

FINANCIAL STATEMENTS

2017

Linde Finance B.V.

Financial Statements

1	Director's Report
3	Financial Highlights
4	Board of Supervisory Directors' Report
6	Balance Sheet Assets
7	Balance Sheet Equity and Liabilities
8	Profit and Loss Account
9	Cash Flow Statement
10	General Accounting Principles
12	Notes to the Annual Financial Statements as per 31 December 2017
16	Supplementary Information on the Notes
20	Independent Auditor's Report

Tables

DIRECTOR'S REPORT

The Board of Managing Directors of Linde Finance B.V. hereby presents the financial statements for the year ended 31 December 2017. These statements are prepared according to generally accepted accounting principles in the Netherlands and in conformity with the provisions Part 9, Book 2 of the Netherlands Civil code. All financial information is presented in Euro and has been rounded to the nearest million, unless otherwise stated.

General

Linde Finance B.V. is registered in Amsterdam, Buitenveldertselaan 106, the Netherlands, and was incorporated on 12 May 1999 under Dutch law. Linde Finance B.V. acts as a finance company for the benefit of The Linde Group companies. The ultimate parent of Linde Finance B.V. is Linde AG, Munich, which is listed on the German stock exchange.

Proposed Business Combination with Praxair, Inc.

On June 1, 2017, Linde AG and Praxair, Inc. entered into a definitive business combination agreement (the "Business Combination Agreement"), pursuant to which, among other things, Linde AG and Praxair, Inc. agreed to combine their respective businesses under a new holding company incorporated in Ireland, Linde plc (the "Business Combination"). Under the terms of the Business Combination Agreement, Linde AG will become an indirect subsidiary of Linde plc after effecting a public exchange offer. In this exchange offer, Linde plc will make an offer to exchange each outstanding share of Linde AG for 1.540 ordinary shares of Linde plc (the "Exchange Offer"). Furthermore, the Business Combination Agreement foresees that each share of Praxair, Inc. will be converted into the right to receive one Linde plc ordinary share. Praxair's stockholders approved the Business Combination at Praxair's special meeting held on September 27, 2017 and more than 92% of Linde's shareholders accepted the Exchange Offer. Linde plc will apply to list its ordinary shares on the New York Stock Exchange and the Frankfurt Stock Exchange, and will

seek inclusion in the S & P 500 and DAX 30 indices. The parties currently expect the Business Combination to be completed in the second half of 2018. Completion of the Business Combination is still subject to the approval by requisite governmental regulators and authorities. The Business Combination may be terminated for, or may terminate as a result of, certain reasons, including, among others, (a) the mutual consent of Praxair, Inc. and Linde AG to termination, (b) the occurrence of an "adverse tax event" (as defined in the Business Combination Agreement), (c) a permanent injunction or order by any governmental entity in Ireland, the United Kingdom, Germany or the United States that prohibits or makes illegal the completion of the Business Combination, (d) the occurrence of a change, event, occurrence or effect that has had or is reasonably expected to have a "material adverse change" (as defined in the Business Combination Agreement) on Linde AG or Praxair, Inc., or (e) the failure to satisfy any of the conditions described in the preceding paragraph.

Objectives

The objectives of Linde Finance B.V., in accordance with article 2 of the Articles of Association, are to incorporate, to participate, to manage and finance other group companies. Furthermore, to borrow and lend moneys, to place public and private debt and in general to engage in financial and commercial activities which may be conducive to the foregoing.

Tasks and responsibilities

The Board of Managing Directors is in charge of the management of Linde Finance B.V. This means that the Board of Managing Director's responsibilities include the policy and business progress within Linde Finance B.V. and with this the achievement of the goals, strategy, profit development and the social aspects of doing business that are relevant for Linde Finance B.V. The Board of Managing Director's is also responsible for the compliance with legislation and regulations and the management of the risks coupled with the activities and the financing of Linde Finance B.V.

The Board of Managing Directors discusses the internal risk management and control systems with the Board of Supervisory Directors. These controls were set up to identify and manage foreign exchange, interest, liquidity, counterparty and credit risks. As to these risks, Linde Finance B.V. has a conservative approach.

For example, it is the objective of Linde Finance B.V. to eliminate foreign currency risks. With the exception of margins generated by foreign-currency-denominated back-to-back loans, Linde Finance B.V. enters into currency contracts and cross-currency swaps in

order to hedge Linde Finance B.V.'s currency exposure. The underlying assets and liabilities are translated into Euro at the balance sheet date. The derivatives used to hedge the currency risk exposure are included in the balance sheet in accordance with the cost price hedging model. The positions are regularly checked as part of the risk management procedures.

It is Linde Finance B.V. policy that interest rate exposures with duration longer than one year are hedged if no back-to-back funding is in place by entering into interest rate swaps and/or cross-currency swaps.

The liquidity risk is actively managed and covered by a EUR 2.5 bn syndicated revolving credit facility, with a final maturity of 2020.

Intercompany credit exposure has been insured with Linde AG, Munich, through a Credit Assurance Agreement. The associated expenses are charged on to the companies through an additional risk premium on top of the base rate. For further information we refer to ► [NOTE \[30\] PAGE 19.](#)

In discharging its duties the Board of Managing Directors is led by the interests of Linde Finance B.V. and its affiliated enterprises. The Board of Managing Directors is accountable to the Supervisory Board and the General Meeting of Shareholders for the execution of its policy.

Appointment

The members of the Board of Managing Directors are appointed by the Supervisory Board for an indefinite period. The basis for non-compliance with the recommendation of the Dutch Corporate Governance Code (appointment for a maximum term of four years Principle II.1.1 of the Code) rests in the principles of Linde Finance B.V. being oriented towards the long term. The Supervisory Board notifies the General Meeting of Shareholders of an intended appointment and does not dismiss members of the Board of Managing Directors until after the General Meeting of Shareholders has expressed its opinion.

Responsibility statement

The Board of Managing Directors of Linde Finance B.V. wish to state:

- that the annual financial statements 2017 give a true and fair view of the assets, liabilities, financial position and profit and loss of Linde Finance B.V.;
- that the annual report gives a true and fair view of the position as per balance sheet date, the development during the financial period of Linde Finance B.V. in the financial statements and a description of principle risks it faces.

Corporate Governance Statement

The Board of Managing Directors of Linde Finance B.V. is responsible for the maintenance and development of an accurate framework for risk management and control and also the active management of the strategic, technological, operational, financial and compliance risks that Linde Finance B.V. faces.

We declare that the substantial risks with which Linde Finance B.V. is confronted are described in these financial statements. These financial statements provide insight into the extent to which risks are prevented and controlled. Linde Finance B.V. takes due consideration of the findings of the external auditor, KPMG Accountants N.V., which audits the financial statements. Based on the above and our own observations and experiences from the past, the Board of Managing Directors declares, with reference to best practice provision II.1.5 of the Dutch Corporate Governance Code, that the framework for risk management and control, as described above and in the Corporate Governance section of the Board of Supervisory Directors' report, provides a reasonable assurance that the financial reporting does not contain any errors of material importance and that this framework worked properly in the 2017 reporting year. The true effectiveness of the Dutch Corporate Governance code can only be evaluated based on the results over a longer period and/or based on specific checks of the design, the existence and the function of the internal management controls.

AMSTERDAM, 19 MARCH 2018

THE BOARD OF MANAGING
DIRECTORS

MICHA GLASER

FINANCIAL HIGHLIGHTS

Linde AG and Linde Finance B.V. have a EUR 10.0 bn Debt Issuance Programme (DIP), which is guaranteed by Linde AG, Munich.

At the end of December 2017 the nominal debt outstanding under this programme is EUR 7.1 bn (31.12.2016: EUR 7.5 bn). Thereof EUR 5.04 bn (31.12.2016: EUR 5.1 bn) is issued by Linde Finance B.V.

During 2017 Linde Finance B.V. issued a five-year EUR 1,000 m bond and repaid a ten-year EUR 1,000 m bond and a five-year USD 20 m bond.

Linde AG, Munich, and Linde Finance B.V. have a EUR 2.5 bn syndicated revolving credit facility at their disposal with a final maturity of 2020. The syndicated credit facility is currently fully undrawn.

Supplementary to the EUR 10.0 bn Debt Issuance Programme, Linde AG and Linde Finance B.V. have a EUR 2.0 bn multicurrency Commercial Paper (CP) Programme which is unconditionally guaranteed by Linde AG, Munich. As per 31 December 2017, Linde Finance B.V. has no Commercial Paper outstanding (31.12.2016: EUR 0.0 m).

During 2017 the interest income amounted to EUR 246.6 m (31.12.2016: EUR 383.2 m). The interest expense amounted to EUR 229.4 m (31.12.2016: EUR 361.9 m).

The profit after taxation was EUR 11.6 m (31.12.2016: EUR 14.8 m). Linde Finance B.V. operates under an Advance Pricing Agreement (APA) with the Dutch fiscal authorities. This APA ruling defines the minimum returns for intercompany loans.

For the year 2018 we expect a positive and stable result. In relation to personnel, we do not foresee any changes in 2018.

ISSUED MEDIUM-TERM NOTES

<i>in € million</i> Type	Currency	Principal	Coupon (percent)	Issue date	Maturity date
Bond	EUR	1,000	0.250	18.01.2017	18.01.2021

Standard and Poor's credit rating for Linde Finance B.V. is "A+/A-1" (long- and short-term). Moody's credit rating for Linde Finance B.V. is "A2/P-1" (long- and short-term). Scope's credit rating for Linde Finance B.V. is "A+" (long term) and "S-1+" (short term). The outlook for all ratings is stable. All ratings are aligned with the ratings of the ultimate parent Linde AG, Munich. During the reporting period Standard and Poor's, Moody's and Scope affirmed their long- and short-term ratings for Linde Finance B.V.

AMSTERDAM, 19 MARCH 2018

THE BOARD OF MANAGING
DIRECTORS

MICHA GLASER

BOARD OF SUPERVISORY DIRECTORS' REPORT

The Board of Supervisory Directors hereby submits the report of the financial statements for the book year ended 31 December 2017. The financial statements have been audited by KPMG Accountants N.V. and were provided with an unqualified audit opinion on 19 March 2018. The audit report can be found on [▶ PAGE 21](#) of the financial statements.

Corporate Governance

Corporate governance rules for the Supervisory Board

The Board of Supervisory Directors supervises the policy of the Board of Managing Directors and the general business progress of Linde Finance B.V., and advises the Board of Managing Directors. The Board of Supervisory Directors monitors and supervises the Board of Managing Directors with respect to the results of the strategy, the main risks related to the operations of Linde Finance B.V., as well as the functioning of the organisation. Furthermore any significant changes to the risk management and control systems will be discussed and monitored.

The Board of Supervisory Directors of Linde Finance B.V. also has the authority to approve certain decisions of the Board of Managing Directors as stipulated in the Articles of Association. The Board of Supervisory Directors consists of three members.

In the performance of its duties the members of the Board of Supervisory Directors are led by the interests of Linde Finance B.V. and taking into account the interests of all Linde Finance B.V. stakeholders and all the aspects of social responsibility relevant to Linde Finance B.V.

The Board of Supervisory Directors also has the authorities and powers specified in the provisions of Book 2 of the Dutch Civil Code. These powers include, in particular, the appointment of the members of the Board of Managing Directors, the determination of the number of members of the Board of Managing Directors and the approval of a number of other decisions of the Board of Managing Directors as specified in legislation.

The Board of Supervisory Directors met two times in 2017. In these meetings the financial results as well as other items such as risk management, financial performance and general developments, have been discussed. In both meetings the external auditor KPMG was present. Besides these meetings there are ongoing contacts between the Board of Supervisory Directors and the Board of Managing Directors.

Based on the number of Supervisory Directors, the Board of Supervisory Directors of Linde Finance B.V. can operate without separate committees. This means that the Board of Supervisory Directors as a whole acts as Audit Committee as well.

In connection with the listing of bonds at the Luxembourg Stock Exchange, Linde Finance B.V. is regarded as a "Public Interest Entity" (Organisatie van Openbaar Belang).

The current composition of the Board of Supervisory Directors is:

- Daniel Geiger (1974, German nationality), member of the Board of Supervisory Directors since 7 July 2017.
- Björn Schneider (1971, German nationality), member of the Board of Supervisory Directors since 24 August 2004.
- Dr Sven Schneider (1966, German nationality), member of the Board of Supervisory Directors since 22 April 2011.

A M S T E R D A M , 1 9 M A R C H 2 0 1 8

O N B E H A L F O F T H E B O A R D
O F S U P E R V I S O R Y D I R E C T O R S ,

D R S V E N S C H N E I D E R
[C H A I R M A N]

Corporate governance general

The Dutch corporate governance principles ("the code") followed by Linde Finance B.V. are laid down in various regulations of Linde Finance B.V.

The Code is not applicable to Linde Finance B.V. because by law it only governs stock-exchange-listed companies; Linde Finance B.V. voluntarily applies selected principles and best practice provisions of the Code that are compatible with its control structure and the nature of Linde Finance B.V. The provisions that are not applied and the reasons why are listed in the overview below.

There were no changes in the governance structure during the 2017 reporting year.

Corporate governance conflict of interests

Linde Finance B.V. as part of the Linde Group has strict rules to prevent every form and appearance of a conflict of interest between Linde Finance B.V. on the one hand and the members of the Board of Managing Directors and the members of the Board of Supervisory Directors on the other hand. Decisions to enter into transactions involving conflicting interests of Board of Managing Directors or Board of Supervisory Directors of a material significance for Linde Finance B.V. and/or for the relevant individual must, in accordance with these rules, be approved by the Board of Supervisory Directors. During the year under review no conflicts of interests were reported.

Corporate governance, the General Meeting of Shareholders

Linde Finance B.V. General Meeting of Shareholders has the authority to approve certain Board of Managing Directors' decisions. These decisions, which are stipulated in the Articles of Association, are major decisions relating to the operations, legal structure and financial structure of Linde Finance B.V. (and the companies in which it holds shares) as well as decisions related to major investments.

The most important other authorities of the General Meeting of Shareholders are:

- adoption of the financial statements and profit appropriation of Linde Finance B.V.;
- discharging the members of the Board of Managing Director's from their management and the members of the Supervisory Board from their supervision of the Board of Managing Directors;
- adoption of the dividend;
- appointment and dismissal of the external auditor;
- amendments to the Articles of Association; and
- issuing of shares, exclusion of the application right, authorisation to repurchase own shares, reduction of the paid-up capital, dissolution, application for bankruptcy of Linde Finance B.V.

Best practice provisions of the Code not applied by Linde Finance B.V.

Linde Finance B.V. endorses the Code by applying the principles and best practice provisions or by explaining why Linde Finance B.V. deviates from the Code. The principles listed below are not applied for the reason indicated in the foregoing text or below:

Principle II.1.1: Appointment

The members of the Board of Managing Directors are appointed by the Board of Supervisory Directors for an indefinite period. The basis for noncompliance with the recommendation of the Code (appointment for a maximum term of four years) rests in the fact that Linde Finance B.V. is oriented towards the long term. The Supervisory Board notifies the General Meeting of Shareholders of an intended appointment and does not dismiss members of the Board of Managing Directors until after the General Meeting of Shareholders has expressed its opinion.

Principle II.2.1-15: Remuneration

Publishing the remuneration report, most important components of employment conditions or severance payment of Board of Managing Directors members: Linde Finance B.V. utilises the statutory exception as understood in Art. 2:383b of the Dutch Civil Code for so-called "private public liability companies".

Principle III.2.1: Independence

All Supervisory Board members, with the exception of one, are independent. The reason for this is that this Supervisory Board member is also a director of the shareholder of Linde Finance B.V. Here we are not compliant with the code. As stated before there has not been any conflict of interest during the year under review.

Principle III.5.10-14: Composition and role of two key committees of the Supervisory Board

As the board of Supervisory Directors consists of three members this principle is not applied. In respect to the audit committee we refer to the Report of the Supervisory Directors.

Principle III.7.1-3: Remuneration

The Members of the Supervisory Board receive no remuneration.

Principle III.8.1-4: One Tier Management Structure

This is not applied as there is no one tier management structure.

BALANCE SHEET ASSETS

BALANCE SHEET OF LINDE FINANCE B.V. – ASSETS¹

2

<i>in € thousand</i>	<i>Note</i>	<i>31.12.2017</i>	<i>31.12.2016</i>
Other operating fixed assets		15	18
TANGIBLE FIXED ASSETS		15	18
Loans to group companies	[1]	6,808,489	7,547,446
Deferred derivatives results	[2]	1,012	1,590
Prepaid expenses	[3]	1,414	1,980
FINANCIAL FIXED ASSETS		6,810,915	7,551,016
FIXED ASSETS		6,810,930	7,551,034
Loans to group companies	[4]	3,447,665	2,577,206
Interest receivable from group companies	[5]	73,023	122,546
Interest receivables from third parties	[6]	6,540	8,784
Deferred derivatives results	[2]	11,375	14,299
Forward exchange contracts	[7]	73,783	90,033
Derivatives at fair value	[8]	174,995	222,483
Tax receivable	[9]	5,058	4,486
RECEIVABLES		3,792,439	3,039,837
Collateral deposits	[10]	162,300	172,200
Liquid assets		–	10,213
CASH AND CASH EQUIVALENTS		162,300	182,413
CURRENT ASSETS		3,954,739	3,222,250
ASSETS		10,765,669	10,773,284

¹ Before the appropriation of profit.

BALANCE SHEET EQUITY AND LIABILITIES

BALANCE SHEET OF LINDE FINANCE B. V. – EQUITY AND LIABILITIES¹

3

<i>in € thousand</i>	<i>Note</i>	<i>31.12.2017</i>	<i>31.12.2016</i>
Share capital		5,000	5,000
Share premium		150,000	150,000
Retained earnings		168,870	154,061
Unappropriated profits		11,601	14,809
EQUITY	[11]	335,471	323,870
Bonds notes payable	[12]	4,233,050	4,135,706
Deferred derivatives results		36	56
Loans from group companies	[13]	116,490	212,838
LONG TERM LIABILITIES		4,349,576	4,348,600
Bonds notes payable	[12]	806,706	1,018,796
Collateral borrowing	[14]	3,199	13,100
Credit institutions	[15]	30	–
Loans from group companies	[13]	4,947,472	4,664,321
Interest payable to third parties	[16]	52,345	84,693
Interest payable to group companies	[17]	15,687	17,227
Forward exchange contracts	[7]	74,116	62,720
Derivatives at fair value	[8]	174,995	222,483
Other payables to third parties	[18]	83	10,384
Other payables to group companies		2,047	2,083
Tax payable		3,854	4,923
Accounts payable		88	84
SHORT TERM LIABILITIES		6,080,622	6,100,814
EQUITY AND LIABILITIES		10,765,669	10,773,284

¹ Before the appropriation of profit.

PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS

4

<i>in € thousand</i>	<i>Note</i>	<i>2017</i>	<i>2016</i>
Group company loans		167,217	268,821
Other interest income		79,424	114,424
INTEREST INCOME	[19]	246,641	383,245
Group company loans		72,711	104,735
Other interest expense		156,738	257,154
INTEREST EXPENSES	[20]	229,449	361,889
NET INTEREST RESULT		17,192	21,356
Foreign exchange result		-727	-745
FINANCIAL RESULT		16,465	20,611
General and administrative expenses	[21]	1,022	942
Other income		1	63
PROFIT BEFORE TAXATION		15,444	19,732
Taxation	[22]	3,843	4,923
NET PROFIT AFTER TAXATION		11,601	14,809

CASH FLOW STATEMENT

CASH FLOW STATEMENT

5

in € thousand

	2017	2016
NET PROFIT	11,601	14,809
In-/decrease fixed assets	740,104	-625,704
In-/decrease current assets	-742,702	1,755,009
In-/decrease long term liabilities	-999,024	-2,084,852
In-/decrease current liabilities	996,477	1,482,703
Cash generated from operating activities	-5,145	527,156
NET CASH FLOW FROM OPERATING ACTIVITIES	6,456	541,965
Proceeds from issuance of debt securities	1,000,000	750,000
Repayment of debt securities	-1,016,669	-1,286,958
NET CASH FLOW FROM FINANCING ACTIVITIES	-16,669	-536,958
In-/decrease cash at banks	-10,213	5,007
Liquid assets 1 January	10,213	5,206
LIQUID ASSETS 31 DECEMBER	-	10,213
INCLUDED IN THE CASH FLOW FOR THE YEAR ARE THE FOLLOWING AMOUNTS		
Interest Income received	239,033	462,534
Interest expenses paid	258,526	447,009
Income taxes paid	3,399	4,493

GENERAL ACCOUNTING PRINCIPLES

General

Linde Finance B.V. is registered in Amsterdam, Buitenveldertselaan 106, the Netherlands, and was incorporated on 12 May 1999 under Dutch law. Linde Finance B.V. acts as a finance company for the benefit of The Linde Group companies. The ultimate parent of Linde Finance B.V. is Linde AG, Munich, which is listed on the German stock exchange.

Basis of presentation

The accompanying accounts have been prepared under the historical cost convention, unless otherwise mentioned, in accordance with generally accepted accounting principles in the Netherlands and in conformity with the provisions of Part 9, Book 2 of the Netherlands Civil code. All financial information is presented in Euro and has been rounded to the nearest million, unless otherwise stated. The financial statements are prepared on a going-concern basis.

Accounting policies

The initial measurement of all financial assets and liabilities is fair value. The subsequent measurement of all financial assets and liabilities is amortised cost unless a different valuation principle is indicated in the accompanying notes. Financial assets are shown net of impairments where necessary. Income and expenses are attributed to the financial year to which they relate.

Recognition of assets and liabilities

Assets and liabilities are measured at nominal value, unless otherwise stated in the further principles. An asset is recognised in the balance sheet when it is probable that the expected future economic benefits

that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow of resources embodying economic benefits and the amount of the obligation can be measured reliably. An asset or liability that is recognised in the balance sheet remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. An asset or liability is no longer recognised in the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability being transferred to a third party.

Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this is taken into account in the measurement.

Long-term and current liabilities and other financial commitments are subsequently measured at amortised cost based on the effective interest rate method. Redemption payments regarding long-term liabilities that are due next year are presented under current liabilities.

Recognition of Profit and Loss Account

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability. Revenues and expenses are allocated to the period to which they relate.

Cost price hedge accounting

Linde Finance B.V. applies the cost price hedging model to hedge interest rate risk and foreign currency risk. Cost price hedging means that derivative financial instruments follow the valuation principle of the hedged item (i.e. cost price). Linde Finance B.V. documents the hedge relationships in hedge documentation and periodically assesses the effectiveness of the hedge relationships by verifying that no over- or under-hedges exist based on the critical terms check. When a derivative expires or is sold, the accumulated profit or loss that has not yet been recognised in the profit and loss account prior to that time is included as a deferral in the balance sheet until the hedged transactions take place. If the transactions are no longer expected to take place, then the accumulated profit or loss is transferred to the

profit and loss account. If a derivative no longer meets the conditions for hedge accounting, but the financial instrument is not sold, then the hedge accounting is also terminated. Subsequent measurement of the derivative instrument is then at the lower of cost or market value.

Fair Value Accounting

Forward starting swaps contracted with third parties and with group companies are accounted for at fair value.

The fair value of the financial instruments is determined as follows, the derivative financial instruments are measured by discounting expected future cash flows using the net present value method. As far as possible, the entry parameters used in these models are relevant observable market prices and interest rates at the balance sheet date, obtained from recognised external sources.

The fair value of non-listed financial instruments is determined by discounting the expected cash flows to their present value, applying a discount rate that is equal to the current risk-free market interest rate for the remaining term, plus credit and liquidity surcharges.

Cash flow statement

The cash flow statement is based on the indirect method for the operating cash flow and based on the direct method for the cash flow from financing activities. The figures relating to the operational cash flows are derived from the delta in the balance sheet position.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Euro at rates of exchange at the balance sheet date. Exchange rate differences are accounted for in the P&L.

Financial fixed assets

Financial fixed assets include the amortised costs of loans, of a long-term nature, issued to group companies, as well as prepaid expenses.

Other Financial Fixed assets

Bonds, listed and unlisted recognised under financial fixed assets, that are not held as part of a trading portfolio and which will be held to maturity, are valued at their amortised cost.

Net Profit

The net profit has been calculated on the basis of the accrual and matching principles.

Interest income

Interest income is recognised in the period to which it belongs, taking into account the effective interest of the related asset. Interest expenses and similar expenses are recognised in the period to which they belong.

Taxation

Taxation is calculated on the basis of profit before tax adjusted for available fiscal facilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS PER 31 DECEMBER 2017

Assets

[1] Loans to group companies

The movements in long-term loans to group companies during the year were as follows:

MOVEMENT IN LONG-TERM LOANS TO GROUP COMPANIES

<i>in € thousand</i>	2017	2016
AT 1 JANUARY	7,547,446	6,920,116
New loans	1,846,036	4,448,669
Reclassified to short term loans	-1,063,387	-11,536
Translation adjustment	530,576	-358,504
Loans redeemed	-2,052,182	-3,451,299
AT 31 DECEMBER	6,808,489	7,547,446

An amount of EUR 1.9 bn (31.12.2016: EUR 2.0 bn) of the principal portions outstanding have a remaining maturity of more than five years.

Long-term loans to group companies for a total amount of EUR 1.13 bn (31.12.2016: EUR 1.3 bn) are denominated in a currency other than Euro. If no natural hedge is in place Linde Finance B.V. has entered into various foreign exchange contracts to hedge foreign currency risks. The valuation of the loans and foreign exchange contracts is based on the prevailing rate of exchange of the respective reporting dates. The average interest rate on long-term non-euro-denominated loans to group companies on 31 December 2017 was 4.12 percent (31.12.2016: 4.02 percent).

[2] Deferred derivatives results

Deferred derivatives results are proceeds of unwound derivatives to be amortised, which were previously in a hedge relationship with group companies, of EUR 11.4 m (31.12.2016: EUR 14.3 m). The unwinding of derivatives has been executed on a risk-neutral basis.

A remaining amount of EUR 1.0 m (31.12.2016: EUR 1.6 m) will be amortised over the remaining tenor of the settled swaps.

[3] Prepaid expenses

Linde AG, Munich, and Linde Finance B.V. have a EUR 2.5 bn syndicated credit line at their disposal with a final maturity of 2020.

Linde Finance B.V. paid an upfront premium of EUR 4.5 m at the initiation of the facility in 2013. The outstanding value per 31 December 2017 of EUR 1.4 m (31.12.2016: EUR 2.0 m) will be amortised over the remaining tenor of the facility.

[4] Loans to group companies

Linde Finance B.V. holds short-term loans to group companies for EUR 3.5 bn (31.12.2016: EUR 2.6 bn) of which the principal portions are due and payable within one year. Interest rates are determined based on the at arm's length principle. The average interest rate on these loans as at 31 December 2017 is 0.73 percent (31.12.2016: 2.59 percent).

Short-term loans to group companies for a total amount of EUR 162 m (31.12.2016: EUR 266.8 m) are denominated in a currency other than the euro at 31 December 2017. If no natural hedge is in place Linde Finance B.V. has entered into foreign exchange contracts to hedge foreign currency risks. The valuation

of the loans and foreign exchange contracts is based on the prevailing rate of exchange on the respective reporting dates.

[5] Interest receivables from group companies

Interest receivables from group companies include accrued interest on loans of EUR 56.5 m (31.12.2016: EUR 94.8 m), EUR 4.2 m (31.12.2016: EUR 3.9 m) accrued interest on derivatives with group companies and EUR 12.3 m (31.12.2016: EUR 23.8 m) of upfront premium on derivatives with group companies, which will be amortised over the remaining tenor.

[6] Interest receivables from third parties

Other receivables from third parties include accrued interest of EUR 6.5 m (31.12.2016: EUR 8.8 m) from interest rate swaps and cross-currency swaps.

[7] Forward exchange contracts

All forward exchange contracts are in a hedging relationship for which Linde Finance B.V. applies cost price hedge accounting.

Cost price hedging means that both the forward exchange contract as hedging instrument and the hedged item are recognised at cost. If the hedged item is a foreign currency monetary item recognized

in the balance sheet, the forward exchange contract is measured at the difference between the spot rate of the balance sheet date and the contract rate of the forward exchange contract. The position also includes the interest accrual on interest rate differentials of forward exchange contracts (forward points), which is amortised to the profit and loss account.

[8] Derivatives at fair value

The derivatives at fair value only consist of forward starting interest rate swaps of EUR 175 m (31.12.2016: EUR 222.5 m), which are measured at fair value. Those transactions are executed on a risk-neutral basis for which hedge accounting is not applied.

[9] Tax receivable

As per 31 December 2017 Linde Finance B.V. has a tax receivable of EUR 5.1 m (31.12.2016: EUR 4.5 m) related to corporate income tax and withholding tax.

[10] Collateral deposits

Since 2010 Linde Finance B.V. has Credit Support Annexes (CSAs) in place with its major financial market participants to mitigate the counterparty risk. The outstanding value of the cash collateral deposited by Linde Finance B.V. at banks per 31 December 2017 is EUR 162.3 m (31.12.2016: EUR 172.2 m).

Equity and liabilities

[11] Equity

Authorised share capital consists of 15,000 shares of EUR 1,000 each. As per 31 December 2017, the total number of shares outstanding which are fully paid in are 5,000 (31.12.2016: 5,000). All shares of Linde Finance B.V.

are held by Linde Holdings Netherlands B.V., Schiedam. The share premium reserve can be considered as freely distributable share premium as referred to in the 2001 Income Tax Act.

The ultimate parent of Linde Finance B.V. is Linde AG, Munich, which is listed on the German stock exchange.

EQUITY

in € thousand	Share capital	Share premium	Retained earnings	Unappropriated profit	Total equity
AT 1 JANUARY 2016	5,000	150,000	136,518	17,543	309,061
Transfer to retained earnings	-	-	17,543	-17,543	-
unappropriated profits	-	-	-	14,809	14,809
AT 31 DECEMBER 2016/ AT 1 JANUARY 2017	5,000	150,000	154,061	14,809	323,870
Transfer to retained earnings	-	-	14,809	-14,809	-
unappropriated profits	-	-	-	11,601	11,601
AT 31 DECEMBER 2017	5,000	150,000	168,870	11,601	335,471

[12] Bonds notes payable

The bonds notes payable comprise loans from credit institutions as well as from institutional investors.

The contractual maturity of the bonds and notes payable can be shown as follows:

BONDS NOTES PAYABLE

8

<i>in € thousand</i>	<i>31.12.2017</i>	<i>31.12.2016</i>
<1 year	806,706	1,018,796
1–5 years	2,508,173	2,373,739
>5 years	1,724,877	1,761,967
	5,039,756	5,154,502

The bonds notes payable of Linde Finance B.V., bear an average interest of 2.16 percent (31.12.2016: 3.02 percent). An amount of EUR 5.04 bn (31.12.2016: EUR 5.1 bn) of bonds notes payable have been issued by Linde Finance B.V. under the terms of the Debt Issuance Programme. With respect to this programme Linde AG, Munich, has issued an unconditional and irrevocable guarantee in favour of Linde Finance B.V.

Bonds notes payable under the terms of the Debt Issuance Programme for an amount of EUR 861 m (31.12.2016: EUR 962.6 m) are denominated in a currency other than Euro. If no natural hedge is in place Linde Finance B.V. has entered into foreign exchange contracts or cross-currency swaps to hedge foreign currency risks.

ISSUED BONDS LINDE FINANCE B.V.

9

	<i>Currency</i>	<i>Principal in million</i>	<i>Coupon</i>	<i>Maturity date</i>	<i>Exchange</i>
1	EUR	50	3-month Euribor + 60 bps	23.05.2018	not listed
2	EUR	750	3.125%	12.12.2018	Bourse de Luxembourg
3	USD	150	3-month USD Libor + 67 bps	23.05.2019	not listed
4	EUR	500	1.750%	11.06.2019	Bourse de Luxembourg
5	AUD	100	4.250%	20.06.2019	Bourse de Luxembourg
6	USD	200	3-month USD Libor + 47 bps	21.08.2019	not listed
7	EUR	50	0.634%	20.10.2020	Bourse de Luxembourg
8	EUR	600	3.875%	01.06.2021	Bourse de Luxembourg
9	EUR	1,000	0.250%	18.01.2020	Bourse de Luxembourg
10	GBP	300	5.875%	24.04.2023	Bourse de Luxembourg
11	EUR	300	1.875%	22.05.2024	Bourse de Luxembourg
12	USD	200	3.434%	26.08.2026	Bourse de Luxembourg
13	EUR	80	1.652%	20.10.2027	Bourse de Luxembourg
14	EUR	750	1.000%	20.04.2028	Bourse de Luxembourg
15	EUR	100	1.900%	21.10.2030	Bourse de Luxembourg

[13] Loans from group companies

Linde Finance B.V. holds loans from group companies for a total amount of EUR 5.06 bn (31.12.2016: EUR 4.8 bn). An amount of EUR 117 m (31.12.2016: EUR 212.8 m) of the principal portion has a maturity longer than one year. The remaining principal portions are due and payable within one year. Interest rates are determined based on the at arm's length principle. As at 31 December 2017 the average interest rate on these loans was 0.72 per cent (31.12.2016: 0.31 per cent).

Short-term loans from group companies for an amount of EUR 2.9 bn (31.12.2016: EUR 3.4 bn) are denominated in a currency other than Euro for which Linde Finance B.V. has entered into foreign exchange contracts to hedge foreign currency risks. The valuation of the loans and foreign exchange contracts is based on the prevailing rate of exchange on the respective reporting dates.

[14] Collateral borrowing

Since 2010 Linde Finance B.V. has Credit Support Annexes with its major financial market participants to mitigate the counterpart risk. The outstanding value of the cash collateral deposited at Linde Finance B.V. by various banks as per 31 December 2017 is EUR 3.2 m (31.12.2016: EUR 13.1 m).

[15] Credit institutions

Credit institutions comprise only current bank accounts with negative value.

[16] Interest payable to third parties

Interest payables include upfront premiums received on derivatives with third parties, which will be amortised over the remaining tenor.

INTEREST PAYABLE TO THIRD PARTIES

in € thousand	31.12.2017	31.12.2016
Accrued interest bonds notes payable	49,441	80,692
Accrued interest derivatives	2,744	3,650
Upfront premiums received on derivatives	160	351
	52,345	84,693

[17] Interest payable to group companies

Interest payable to group companies include accrued interest on loans from group companies of EUR 4.1 m (31.12.2016: EUR 3.4 m) and accrued interest on derivatives with group companies of EUR 11.6 m (31.12.2016: EUR 13.8 m).

[18] Other payables to third parties

Other payables include EUR 0.0 m (31.12.2016: EUR 10.3 m) of early payment of foreign currency settlement with a value date 2018 but book date 2017.

Profit and loss

[19] Interest income

The interest income includes EUR 167.2 m (31.12.2016: EUR 268.8 m) of interest income on loans given to group companies. The other interest income EUR 79.4 m (31.12.2016: EUR 114.4 m) is income generated from external derivatives, amortisation of discounts and other interest income.

[20] Interest expense

The interest expense includes EUR 72.7 m (31.12.2016: EUR 104.7) of interest from loans of group companies. The other interest expense of EUR 156.7 m (31.12.2016: EUR 257.2 m) comprises mainly interest expenses for external bonds, external derivatives and the amortisation of discounts. The interest expense includes EUR 4.7 m (31.12.2016: EUR 5.6 m) internal fee related to the guarantee and a credit assurance fee issued by Linde AG, Munich.

[21] General and administrative expenses

The general and administrative expenses for the period can be analysed as stated in the table below. Whereby the other G & A costs mainly consist of fees for advisory, VAT cost which cannot be claimed back due to the nature of the business of Linde Finance B.V., bank charges, office expenses and IT costs.

GENERAL AND ADMINISTRATIVE EXPENSES

in € thousand	2017	2016
Wages and salaries	476	454
Other general and administrative expenses	546	488
	1,022	942

[22] Taxation

Linde Finance B.V. operates under the Advance Pricing Agreement (APA) with the Dutch fiscal authorities.

This APA ruling defines the minimum return for intercompany loans.

Taxes on income for the period can be analysed as follows:

TAXATION

in € thousand	2017	2016
Profit before taxation	15,444	19,732
Income tax rate (percent)	25.00	25.00
Income tax expenses	3,843	4,923
EFFECTIVE TAX RATE (PERCENT)	24.88	24.95

SUPPLEMENTARY INFORMATION ON THE NOTES

[23] Auditor's fees and services

The auditor's remuneration has been included in the consolidated accounts of The Linde Group, Munich. KPMG Accountants N.V. did not provide other services than the review of the 2017 interim financial statements and the audit of the 2017 financial statements.

[24] Directors

Linde Finance B.V. has one Managing Director (31.12.2016: one) and three Supervisory Board Members (31.12.2016: two). The members of the Supervisory Board did not receive any remuneration during 2017. Furthermore, Linde Finance B.V. avails itself of the stipulations laid down in article 2:383, section 1, of the Dutch Civil Code with regard to the remuneration of the Managing Director. The Managing Director participates in the share option scheme at Linde AG, Munich, and in conformity with RJ 275 it is opted for accounting this in the financial statements of Linde AG, Munich.

[25] Employees

During 2017 Linde Finance B.V. had an average of 3.0 full time equivalents (31.12.2016: 3.0).

The wages and salaries ► [NOTE \[21\] PAGE 16](#) includes social security charges and pension premium costs of EUR 42.1 k (31.12.2016: 45.9 k). The employees participate in the Industry-wide "Stichting Pensioen Fonds voor de Grafische Bedrijven" fund. All accrued rights, build-up in the "Stichting Pensioenfonds N.V. Linde Gas Benelux" up to 2014, were transferred to "Stichting Pensioen Fonds voor de Grafische Bedrijven" on 1 April 2015.

The pension scheme of this fund is a Collective Defined Contribution plan. The contribution to the pension fund is fixed annually by the pension board as a percentage of the total sum of participants' salary costs, less the AOW deductible. The employer will settle the contribution with the pension fund on a monthly basis. In case of a shortfall in funding within the pension fund this will result in a reduction of pensions and build-up pension rights for all participants. A shortfall of funding within the pension fund cannot result in any claim towards the employer.

[26] Off-balance-sheet commitments and facilities

Linde Finance B.V. has limited rental, back office and IT commitments with third parties. Total expenses are approximately EUR 50.0 k per annum. For the rental agreement for the offices an extension agreement was signed for another five years in 2017. The new maturity of the rental agreement is September 2022.

Linde AG, Munich, and Linde Finance B.V. have a EUR 2.5 bn syndicated credit line at their disposal with a final maturity of 2020.

The syndicated revolving credit facility has not been drawn down and also serves as backup for the EUR 2.0 bn Commercial Paper Programme.

[27] Derivative contracts

Linde Finance B.V. has entered into a number of interest rate swap agreements, with a principal amount of EUR 7.8 bn (31.12.2016: EUR 9.3 bn) and a number of cross-currency swap agreements, with a principal amount of EUR 470.1 m (31.12.2016: EUR 512.4 m). Due to the application of cost price hedging to derivative financial instruments a principle amount of EUR 4.6 bn (31.12.2016: EUR 5.7 bn) are following the valuation principle of the hedged items (i.e. cost price). The principal amount includes forward starting interest rate swaps of EUR 3.2 bn (31.12.2016: EUR 3.6 bn), recognised at fair value

[28] Fair value of financial instruments

The fair value of financial instruments is determined using measurement methods customary in the market, based on market parameters specific to the instrument.

The fair value of derivative financial instruments is measured by discounting expected future cash flows using the net present value method. The entry parameters used in these models are relevant observable market prices and interest rates on the balance sheet date, obtained from recognised external sources.

The table below shows the fair value of financial assets and liabilities.

FAIR VALUES FINANCIAL ASSETS AND LIABILITIES

13

<i>in € million</i>	<i>31.12.2017</i>	<i>31.12.2016</i>
Assets		
Loans to group companies (non current)	7,198.5	8,063.8
Loans to group companies (current)	3,474.5	2,653.8
Interest rate swaps/cross currency swaps external	36.1	37.9
FX swaps	9.3	47.1
Interest rate swaps/cross currency swaps internal	213.9	269.3
Liabilities		
Bonds/notes payable	5,302.8	5,472.3
Loans from group companies (non current)	116.4	217.2
Loans from group companies (current)	4,916.4	4,628.5
Interest rate swaps/cross currency swaps external	199.2	253.8
FX swaps	26.3	14.9
Interest rate swaps/cross currency swaps internal	44.0	64.5

[29] Related parties

All transactions are conducted on an arm's length basis.

MAJOR OUTSTANDING LOAN EXPOSURE

14

<i>in € million</i>			<i>31.12.2017</i>	<i>in percent</i>
Linde AG	Munich	GER	5,156.5	50.3
Linde UK Holdings Limited	Guilford	GBR	2,754.6	26.9
Linde Gas Holding Sweden AB	Lidingo	SWE	766.8	7.5
Linde Holdings Netherlands B.V.	Schiedam	NLD	369.3	3.6
BOC Holdings	Guilford	GBR	334.4	3.3
Linde Österreich Holding GmbH	Stadl-Paura	AUT	265.0	2.6
ELGAS LIMITED	North Ryde	AUS	110.5	1.1
SKTY (Thailand) Limited	Chachoeng-sao	THA	89.6	0.8
BOC LIMITED (New Zealand)	Auckland	NZL	72.0	0.7
other			337.5	3.2
			10,256.2	100.0

MAJOR OUTSTANDING DEPOSIT EXPOSURE

15

<i>in € million</i>			<i>31.12.2017</i>	<i>in percent</i>
Linde UK Holdings Limited	Guildford	GBR	1,332.9	26.3
The BOC Group Limited	Guildford	GBR	674.0	13.3
BOC Limited – ENG (Corporate)	Guildford	GBR	369.2	7.3
BOC Holdings	Guildford	GBR	255.0	5.0
Linde Holdings Netherlands B.V.	Schiedam	NLD	243.1	4.8
Linde North America Inc	Murray Hill	USA	222.0	4.4
BOC Helex	Guildford	GBR	217.7	4.3
Oy AGA AB	Espoo	FIN	172.4	3.4
Linde Gas GmbH	Stadl-Paura	AUT	123.7	2.4
other			1,454.0	28.7
			5,064.0	100.0

[30] Risk management

Foreign currency risk

It is the objective of Linde Finance B.V. to eliminate foreign currency risks. With the exception of margins generated by foreign-currency-denominated back-to-back loans, Linde Finance B.V. enters into currency contracts and cross-currency swaps in order to hedge Linde Finance B.V.'s currency exposure. The underlying assets and liabilities are translated into Euro at the balance sheet date. The derivatives used to hedge the currency risk exposure are included in the balance sheet in accordance with the cost price hedging model. The positions are regularly checked as part of the risk management procedures.

The table below provides the net foreign exchange cash flow positions per 31 December 2017. The totals are all unhedged margins on loans and corresponding deposits. As stipulated in the foreign currency risk management approach these margins are not hedged.

NET FOREIGN CURRENCY CASH FLOW POSITION PER CURRENCY

in thousand Currency	Largest positions of Net FX cash flow positions per currency	In € per 31.12.2017	Latest Maturity
GBP	2,699	3,033	24.04.2023
USD	1,989	1,650	26.08.2026
AUD	60	39	11.03.2020
Other currencies		13	
TOTAL POSITION		4,735	

The total Value at Risk (VaR) for the largest positions is per 31 December 2017 EUR 608 k (31.12.2016: 1.1 m). The VaR calculation is based on a 97.5 percent VaR for Linde Finance B.V. foreign currency positions (Multivariate normality assumed, i.e. Markowitz approach).

FOREIGN CURRENCY RISK LINDE FINANCE B. V. AS AT 31.12.2017

in thousand	Exposure FX	Exposure €	VaR €
AUD	60	39	6
CAD	4	2	-
GBP	2,699	3,040	489
RUB	500	7	2
TRY	13	3	1
USD	1,989	1,658	234
TOTAL			732
TOTAL RISK (DIVERSIFIED)			609

Interest risk

It is Linde Finance B.V. policy that interest exposures with duration longer than one year are hedged, by entering into interest rate swaps and/or cross-currency swaps.

The table below shows the "unmatched" open nominal positions according to their maturity, for durations of one year and above for all currencies in euro equivalents.

A positive sign is a net long position.

INTEREST RISK

in € thousand Time bucket	Bucket end date	Yearly mismatch	Cumulated mismatch
less than 10 years	31.12.2027	-	-
less than 5 years	31.12.2022	-	-
less than 4 years	31.12.2021	-	-
less than 3 years	31.12.2020	-	-
less than 2 years	31.12.2019	-	-
less than 1 year	31.12.2018	55,653	55,653

Credit risk/Counterparty risk

Linde Finance B.V. solely provides loans within The Linde Group. Intercompany credit exposure has been insured with Linde AG, Munich, through a Credit Assurance Agreement. The associated expenses are charged on to the companies through an additional risk premium on top of the base rate.

Linde AG, Munich, which has issued an unconditional and irrevocable guarantee in relation to the Debt Issuance and Commercial Paper Programme, presently has an A+/A-1 rating by Standard & Poor's, an A2/P-1 rating by Moody's and an A+/S-1+ rating by Scope. All credit ratings have a stable outlook.

Cash and financial derivatives are only deposited and/or entered into with banks.

Linde Finance B.V. has Credit Support Annex agreements in place with all of its major financial counterparts in order to mitigate the counterparty risk associated with derivative transactions.

Liquidity risk

Linde AG, Munich, and Linde Finance B.V. have a EUR 2.5 bn syndicated revolving credit facility at their disposal with a final maturity of 2020. The syndicated revolving credit facility is currently undrawn.

[31] Appropriation of results

In accordance with Article 27 of Linde Finance B.V. Articles of Association, profits, if any, are at the disposal of the General Meeting of Shareholders. The Directors propose to add the net profits to the retained earnings.

[32] Subsequent events

No subsequent events have occurred.

THE BOARD OF SUPERVISORY
DIRECTORS

DR SVEN SCHNEIDER
[CHAIRMAN]

BJÖRN SCHNEIDER

AMSTERDAM, 19 MARCH 2018

THE BOARD OF MANAGING
DIRECTORS

DANIEL GEIGER

MICHA GLASER



Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of Linde Finance B.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Linde Finance B.V. as at 31 December 2017 and of its result for the year 2017 then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2017 of Linde Finance B.V. (the 'Company') based in Amsterdam.

The financial statements comprise:

- 1 the Balance sheet as 31 December 2017;
- 2 the Profit and loss account for 2017;
- 3 the Cash flow statement for 2017; and
- 4 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Linde Finance B.V. in accordance with the EU Regulation on specific requirements regarding statutory audits of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant

independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

MATERIALITY

- Materiality of EUR 15 million
- 4.5% of Net assets

KEY AUDIT MATTERS

- Cost price hedge accounting
- Credit risk group companies

UNQUALIFIED OPINION

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 15 million (2016: EUR 15 million). The materiality is determined with reference to net assets (4.5%). We consider net assets as the most appropriate benchmark as the attention of the users of the financial statements tends to be focused on net assets as the entity is a financing company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 750,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.



Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Complexity in respect of the application of cost price hedge accounting

Description

The Company manages its exposure to interest rate risk and foreign currency risk by means of derivative financial instruments. The Company applies cost price hedge accounting to a significant part of its derivatives portfolio to match the accounting of these derivatives and related hedged positions.

The accounting treatment of derivatives is dependent on whether the hedge relationship qualifies for hedge accounting or not.

Given the significance of the application of cost price hedge accounting for the financial position as a whole and the inherent complexity we have paid specific attention during our audit to assess the appropriateness of the application of cost price hedge accounting in accordance with Dutch Accounting Standard RJ 290.

Our response

We have evaluated the Company's hedge documentation and identification process for hedge relationships. Our procedures among others things included assessing the calculation method of the defined hedged risk. We evaluated the Company's hedge effectiveness testing and assessed whether the accounting requirements of the Dutch Accounting Standard RJ 290 were met for each hedge relationship.

Our observation

Based on our procedures we determined that hedge accounting has been applied in accordance with the accounting requirements of the Dutch Accounting Standard RJ 290.

Estimation uncertainty in respect of the credit risk related to loans to Group companies

Description

The Company is a financing entity entering into financing arrangements with the Linde Group companies (the 'Group'). The Company has no substantial assets other than the loans to Group companies. The Company's results are therefore highly dependent on the performance of the Group for repayment of its debt instruments and meeting its financial obligations. Given this pervasive impact on the financial statements of the Company, we considered this a key audit matter.

Our response

Our audit procedures among others things included an assessment of the financial robustness of the financial position and liquidity of the Group to assess whether the respective Group entities are able to meet their contractual obligations, or whether in case of non-performance Linde AG will be able to execute the guarantee as provided under the Credit Assurance Agreement. We have performed, among others things, the following procedures with respect to the exposure on Group entities:

- Evaluated if there are over-due payments from Group entities to the Company.
- Inspect the audited 2017 consolidated financial statements of Linde AG.
- Inquire and discuss with the Group auditor KPMG Germany recent developments in the financial position and cash flows of the Group and whether any conditions existing as at, or subsequent to the reporting date that may lead to the Group's inability to meet its contractual obligations.
- Inspect the terms and conditions of the Credit Assurance Agreement between Linde AG and Linde Finance B.V.

Our observation

Based on our audit procedures we found that the credit risk related to loans to Linde Group companies has been appropriately taken into account in the financial statements.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Director's report;
- the Financial Highlights;
- the Board of Supervisory Director's report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Board of Managing Directors as auditor of Linde Finance B.V. in 1999 for the audit for year 1999 and have operated as statutory auditor since then.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of Management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent companies affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in the appendix to this auditor's report. This description forms part of our auditor's report.

Amstelveen, 19 March 2018

KPMG Accountants N.V.

R. Huizingh RA

Appendix: Description of our responsibilities for the audit of the annual accounts



KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent companies affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Appendix

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- concluding on the appropriateness of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on <the Legal Entity EN>'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group components. Decisive were the size and/or the risk profile of the group components or operations. On this basis, we selected group components for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

TABLES

1	Issued Medium-Term Notes	14	Major Outstanding Loan Exposure
	PAGE 3		PAGE 17
2	Balance Sheet of Linde Finance B.V. – Assets	15	Major Outstanding Deposit Exposure
	PAGE 6		PAGE 17
3	Balance Sheet of Linde Finance B.V. – Equity and Liabilities	16	Net Foreign Currency Cash Flow Position per Currency
	PAGE 7		PAGE 18
4	Profit and Loss	17	Foreign Currency Risk Linde Finance B.V. as at 31.12.2017
	PAGE 8		PAGE 18
5	Cash Flow Statement	18	Interest Risk
	PAGE 9		PAGE 18
6	Movement in Long-Term Loans to Group Companies		
	PAGE 12		
7	Equity		
	PAGE 13		
8	Bonds Notes Payable		
	PAGE 14		
9	Issued Bonds Linde Finance B.V.		
	PAGE 14		
10	Interest Payable to Third Parties		
	PAGE 15		
11	General and Administrative Expenses		
	PAGE 15		
12	Taxation		
	PAGE 15		
13	Fair Values Financial Assets and Liabilities		
	PAGE 17		

