEMENT OF CHANGES IN GROUP EQUITY

in € million	*Capital subscribed*	*Capital reserve*
AT 1 JAN. 2013	**474**	**6,698**
Profit for the period	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	1	10
Repurchase of own shares	–	–
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	**1**	**10**
Addition/divesture of non-controlling interests	–	–
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	–	–
AT 30 SEPTEMBER 2013	**475**	**6,708**
AT 1 JAN. 2014	**475**	**6,712**
Profit for the period	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	–	11
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	**–**	**11**
Addition/divesture of non-controlling interests	–	–
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	–	–
OTHER CHANGES	–	–
AT 30 SEPTEMBER 2014	**475**	**6,723**

	Revenue reserves		*Cumulative changes in equity not recognised through the statement of profit or loss*					
	Remeasurement of defined benefit plans	*Retained earnings*	*Currency translation differences*	*Available-for-sale financial assets*	*Derivative financial instruments*	*Total equity attributable to Linde AG shareholders*	*Non-controlling interests*	*Total equity*
	–515	6,221	80	–	–47	12,911	747	13,658
	–	997	–	–	–	997	81	1,078
	38	–	–876	–1	195	–644	–50	–694
	38	997	–876	–1	195	353	31	384
	–	–500	–	–	–	–500	–50	–550
	–	–	–	–	–	11	–	11
	–	–	–	–	–	–	–1	–1
	–	–500	–	–	–	–489	–51	–540
	–	14	–	–	–	14	42	56
	–	14	–	–	–	14	42	56
	–477	6,732	–796	–1	148	12,789	769	13,558
	–482	7,005	–1,179	14	221	12,766	820	13,586
	–	818	–	–	–	818	45	863
	–280	–	879	–9	–410	180	46	226
	–280	818	879	–9	–410	998	91	1,089
	–	–557	–	–	–	–557	–67	–624
	–	–	–	–	–	11	–	11
	–	–557	–	–	–	–546	–67	–613
	–	–1	–	–	–	–1	–1	–2
	–	–1	–	–	–	–1	–1	–2
	–	1	–	–	–	1	–	1
	–762	7,266	–300	5	–189	13,218	843	14,061

16 SEGMENT INFORMATION

	Reportable segments	
	Gases Division	
	January to September	
in € million, SEE NOTE [9]	2014	2013
Revenue from third parties	10,388	10,503
Revenue from other segments	10	7
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS	**10,398**	**10,510**
OPERATING PROFIT	**2,837**	**2,913**
of which share of profit or loss from associates/joint ventures (at equity)	16	16
Amortisation of intangible assets and depreciation of tangible assets	1,475	1,326
of which amortisation of fair value adjustments identified in the course of the BOC purchase price allocation	151	155
of which impairments	229	64
EBIT	**1,362**	**1,587**
Capital expenditure (excluding financial assets)	1,232	1,503

in € million, SEE NOTE [9]
Revenue from third parties
Revenue from other segments
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS
OPERATING PROFIT
of which share of profit or loss from associates/joint ventures (at equity)
Amortisation of intangible assets and depreciation of tangible assets
of which amortisation of fair value adjustments identified in the course of the BOC purchase price allocation
of which impairments
EBIT
Capital expenditure (excluding financial assets)

Reportable segments							
Engineering Division		*Other Activities*		*Reconciliation*		*Group*	
January to September		*January to September*		*January to September*		*January to September*	
2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
1,780	1,550	416	415	–	–	12,584	12,468
446	518	1	–	–457	–525	–	–
2,226	**2,068**	**417**	**415**	**–457**	**–525**	**12,584**	**12,468**
216	**225**	**41**	**36**	**–196**	**–178**	**2,898**	**2,996**
–	–	–	–	–	–1	16	15
25	26	24	24	–26	–24	1,498	1,352
5	5	11	10	–	–	167	170
–	–	–	–	–	–	229	64
191	**199**	**17**	**12**	**–170**	**–154**	**1,400**	**1,644**
21	15	5	8	35	–39	1,293	1,487

Reportable segments							
Gases Division							
EMEA		*Asia/Pacific*		*Americas*		*Total Gases Division*	
January to September		*January to September*		*January to September*		*January to September*	
2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
4,491	4,556	2,807	2,829	3,090	3,118	10,388	10,503
6	13	15	14	82	72	10	7
4,497	**4,569**	**2,822**	**2,843**	**3,172**	**3,190**	**10,398**	**10,510**
1,344	**1,314**	**737**	**747**	**756**	**852**	**2,837**	**2,913**
7	7	8	9	1	–	16	16
487	485	505	365	483	476	1,475	1,326
36	38	84	85	31	32	151	155
–	4	129	1	100	59	229	64
857	**829**	**232**	**382**	**273**	**376**	**1,362**	**1,587**
618	580	295	571	319	352	1,232	1,503

ADDITIONAL COMMENTS

[1] General accounting policies

The condensed Group interim financial statements of Linde AG for the nine months ended 30 September 2014 have been drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable to interim financial reporting, as adopted by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and the Council on the application of International Accounting Standards.

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

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

The accounting policies used in the condensed Group interim financial statements are the same as those used to prepare the Group financial statements for the year ended 31 December 2013.

In addition, IAS 34 Interim Financial Reporting has been applied. Since 1 January 2014, the following standards have become effective under the rules of the IASB:

- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets (early adopted in the Group financial statements for the year ended 31 December 2013)
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (early adopted in the Group financial statements for the year ended 31 December 2013)

The following new or revised standards and interpretations have been issued by the IASB and IFRS Interpretations Committee. However, they have not been applied in the condensed Group interim financial statements for the nine months ended 30 September 2014 as they are either not yet effective or have not yet been adopted by the European Commission:

- IFRS 15 Revenue from Contracts with Customers (first-time application according to IASB in financial years beginning on or after 1 January 2017)
- IFRS 9 Financial Instruments and Subsequent Amendments (Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 as well as Amendments to IFRS 9/IFRS 7: Mandatory Effective Date and Transition Disclosures)
- Amendments to IAS 19 Employee Benefits: Defined Benefit Plans – Employee Contributions (first-time application according to IASB in financial years beginning on or after 1 July 2014)
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (first-time application according to IASB in financial years beginning on or after 1 January 2016).
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Improvements to IFRSs (2010–2012), (first-time application according to IASB in financial years beginning on or after 1 July 2014)
- Improvements to IFRSs (2011–2013), (first-time application according to IASB in financial years beginning on or after 1 July 2014)
- Improvements to IFRSs (2012–2014), (first-time application according to IASB in financial years beginning on or after 1 January 2016)

IFRS 15

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

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

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

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

- New criteria for revenue recognition over the period in which the performance obligation is satisfied
- More extensive disclosures in the notes to the financial statements

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

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

A detailed analysis is currently being conducted to evaluate the impact of IFRS 15. The standard is not expected to have a significant impact on the net assets, financial position and net assets of The Linde Group.

IFRS 9

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

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

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

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

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

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

[2] Changes in Group structure

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

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

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

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

17 CHANGES IN THE BASE OF CONSOLIDATION

	As at 31.12.2013	Additions	Disposals	As at 30.09.2014
CONSOLIDATED SUBSIDIARIES	**538**	**16**	**16**	**538**
of which within Germany	18	–	–	18
of which outside Germany	520	16	16	520
COMPANIES ACCOUNTED FOR USING THE LINE-BY-LINE METHOD	**5**	**–**	**–**	**5**
of which within Germany	–	–	–	–
of which outside Germany	5	–	–	5
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	**36**	**5**	**3**	**38**
of which within Germany	2	1	–	3
of which outside Germany	34	4	3	35
NON-CONSOLIDATED SUBSIDIARIES	**61**	**3**	**7**	**57**
of which within Germany	2	–	–	2
of which outside Germany	59	3	7	55

[3] Acquisitions

An acquisition is deemed to be significant if its total assets after the purchase price allocation (inclusive of goodwill) exceed EUR 50 m. Linde made no significant acquisitions during the reporting period. Therefore, acquisitions made in the first three quarters of 2014 are described below in aggregate rather than on an individual basis.

In the first nine months of 2014, Linde made acquisitions to expand its industrial gases business and in the Healthcare product area in the EMEA and Americas reportable segments. The total purchase price for these acquisitions (including existing shares restated at fair value) was EUR 56 m, of which EUR 46 m was settled in cash. The total purchase price includes deferred purchase price payments and contingent consideration. Sometimes separate transactions were agreed with former owners. In the course of successive acquisitions, revenue of EUR 1 m was generated from the measurement of existing shares (EUR 2 m) at fair value and recognised in the share of profit or loss from associates and joint ventures.

In the course of these corporate acquisitions, Linde has acquired non-current assets such as customer relationships, cylinders, tanks and vehicles as well as inventories and other current assets. Total goodwill arising was EUR 49 m, including fair value adjustments in the course of purchase price allocations of EUR 12 m. Part of the goodwill (EUR 32 m) is tax-deductible. Receivables acquired, which are all trade receivables, have a fair value of EUR 4 m. The gross value of the receivables is EUR 5 m. The difference between the gross value of the receivables and their fair value is a provision for doubtful debts.

Since their respective dates of acquisition, the companies acquired have generated revenue of EUR 22 m and profit after tax of EUR 8 m. If the companies acquired had already belonged to the Group as at 1 January 2014, they would have contributed EUR 38 m to Group revenue and EUR 14 m to the Group's profit after tax in the first nine months of 2014.

18 IMPACT OF ACQUISITIONS ON NET ASSETS OF THE LINDE GROUP

Opening balance at acquisition date	*Fair value*
in € million	
Non-current assets	16
Inventories	2
Other current assets	6
Cash and cash equivalents	1
Equity	9
Liabilities	16

[4] Foreign currency translation

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

The principal exchange rates used are as follows:

19 PRINCIPAL EXCHANGE RATES

		Mid-rate on balance sheet date		*Average rate January to September*	
Exchange rate € 1 =	*ISO code*	*30.09.2014*	*31.12.2013*	*2014*	*2013*
Argentina	ARS	10.76239	8.95964	10.81816	6.95704
Australia	AUD	1.44929	1.54138	1.47595	1.34673
Brazil	BRL	3.10486	3.24694	3.10006	2.79275
Canada	CAD	1.41354	1.46024	1.48181	1.34804
China	CNY	7.79458	8.32176	8.35388	8.12207
Czech Republic	CZK	27.52334	27.34217	27.50453	25.73890
Hungary	HUF	311.12073	297.42220	308.75530	296.72098
Malaysia	MYR	4.15026	4.50663	4.39079	4.12475
Norway	NOK	8.16805	8.34149	8.27701	7.66440
Poland	PLN	4.17666	4.15335	4.17531	4.20072
South Africa	ZAR	14.27955	14.42918	14.52541	12.49309
South Korea	KRW	1,338.73155	1,451.19958	1,411.34212	1,456.46627
Sweden	SEK	9.18033	8.85071	9.04059	8.58109
Switzerland	CHF	1.20669	1.22759	1.21803	1.23124
Turkey	TRY	2.88507	2.94955	2.93064	2.45868
UK	GBP	0.77972	0.83017	0.81177	0.85196
USA	USD	1.26900	1.37460	1.35491	1.31698

On 24 March 2014, the government in Venezuela introduced the new auction-based exchange rate system SICAD II, under which currency can be acquired at a rate which is not fixed. The current exchange rate under this system is 50.0 bolivars to the US dollar, significantly higher than the exchange rate fixed by the government which has applied until now of 6.3 bolivars to the US dollar.

Since 1 January 2010, Linde's activities in Venezuela, which is classified as a hyperinflationary economy in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, have been disclosed after adjustment for the effects of inflation. The rate of inflation is calculated using the country's inflation index INPC, which is published at monthly intervals by the Banco Central de Venezuela in so far as a rise or fall in the index is reflected in exchange rate movements.

The Linde Group has felt the impact (on its foreign currency translation and on its transactions) of applying the new SICAD II exchange rate from 1 April 2014 and of adjusting for the effects of inflation by using hyperinflationary accounting. Whereas the impact on Linde's foreign currency translation arises solely from the translation of the local currency into the reporting currency (the euro), the impact on Linde's transactions arises from the measurement of business transactions in foreign currency.

[5] Non-current assets

Tangible and intangible assets with definite useful lives have to be tested for impairment if there are indicators that their value might have diminished on a continuous basis. In the reporting period the impairment tests were based on the value in use of the assets.

Impairment losses of EUR 229 m were recognised in the first nine months of 2014 (2013: EUR 64 m). They related mainly to technical equipment and machinery and a customer relationship and were allocated to the following reportable segments: EUR 0 m (2013: EUR 4 m) to EMEA, EUR 129 m (2013: EUR 1 m) to Asia/Pacific and EUR 100 m (2013: EUR 59 m) to the Americas. Impairment losses on tangible assets were recognised in the costs of sales. The impairment loss on the customer relationship forms part of the marketing and selling expenses.

In the reporting period, the closure of a customer site and the related non-prolongation of a customer contract in the region South Pacific led to an impairment of a contractual customer relationship acquired in the course of the BOC acquisition. When this customer relationship was valued in the course of the purchase price allocation a contract prolongation was originally assumed. The impairment loss amounted to EUR 11 m and was determined based on undiscounted cash flows due to the short-term horizon of the valuation.

At the Chongqing Chemical Park, China, where Linde together with its partner Chongqing Chemical & Pharmaceutical Holding Group Company (CCPHC) intended to supply various industry customers, Linde recognised a total impairment loss of EUR 100 m relating to parts of a plant complex. The impairment was caused by a change to the structural organisation at this site, which had an impact on both the raw gas available as feedstock and the purchase volumes of the plant complex.

Due to changed economic conditions in Vietnam Linde recognised an impairment loss of EUR 18 m on an air separation unit and related distribution network. The pre-tax discount factor applied was 13.4 percent.

The continuous slowdown of the business in Brazil required the recognition of a further impairment loss of EUR 100 m on operative cash-generating units. The cash-generating units comprise air separation units and the distribution networks to filling stations and to end customers. The pre-tax discount rate applied was 10.6 percent.

Assets which were disclosed at 31 December 2013 as non-current assets held for sale were sold as planned during the reporting period. The total figure for these assets of EUR 13 m comprised land with a carrying amount of EUR 3 m in the EMEA segment and land and buildings with a carrying amount of EUR 10 m in the Asia/Pacific segment.

[6] Pension obligations

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

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

During the reporting period, Linde transferred an amount of EUR 300 m in respect of the German defined benefit pension to the existing Contractual Trust Arrangement (CTA). The funds allocated were obtained by issuing a bond for the same amount. The increase in plan assets led to a reduction in the net interest expense in respect of defined benefit pension obligations in Germany.

At 30 September 2014, there were changes in the assumptions on which the pension obligations were based and in the measurement at fair value of the plan assets, which led to a decrease in equity of EUR 283 m (after deferred tax) when compared with the figure at 31 December 2013.

[7] Net financial debt

20 NET FINANCIAL DEBT

in € million	Current		Non-current		Total	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Financial debt	1,376	1,161	9,141	8,416	10,517	9,577
Less: Securities	721	170	–	–	721	170
Less: Cash and cash equivalents	1,129	1,178	–	–	1,129	1,178
NET FINANCIAL DEBT	**–474**	**–187**	**9,141**	**8,416**	**8,667**	**8,229**

Of the financial debt at 30 September 2014, EUR 3.232 bn (31 December 2013: EUR 2.992 bn) is in a fair value hedging relationship. If there had been no adjustment to the carrying amount as a result of fair value hedging relationships which had been agreed and were outstanding at the end of the reporting period, the financial debt of EUR 10.517 bn (31 December 2013: EUR 9.557 bn) would have been EUR 112 m (31 December 2013: EUR 91 m) lower.

The Linde Group concludes Credit Support Annexes (CSAs) with banks to minimise counterparty risk. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. These transactions are governed by the rules set out in the master agreement for financial derivative transactions, whereby related rights and obligations to exchange financial collateral do not qualify for offsetting in the balance sheet. An amount of EUR 97 m (31 December 2013: EUR 228 m) in respect of these agreements has been disclosed in bank loans and overdrafts as part of financial debt and an amount of EUR 31 m (31 December 2013: 0 m) has been disclosed in cash equivalents.

For individual categories of financial assets and financial liabilities in The Linde Group, the carrying amount of the item is generally a reasonable approximation of the fair value of the item. This does not apply to receivables from finance leases or to financial debt. In the case of receivables from finance leases, the fair value is EUR 423 m, while the carrying amount is EUR 312 m. The fair value of the financial debt is EUR 11.041 bn, compared with its carrying amount of EUR 10.517 bn. The fair value of financial instruments is generally determined using quoted market prices. If no quoted market prices are available, the financial instruments are measured using valuation methods customary in the market, based on market parameters specific to that instrument. At the balance sheet date, the figure for investments and securities included assets of EUR 711 m in respect of which the value had been determined by quoted prices in active markets for identical financial instruments (Level 1). The investments and securities category also included financial assets (available-for-sale financial assets) of EUR 40 m for which a fair value cannot be reliably determined. For these assets, there are neither observable market prices, nor sufficient information for a reliable valuation using other valuation methods. There is currently no intention to sell these assets.

For derivative financial instruments, the fair value is determined as follows. Options are measured by external partners using Black-Scholes pricing models. Futures are measured with recourse to the quoted market price in the relevant market. Included in derivatives at the balance sheet date were assets of EUR 429 m and liabilities of EUR 357 m in respect of which the values were determined using valuation techniques where the inputs are derived principally from observable market data (Level 2).

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

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

[8] Earnings per share

21 EARNINGS PER SHARE

in € million	January to September 2014	2013
Profit for the period attributable to Linde AG shareholders	818	997
Shares in thousands		
Weighted average number of shares outstanding	185,622	185,359
Dilution as a result of share option schemes	644	831
Weighted average number of shares outstanding – diluted	186,266	186,190
EARNINGS PER SHARE IN € – UNDILUTED	**4.41**	**5.38**
EARNINGS PER SHARE IN € – DILUTED	**4.39**	**5.35**

Reference: The reconciliation of earnings per share adjusted for non-recurring items is given in NOTE [12] in this interim report.

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

[9] Segment reporting

During the reporting period, in the course of internal restructuring of the business in the Americas reportable segment, the Regional Business Unit (RBU) South America was merged with RBU North America with effect from 1 January 2014. The new Regional Business Unit, RBU Americas, combines the respective regional strengths of the two former RBUs to form an efficient joint organisation and is now even better positioned to respond effectively to customer needs. The operating business in the Gases Division is therefore now divided between seven Regional Business Units. The Gases Division continues to comprise three reportable segments (EMEA, Asia/Pacific and the Americas) which remain unaffected by the organisational change described. The Linde Group continues to comprise five reportable segments in all.

The same principles apply to segment reporting in the interim report as those described in the Group financial statements for the year ended 31 December 2013.

To arrive at the figure for the Gases Division as a whole from the figures for the reportable segments within the Gases Division, consolidation adjustments of EUR 93 m (2013: EUR 92 m) were deducted from revenue. Therefore, it is not possible to arrive at the figure for the Gases Division as a whole by merely adding together the reportable segments in the Gases Division.

The reconciliation of segment revenue to Group revenue and of the operating profit of the reportable segments to Group profit before tax is shown in the table below:

22 RECONCILIATION OF SEGMENT REVENUE AND OF THE SEGMENT RESULT

in € million	January to September 2014	2013
Revenue		
Total revenue from the reportable segments	13,041	12,993
Consolidation	–457	–525
GROUP REVENUE	**12,584**	**12,468**
Operating profit		
Operating profit from the reportable segments	3,094	3,174
Operating profit from Corporate activities	–184	–161
Amortisation and depreciation	1,498	1,352
of which fair value adjustments identified in the course of the BOC purchase price allocation	167	170
of which impairments	229	64
Financial income	46	54
Financial expenses	308	342
Consolidation	–12	–17
PROFIT BEFORE TAX	**1,138**	**1,356**

[10] Related party transactions

Linde AG is related in the course of its normal business activities to non-consolidated subsidiaries, joint ventures and associates. These companies are disclosed in the list of shareholdings on *PAGES 210 TO 227 OF THE 2013 FINANCIAL REPORT*.

Services provided by related companies totalled EUR 90 m (2013: EUR 91 m). Revenue from related companies in the reporting period was EUR 26 m (2013: EUR 7 m).

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

23 RECEIVABLES FROM AND LIABILITIES TO RELATED PARTIES

	30.09.2014			31.12.2013		
in € million	Non-consolidated subsidiaries	Associates or joint ventures	Total	Non-consolidated subsidiaries	Associates or joint ventures	Total
Receivables from related parties	4	37	41	4	38	42
Liabilities to related parties	1	41	42	1	37	38

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

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

[11] Contingent liabilities and other financial commitments

In the normal course of business, The Linde Group or any of its Group companies are involved in current or foreseeable legal or arbitration proceedings. During the reporting period, there have been no significant changes when compared with the information provided about contingent liabilities and legal proceedings on *PAGE 207 OF THE 2013 FINANCIAL REPORT*. The consolidated figure for other financial commitments arising from investments in tangible and intangible assets (commitments arising from orders) at 30 September 2014 was EUR 444 m (31 December 2013: EUR 353 m).

[12] Reconciliation of key financial figures

The key financial figures relating to The Linde Group have been adjusted for non-recurring items. Non-recurring items are items which, due to their nature, frequency and/or extent, are likely to have an adverse impact on how accurately the key financial figures reflect the sustainability of Linde's earning capacity in the capital market. In the reporting period the non-recurring items comprised of impairment losses amounting to EUR 229 m.

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

24 KEY FINANCIAL FIGURES ADJUSTED FOR NON-RECURRING ITEMS

	January to September					
	2014			2013		
in € million	As reported	Non-recurring items	Adjusted key financial figures	As reported	Non-recurring items	Adjusted key financial figures
Revenue	12,584	–	12,584	12,468	–	12,468
Cost of sales	–8,400	218	–8,182	–7,939	–	–7,939
GROSS PROFIT	**4,184**	**218**	**4,402**	**4,529**	**–**	**4,529**
Research and development costs, marketing, selling and administration expenses	–2,975	11	–2,964	–3,015	–	–3,015
Other operating income and expenses	175	–	175	115	–	115
Share of profit or loss from associates and joint ventures (at equity)	16	–	16	15	–	15
EBIT	**1,400**	**229**	**1,629**	**1,644**	**–**	**1,644**
Financial result	–262	–	–262	–288	–	–288
Taxes on income	–275	–31	–306	–278	–	–278
PROFIT FOR THE YEAR	**863**	**198**	**1,061**	**1,078**	**–**	**1,078**
attributable to Linde AG shareholders	818	168	986	997	–	997
attributable to non-controlling interests	45	30	75	81	–	81
Amortisation of intangible assets and depreciation of tangible assets	–1,498	229	–1,269	–1,352	–	–1,352
of which impairments	–229	229	–	–64	–	–64
OPERATING PROFIT	**2,898**	**–**	**2,898**	**2,996**	**–**	**2,996**
EARNINGS PER SHARE IN € – UNDILUTED	**4.41**	**–**	**5.31**	**5.38**	**–**	**5.38**
EARNINGS PER SHARE IN € – DILUTED	**4.39**	**–**	**5.29**	**5.35**	**–**	**5.35**

[13] Discretionary decisions and estimates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[14] Events after the balance sheet date

No significant events have occurred for The Linde Group since the end of the reporting period on 30 September 2014.

MUNICH, 29 OCTOBER 2014

DR WOLFGANG BÜCHELE
[CHIEF EXECUTIVE OFFICER]

PROFESSOR DR ALDO BELLONI
[MEMBER OF THE EXECUTIVE BOARD]

THOMAS BLADES
[MEMBER OF THE EXECUTIVE BOARD]

GEORG DENOKE
[MEMBER OF THE EXECUTIVE BOARD]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

REVIEW REPORT

To Linde Aktiengesellschaft, Munich

We have reviewed the condensed interim consolidated financial statements – comprising the Group statement of profit or loss, the Group statement of comprehensive income, the Group statement of financial position, the Group statement of cash flows, the statement of changes in Group equity and selected explanatory notes – together with the Group interim management report of Linde Aktiengesellschaft, Munich, for the period from 1 January to 30 September 2014 that are part of the quarterly financial report according to § 37x (3) German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the Group interim management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the Group interim management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the Group interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with the International Standard on Review Engagements 2410 (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the Group interim management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the Group interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

MUNICH, 29 OCTOBER 2014

KPMG AG
[WIRTSCHAFTSPRÜFUNGS-GESELLSCHAFT]

BECKER
[WIRTSCHAFTS-PRÜFER]

SCHENK
[WIRTSCHAFTS-PRÜFER]

RESPONSIBILITY STATEMENT

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

MUNICH, 29 OCTOBER 2014

LINDE AKTIENGESELLSCHAFT
THE EXECUTIVE BOARD

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[CHIEF EXECUTIVE OFFICER]

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[MEMBER OF THE EXECUTIVE BOARD]

FINANCIAL CALENDAR

[1]
AUTUMN PRESS CONFERENCE
30 October 2014
Carl von Linde Haus, Munich
Germany

[2]
INTERIM REPORT
JANUARY TO SEPTEMBER 2014
30 October 2014

[3]
END OF THE
2014 FINANCIAL YEAR
31 December 2014

[4]
PRESS CONFERENCE ON
ANNUAL RESULTS
/
PUBLICATION OF GROUP
FINANCIAL STATEMENTS
13 March 2015
Carl von Linde Haus, Munich
Germany

[5]
INTERIM REPORT
JANUARY TO MARCH 2015
30 April 2015

[6]
ANNUAL GENERAL MEETING 2015
12 May 2015, 10 a.m.
International Congress Centre, Munich
Germany

[7]
DIVIDEND PAYMENT
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This report is available in both German and English and can be downloaded from our website at *WWW.LINDE.COM*
Further information about Linde can be obtained from us on request.

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