

# Linde Finance B.V.

LINDE FINANCE HALF-YEAR REPORT  
JANUARY TO JUNE 2016



# Half-Year Report

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# DIRECTOR'S INTERIM REPORT

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The Board of Managing Directors of Linde Finance B.V. hereby presents the interim financial statements for the first six months of 2016. These statements are prepared according to generally accepted accounting principles in the Netherlands and in conformity with the provisions of the Dutch Guideline for Annual Reporting 394 on interim financial information. 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 has been 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.

## 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 Directors 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 Directors 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 Supervisory Board. 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, currency risks are avoided in line with the hedging policies. Interest rate exposures beyond the duration of one year are being hedged if no back to back funding is in place.

The liquidity risk is actively managed and covered by a EUR 2.5 bn five year syndicated revolving credit facility. The term of the EUR 2.5 bn syndicated credit facility agreed in July 2013 has been extended twice and has a maturity until 2020. The credit line originally had a term of five years with two options to extend the facility, in each case by one year.

Intercompany credit exposure has been insured with Linde AG, Munich through a Credit Assurance Agreement. For further information we refer to *NOTE [30] PAGE 18*.

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 its policy.

## Appointment

The members of the Board of Managing Directors are appointed by the Supervisory Board for an indefinite period. The basis for noncompliance 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 financial statements for the first six months for 2016 give a true and fair view of the assets, liabilities, financial position and profit and loss of Linde Finance B.V.;
- that the financial statements for the first six months of 2016 give 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, together with a description of principal 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 reports, 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 Director's 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 first six months of 2016. 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.

A M S T E R D A M , 1 6 S E P T E M B E R 2 0 1 6

T H E B O A R D O F M A N A G I N G D I R E C T O R S

M I C H A G L A S E R

# FINANCIAL HIGHLIGHTS

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INTERIM REPORT

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

At the end of June 2016 the nominal debt outstanding under this program is EUR 7.5 bn (31.12.2015: EUR 6.9 bn). Thereof EUR 5.2 bn (31.12.2015: EUR 4.5 bn) is issued by Linde Finance B.V.

During the first six months of 2016 Linde Finance B.V. issued a twelve year EUR 750 m bond and repaid a fifteen year GBP 200 m bond and a five year USD 50 m bond.

Furthermore Linde Finance B.V. decided to call and redeem in full the EUR 700 m subordinated bonds and the GBP 250 m subordinated bonds issued by Linde Finance B.V. in 2006 and guaranteed, on a subordinated basis, by Linde AG, Munich at their nominal amount plus any interest accrued. Call and redemption of the bonds shall be made in accordance with § 6 para. (2) of the terms and conditions of such bonds on 14 July, 2016.

As per 30 June 2016, Linde Finance B.V. has nominal EUR 700.0 m (31.12.2015: EUR 700.0 m) and GBP 250.0 m (31.12.2015: GBP 250.0 m) of subordinated bonds outstanding. These two bonds are not issued under the DIP.

Linde AG, Munich and Linde Finance B.V. have a EUR 2.5 bn syndicated credit line at their disposal. The credit line was initially due to expire in 2018 and had two options to extend the facility, in each case by one year. After extending the line in 2014 and 2015, the maturity of the facility is 2020.

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 30 June 2016, Linde Finance B.V. has no Commercial Papers outstanding (31.12.2015: EUR 0.0 m).

During the first six months of 2016 the interest income amounted to EUR 224.0 m (30.06.2015: EUR 298.3 m). The interest expense amounted to EUR 212.2 m (30.06.2015: EUR 285.9 m).

The profit after taxation was EUR 7.4 m (30.06.2015: EUR 8.4 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 inter-company loans.

For the year 2016 we expect a positive and stable result. In relation to personnel, we do not foresee any changes in 2016.

## 1 ISSUED MEDIUM TERM NOTES IN THE FIRST SIX MONTHS OF 2016

<i>in € million</i> Type	Currency	Principal	Coupon (percent)	Issue date	Maturity date
Bond	EUR	750	1.000	20.04.2016	20.04.2028

Standard and Poor's credit rating for Linde Finance B.V. is "A+/A-1" (long- and short-term). The credit rating of the subordinated bonds is A-. Moody's credit rating for Linde Finance B.V. is "A2/P-1" (long- and short-term). The credit rating of the subordinated bonds is Baa1. The outlook of all ratings is stable. All ratings are aligned with the ratings of the ultimate parent Linde AG, Munich. During the reporting period both rating agencies confirmed their long-term ratings for Linde Finance B.V.

AMSTERDAM, 16 SEPTEMBER 2016

THE BOARD OF MANAGING DIRECTORS

MICHA GLASER

# BOARD OF SUPERVISORY DIRECTOR'S INTERIM REPORT

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The Board of Supervisory Directors hereby submits the interim report for the first six months of 2016. The interim financial statements have been reviewed by KPMG Accountants N.V. and were provided with a review opinion on 16 September 2016. The review report can be found on *PAGE 20* of the financial statements.

## Corporate Governance

### *Corporate governance rules for the Supervisory Board*

The Supervisory Board 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 Supervisory Board 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 Supervisory Board 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 Supervisory Board consists of three members.

In the performance of its duties the members of the Supervisory Board, 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 Supervisory Board 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 Board of Managing Directors members, 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 one time in 2016. Besides these meetings there are ongoing contacts between the Board of Supervisory Directors and the Board of Management Directors.

Based on the number of Supervisory Board members, the Supervisory Board 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 an "Organisation of Public Interest" (Organisatie van Openbaar Belang).

Georg Denoke stepped down from the Supervisory Board of Directors of Linde Finance per the 14 September 2016.

The current composition of the Board of Supervisory Directors is:

- 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.

AMSTERDAM, 16 SEPTEMBER 2016

ON BEHALF OF THE BOARD  
OF SUPERVISORY DIRECTORS,

DR SVEN SCHNEIDER  
[CHAIRMAN]

***Corporate governance general***

The Dutch corporate governance principles 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 the 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 first six months of 2016.

***Corporate governance conflict of interests***

Linde Finance B.V. as part of the Linde Group strictly 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 Supervisory Board on the other hand. Decisions to enter into transactions involving conflicting interests of Board of Managing Directors or Supervisory Board members 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 Supervisory Board. 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 Directors for their management and the members of the Supervisory Board for 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 Supervisory Board 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 remuneration report, most important components of employment conditions or severance payment of Board of Managing Directors members: Linde Finance B.V. utilizes 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 three 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 are not paid any 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

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## 2 BALANCE SHEET OF LINDE FINANCE B.V. – ASSETS

<i>in € thousand</i>	<i>Note</i>	<i>30.06.16</i>	<i>31.12.15</i>
Other operating fixed assets		19	20
<b>TANGIBLE FIXED ASSETS</b>		<b>19</b>	<b>20</b>
Loans to group companies	[1]	4,997,345	6,920,116
Deferred derivatives results	[2]	1,970	2,649
Prepaid expenses	[3]	2,262	2,545
<b>FINANCIAL FIXED ASSETS</b>		<b>5,001,577</b>	<b>6,925,310</b>
<b>FIXED ASSETS</b>		<b>5,001,596</b>	<b>6,925,330</b>
Loans to group companies	[4]	6,722,757	4,402,471
Interest receivable from group companies	[5]	139,945	153,424
Interest receivables from third parties	[6]	21,557	28,333
Deferred derivatives results	[2]	25,019	25,755
Forward exchange contracts	[7]	149,319	37,866
Derivatives at fair value	[8]	268,365	184,224
Tax receivable	[9]	3,438	3,773
Other assets	[10]	45,524	–
<b>RECEIVABLES</b>		<b>7,375,924</b>	<b>4,835,846</b>
Collateral deposits	[11]	213,300	131,200
Liquid assets		–	5,206
<b>CASH AND CASH EQUIVALENTS</b>		<b>213,300</b>	<b>136,406</b>
<b>CURRENT ASSETS</b>		<b>7,589,224</b>	<b>4,972,252</b>
<b>ASSETS</b>		<b>12,590,820</b>	<b>11,897,582</b>



# BALANCE SHEET EQUITY AND LIABILITIES

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## 3 BALANCE SHEET OF LINDE FINANCIAL B.V. – EQUITY AND LIABILITIES

<i>in € thousand</i>	<i>Note</i>	<i>30.06.16</i>	<i>31.12.15</i>
Share capital		5,000	5,000
Share premium		150,000	150,000
Retained earnings		154,061	136,518
Unappropriated profits		7,353	17,543
<b>EQUITY</b>	<b>[12]</b>	<b>316,414</b>	<b>309,061</b>
Subordinated bonds	[13]	–	1,043,400
Bonds notes payable	[14]	4,122,179	4,420,577
Deferred derivatives results		67	77
Loans from group companies	[15]	211,035	219,398
<b>LONG TERM LIABILITIES</b>		<b>4,333,281</b>	<b>5,683,452</b>
Subordinated bonds	[13]	1,002,705	–
Bonds notes payable	[14]	1,080,472	381,972
Collateral borrowing	[16]	5,400	8,700
Credit institutions	[17]	46,803	–
Loans from group companies	[15]	5,248,214	5,054,662
Interest payable to third parties	[18]	106,009	136,213
Interest payable to group companies	[19]	27,352	33,661
Forward exchange contracts	[7]	151,483	92,695
Derivatives at fair value	[8]	268,365	184,224
Other payables to third parties	[20]	84	5,250
Other payables to group companies		1,757	1,788
Tax payable		2,438	5,834
Accounts payable		43	70
<b>SHORT TERM LIABILITIES</b>		<b>7,941,125</b>	<b>5,905,069</b>
<b>EQUITY AND LIABILITIES</b>		<b>12,590,820</b>	<b>11,897,582</b>

# PROFIT AND LOSS ACCOUNT

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## 4 PROFIT AND LOSS

<i>in € thousand</i>	<i>Note</i>	<i>January to June 2016</i>	<i>January to June 2015</i>
Group company loans		159,277	216,587
Other interest income		64,734	81,740
<b>INTEREST INCOME</b>	<b>[21]</b>	<b>224,011</b>	<b>298,327</b>
Group company loans		57,559	86,715
Other interest expense		154,616	199,159
<b>INTEREST EXPENSES</b>	<b>[22]</b>	<b>212,175</b>	<b>285,874</b>
<b>NET INTEREST RESULT</b>		<b>11,836</b>	<b>12,453</b>
Foreign exchange result		-1,692	-976
<b>FINANCIAL RESULT</b>		<b>10,144</b>	<b>11,477</b>
General and administrative expenses	[23]	406	393
Other income		53	45
<b>PROFIT BEFORE TAXATION</b>		<b>9,791</b>	<b>11,129</b>
Taxation	[24]	2,438	2,773
<b>NET PROFIT AFTER TAXATION</b>		<b>7,353</b>	<b>8,356</b>

# CASH FLOW STATEMENT

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## 5 CASH FLOW STATEMENT

<i>in € thousand</i>	<i>January to June 2016</i>	<i>January to June 2015</i>
<b>NET PROFIT</b>	<b>7,353</b>	<b>8,356</b>
In-/decrease fixed assets	1,923,734	2,278,733
In-/decrease current assets	-2,622,178	-2,675,614
In-/decrease long term liabilities	-2,100,171	-194,713
In-/decrease current liabilities	2,323,038	575,437
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-475,577</b>	<b>-16,157</b>
Proceeds from issuance of debt securities	750,000	-
Repayment of debt securities	-286,982	-
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>463,018</b>	<b>-</b>
In-/decrease cash at banks	-5,206	-7,801
Liquid assets 1 January	5,206	7,801
<b>LIQUID ASSETS 30 JUNE</b>	<b>-</b>	<b>-</b>
<b>INCLUDED IN THE CASH FLOW FOR THE YEAR ARE THE FOLLOWING AMOUNTS</b>		
Interest Income received	264,117	266,277
Interest expenses paid	-255,220	-253,061
Income taxes paid	4,493	3,175

# GENERAL ACCOUNTING PRINCIPLES

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## General

Linde Finance B.V. is registered in Amsterdam, Buitenveldertselaan 106, the Netherlands and has been 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 in accordance with generally accepted accounting principles in the Netherlands and in conformity with the Dutch Guideline for Annual Reporting 394 on interim financial information. 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 assets and liabilities is fair value. The subsequent measurement of all assets and liabilities is amortised cost unless a different valuation principle is indicated in the accompanying notes. Assets are shown net of provisions where necessary. Income and expenses are attributed to the financial year 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 exists based on the critical terms check.

## Fair Value Accounting

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

The fair value of derivative 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.

## 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.

## Financial fixed assets

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

## Net result

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

## Taxation

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

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## Assets

### [1] Loans to group companies

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

#### 6 MOVEMENT IN LONG TERM LOANS TO GROUP COMPANIES

<i>in € thousand</i>	<i>2016</i>	<i>2015</i>
<b>AT 1 JANUARY</b>	<b>6,920,116</b>	<b>8,231,143</b>
New loans	1,211,992	12,245
Reclassified to short term loans	-2,879,329	-2,413,820
Translation adjustment	-840,593	124,013
Loans redeemed	585,159	-
<b>AT 30 JUNE</b>	<b>4,997,345</b>	<b>5,953,581</b>

An amount of EUR 1.9 bn (31.12.2015: EUR 2.0 bn) of the principal portions outstanding have a remaining maturity over more than five years.

Long-term loans to group companies for a total amount of EUR 1.2 bn (31.12.2015: 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 30 June 2016 was 4.3 percent (31.12.2015: 4.4 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 25.0 m (31.12.2015: EUR 25.8 m). The unwinding of derivatives has been executed on a risk neutral basis.

A remaining amount of EUR 1.9 m (31.12.2015: EUR 2.6 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. The credit line was initially due to expire in 2018 and had two options to extend the facility, in each case by one year. After extending the line in 2014 and 2015, the maturity of the facility is 2020.

Linde Finance B.V. paid an upfront premium of EUR 4.5 m. The outstanding value per 30 June 2016 of EUR 2.3 m (31.12.2015: EUR 2.5 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 6.7 bn (31.12.2015: EUR 4.4 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 30 June 2016 is 2.2 percent (31.12.2015: 2.5 percent).

Short-term loans to group companies for a total amount of EUR 1.1 bn (31.12.2015: EUR 1.3 bn) are denominated in a currency other than Euro at 30 June 2016. 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 receivable from group companies**

Interest receivables from group companies include accrued interest on loans of EUR 107.9 m (31.12.2015: EUR 151.5 m), EUR 2.5 m (31.12.2015: EUR 1.9 m) accrued interest on derivatives with group companies and EUR 29.5 m (31.12.2015: EUR 0.02 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 21.6 m (31.12.2015: EUR 28.3 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).

**[8] Derivatives at fair value**

The derivatives at fair value only consists of forward starting interest rate swaps of EUR 268.4 m (31.12.2015: 184.2 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 30 June 2016 Linde Finance B.V. has a tax receivable of EUR 3.4 m (31.12.2015: EUR 3.8 m) related to corporate income tax and withholding tax.

**[10] Other assets**

Other assets include EUR 4.3 m (31.12.2015: EUR 0.0 m) of early payment of foreign currency settlement with a value date in the second half of 2016 but book date in the first half of 2016 and EUR 41.2 m (31.12.2015: EUR 0.0 m) with a value date in the first half of 2016 but to be paid in the second half of 2016.

**[11] 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 30 June 2016 is EUR 213.3 m (31.12.2015: EUR 131.2 m).

## Equity and liabilities

### [12] Equity

Authorized share capital consists of 15,000 shares of EUR 1,000 each. As per 30 June 2016, the total number of shares outstanding which are fully paid in, are 5,000 (31.12.2015: 5,000). All shares of Linde Finance B.V. are held by Linde Holdings Netherlands B.V., Schiedam. The ultimate parent of Linde Finance B.V. is Linde AG, Munich, which is listed on the German stock exchange.

#### 7 EQUITY

<i>in € thousand</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Unappropriated profit</i>	<i>Total equity</i>
<b>AT 1 JANUARY 2015</b>	<b>5,000</b>	<b>150,000</b>	<b>119,357</b>	<b>17,161</b>	<b>291,518</b>
Transfer to retained earnings	-	-	17,161	-17,161	-
unappropriated profits	-	-	-	17,543	17,543
<b>AT 31 DECEMBER 2015/AT 1 JANUARY 2016</b>	<b>5,000</b>	<b>150,000</b>	<b>136,518</b>	<b>17,543</b>	<b>309,061</b>
Transfer to retained earnings	-	-	17,543	-17,543	-
unappropriated profits	-	-	-	7,353	7,353
<b>AT 30 JUNE 2016</b>	<b>5,000</b>	<b>150,000</b>	<b>154,061</b>	<b>7,353</b>	<b>316,414</b>

### [13] Subordinated bonds

In 2006 Linde Finance B.V. issued subordinated bonds, as listed in the table below.

#### 8 SUBORDINATED BONDS

	<i>Currency</i>	<i>Principal in million</i>	<i>Coupon (percent)</i>	<i>Effective yield to first call (percent)</i>	<i>First call date</i>	<i>Original Maturity date</i>	<i>Coupon when first call is not exercised (percent)</i>	<i>Exchange</i>
1	EUR	700	7.375	7.558	14.07.2016	14.07.2066	3 month Euribor+4.125	Irish Stock Exchange <sup>1</sup>
2	GBP	250	8.125	8.265	14.07.2016	14.07.2066	3 month GBP Libor+4.125	Irish Stock Exchange <sup>1</sup>

<sup>1</sup> Not issued under DIP

Linde Finance B.V. has the right to call the bonds from the dates mentioned under "First call date".

This right to call applies to the EUR 700 m and the GBP 250 m subordinated bonds issued in July 2006 which have a final maturity date of 14 July 2066. This right applies as from 14 July 2016. If the right to call the loan is not exercised on this date, the coupon will attract interest at a variable rate (3-month Euribor +4.125 percent for the Euro denominated bond and 3-month Libor +4.125 percent for the bond in British pounds). The right to call the bond will then be available every quarter on the due date for interest payment.

The coupon payment may be suspended on any due date for interest payment. Coupon payments not made will be made up if The Linde Group makes payments for securities pari passu or subordinated securities or Linde AG makes dividend payments.

The bonds are unconditionally, irrevocably guaranteed by Linde AG, Munich.

Linde Finance B.V. decided to call and redeem in full the EUR 700 m subordinated bonds and the GBP 250 m subordinated bonds issued by Linde Finance B.V. in 2006 and guaranteed, on a subordinated basis, by Linde AG, Munich at their nominal amount plus any interest accrued. Call and redemption of the bonds shall be made in accordance with § 6 para. (2) of the terms and conditions of such bonds on 14 July, 2016.

**[14] 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:

**€ 9 BONDS NOTES PAYABLE**

<i>in € thousand</i>	<i>30.06.16</i>	<i>31.12.15</i>
<1 year	1,080,472	381,972
1–5 years	2,359,510	2,751,281
>5 years	1,762,669	1,669,296
	<b>5,202,651</b>	<b>4,802,549</b>

The bonds notes payable of Linde Finance B.V., bear an average interest of 3.74 percent (31.12.2015: 3.82 percent). An amount of EUR 5.2 bn (31.12.2015: EUR 4.5 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 1.0 bn (31.12.2015: EUR 1.1 bn) 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.

**€ 10 ISSUED BONDS LINDE FINANCE B.V.**

	<i>Currency</i>	<i>Principal in million</i>	<i>Coupon (percent)</i>	<i>Maturity date</i>	<i>Exchange</i>
1	USD	50	variable	11.07.2016	not listed
2	USD	20	variable	19.07.2016	not listed
3	USD	20	variable	20.04.2017	not listed
4	EUR	1,000	4.750	24.04.2017	Bourse de Luxembourg
5	EUR	50	variable	23.05.2018	not listed
6	EUR	750	3.125	12.12.2018	Bourse de Luxembourg
7	USD	150	variable	23.05.2019	not listed
8	EUR	500	1.750	11.06.2019	Bourse de Luxembourg
9	AUD	100	4.250	20.06.2019	Bourse de Luxembourg
10	USD	200	variable	21.08.2019	not listed
11	EUR	50	0.634	20.10.2020	Bourse de Luxembourg
12	EUR	600	3.875	01.06.2021	Bourse de Luxembourg
13	GBP	300	5.875	24.04.2023	Bourse de Luxembourg
14	EUR	300	1.875	22.05.2024	Bourse de Luxembourg
15	USD	200	3.434	26.08.2026	Bourse de Luxembourg
16	EUR	80	1.652	20.10.2027	Bourse de Luxembourg
17	EUR	750	1.000	28.04.2028	Bourse de Luxembourg
18	EUR	100	1.900	21.10.2030	Bourse de Luxembourg



**[15] Loans from group companies**

Linde Finance B.V. holds loans from group companies for a total amount of EUR 5.4 bn (31.12.2015: EUR 5.2 bn). An amount of EUR 211.0 m (31.12.2015: EUR 219.4 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 30 June 2016 the average interest rate on these loans was 0.75 percent (31.12.2015: 0.38 percent).

Short-term loans from group companies for an amount of EUR 3.2 bn (31.12.2015: EUR 3.5 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.

**[16] 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 30 June 2016 is EUR 5.4 m (31.12.2015: EUR 8.7 m).

**[17] Credit institutions**

Credit institutions comprise only current bank accounts with negative value.

**[18] Interest payable to third parties**

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

**€ 11 INTEREST PAYABLE TO THIRD PARTIES**

<i>in € thousand</i>	<i>30.06.16</i>	<i>31.12.15</i>
Accrued interest bonds notes payable	38,527	93,516
Accrued interest subordinated bonds	61,139	37,035
Accrued interest derivatives	5,928	3,568
Upfront premiums received on derivatives	415	2,094
	<b>106,009</b>	<b>136,213</b>

**[19] Interest payable to group companies**

Interest payable to group companies include accrued interest on loans from group companies of EUR 3.1 m (31.12.2015: EUR 1.6 m) and accrued interest on derivatives with group companies of EUR 24.2 m (31.12.2015: EUR 31.9 m).

This also includes upfront premiums received on derivatives with group parties for an amount of EUR 0.05 m (31.12.2015: EUR 0.1 m), which will be amortised over the remaining tenor.

**[20] Other payables to third parties**

Other payables essentially include EUR 0.08 m (31.12.2015: EUR 5.2 m) of early payment of foreign currency settlement with a value date in the second half of 2016 but book date in the first half of 2016.

**Profit and loss****[21] Interest income**

The interest income includes EUR 159.3 m (30.06.2015: EUR 216.6 m) of interest income on loans given to group companies. The other interest income EUR 64.7 m (30.06.2015: EUR 81.7 m) is income generated from external derivatives, amortisation of discounts and other interest income.

**[22] Interest expense**

The interest expense includes EUR 57.6 m (30.06.2015: EUR 86.7) of interest from loans of group companies. The other interest expense of EUR 154.6 m (30.06.2015: EUR 199.2 m) comprises mainly of interest expenses for external bonds, external derivatives and the amortisation of discounts. The interest expense includes EUR 3.3 m (30.06.2015: EUR 2.9 m) internal fee related to the guarantee and a credit assurance fee issued by Linde AG, Munich.

**[23] 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 consists 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.

**€ 12 GENERAL AND ADMINISTRATIVE EXPENSES**

<i>in € thousand</i>	<i>January to June 2016</i>	<i>January to June 2015</i>
Wages and salaries	251	245
Other general and administrative expenses	155	148
	<b>406</b>	<b>393</b>

**[24] 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 inter-company loans.

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

**€ 13 TAXATION**

<i>in € thousand</i>	<i>January to June 2016</i>	<i>January to June 2015</i>
Profit before taxation	9,791	11,129
Income tax rate (percent)	25.00	25.00
Income tax expenses	2,438	2,773
<b>EFFECTIVE TAX RATE (PERCENT)</b>	<b>24.90</b>	<b>24.92</b>

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## *[25] Auditors' fees and services*

The auditor's remuneration has been included in the consolidated accounts of The Linde Group, Munich.

## *[26] Directors*

Linde Finance B.V. has one Managing Director (30.06.2015: one) and three Supervisory Board Members (30.06.2015: three). The members of the Supervisory Board did not receive any remuneration during the first six months of 2016. Furthermore Linde Finance B.V. avails itself to 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.

## *[27] Employees*

During the first six months of 2016 Linde Finance B.V. had an average of 3.0 full time equivalents (31.12.2015: 3.0).

The wages and salaries refer to *NOTE [23] PAGE 15* includes social security charges and pension premium costs of EUR 25.4 k (30.06.2015: 25.4 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.

## *[28] Off balance sheet commitments*

Linde Finance B.V. has entered into a number of interest rate swap agreements, with a principal amount of EUR 9.0 bn (31.12.2015: EUR 10.1 bn) and a number of cross currency swap agreements, with a principal amount of EUR 366.9 m (31.12.2015: EUR 377.5 m). Due to the application of cost price hedging to derivative financial instruments an amount of EUR 5.4 bn (31.12.2015: EUR 5.5 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 3.6 bn (31.12.2015: EUR 4.6 bn), recognised at fair value.

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. The rental agreement for the offices has been signed in September 2012 for a period of five years.

Linde AG, Munich and Linde Finance B.V. have a EUR 2.5 bn syndicated credit line at their disposal. The credit line was initially due to expire in 2018 but had two options to extend the facility, in each case by one year. After extending the line in 2014 and 2015, the maturity of the facility is 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.

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.

#### 14 FAIR VALUES FINANCIAL ASSETS AND LIABILITIES

<i>in € million</i>	<i>30.06.16</i>	<i>31.12.15</i>
<b>Assets</b>		
Loans to group companies (non current)	5,617.2	7,553.9
Loans to group companies (current)	6,857.3	4,501.8
Interest rate swaps/cross currency swaps external	55.1	107.6
FX swaps	42.2	17.9
Interest rate swaps/cross currency swaps internal	310.8	195.2
<b>Liabilities</b>		
Bonds/notes payable	4,505.0	4,780.0
Subordinated bonds	1,005.0	1,074.0
Loans from group companies (non current)	216.2	212.9
Loans from group companies (current)	5,211.1	5,019.5
Interest rate swaps/cross currency swaps external	290.3	198.7
FX swaps	37.6	67.7
Interest rate swaps/cross currency swaps internal	90.4	101.8

#### [29] Related parties

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

Further information on related party transactions is also disclosed in relevant notes to the accounts.

#### 15 MAJOR OUTSTANDING LOAN EXPOSURE

<i>in € million</i>			<i>30.06.16</i>	<i>in percent</i>
Linde AG	Munich	DEU	5,323.1	45.4
Linde UK Holdings Limited	Guildford	GBR	3,015.8	25.7
Linde Gas Holding Sweden AB	Lidingo	SWE	1,539.6	13.1
BOC Holdings	Guildford	GBR	358.3	3.1
Linde Holdings Netherlands B.V.	Schiedam	NLD	374.5	3.2
The BOC Group Limited	Guildford	GBR	133.9	1.1
Linde Österreich Holding GmbH	Stadl-Paura	AUT	265.0	2.3
Abello Linde SA	Barcelona	ESP	158.6	1.3
ELGAS LIMITED	North Ryde	AUS	98.0	0.8
other			453.3	4.0
			<b>11,720.1</b>	<b>100.0</b>

#### 16 MAJOR OUTSTANDING DEPOSIT EXPOSURE

<i>in € million</i>			<i>30.06.16</i>	<i>in percent</i>
BOC Helex	Guildford	GBR	697.4	12.8
The BOC Group Limited	Guildford	GBR	587.4	10.8
Linde UK Holdings Limited	Guildford	GBR	195.8	3.6
Linde North America Inc	Bridgewater	USA	359.8	6.6
BOC LIMITED	Guildford	GBR	253.5	4.6
Linde Holdings, LLC	Tulsa	USA	241.7	4.4
BOC HOLDINGS	Guildford	GBR	53.2	1.0
Oy AGA AB	Espoo	FIN	111.9	2.0
Linde Gas GmbH	Stadl-Paura	AUT	91.6	1.7
other			2,866.9	52.5
			<b>5,459.2</b>	<b>100.0</b>

**[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 30 June 2016. 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.

**€ 17 NET FOREIGN CURRENCY CASH FLOW POSITION PER CURRENCY**

<i>in € thousand Currency</i>	<i>Largest positions of Net FX cash flow positions per currency</i>	<i>In € per 30.06.2016</i>	<i>Latest Maturity</i>
GBP	3,399	4,074	24.04.23
USD	1,696	1,529	26.08.26
CAD	690	480	17.12.18
Other currencies		-66	
<b>TOTAL POSITION</b>		<b>6,017</b>	

The total Value at Risk (VaR) for the largest positions is per 30 June 2016 EUR 1.4 m (31.12.2015: 2.3 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).

**€ 18 FOREIGN CURRENCY RISK LINDE FINANCE B.V. AS AT 30.06.2016**

<i>in € thousand</i>	<i>Exposure FX</i>	<i>Exposure €</i>	<i>VaR €</i>
AUD	-95	-64	-17
CAD	690	480	115
GBP	3,399	4,112	952
RUB	-148	-2	-1
TRY	-1	-	-
USD	1,696	1,526	303
<b>TOTAL</b>			<b>1,352</b>
<b>TOTAL RISK (DIVERSIFIED)</b>			<b>1,148</b>

**Interest risk**

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

The table below shows the "un-matched" 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.

**€ 19 INTEREST RISK**

<i>in € thousand Time bucket</i>	<i>Bucket end date</i>	<i>Yearly mismatch</i>	<i>Cumulated mismatch</i>
less than 10 years	31.12.26	-	-
less than 5 years	31.12.21	-	-
less than 4 years	31.12.20	-	-
less than 3 years	31.12.19	-	-
less than 2 years	31.12.18	-	-
less than 1 year	31.12.16	112,611	112,611

**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 and A2/P-1 rating by Moody's. Both 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 credit line at their disposal to actively manage and cover the liquidity risk. The credit line was initially due to expire in 2018 and had two options to extend the facility, in each case by one year. After extending the line in 2014 and 2015, the maturity of the facility is 2020. The syndicated credit line is currently undrawn.

AMSTERDAM, 16 SEPTEMBER 2016

THE BOARD OF MANAGING  
DIRECTORS

MICHA GLASER

*[31] Other information*

**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 shareholder. The Directors propose to add the net profits to the retained earnings.

*[32] Subsequent events*

No subsequent event occurred.

THE BOARD OF SUPERVISORY  
DIRECTORS

DR SVEN SCHNEIDER  
[CHAIRMAN]

BJÖRN SCHNEIDER

# REVIEW REPORT

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To: the General Meeting of shareholders of Linde Finance B.V.

## *Introduction*

We have reviewed the accompanying interim financial statements as at 30 June 2016 of Linde Finance B.V., Amsterdam on pages 6 to 19 of the Half-Year Report, which comprises the balance sheet as at 30 June 2016, the profit and loss account and the cash flow statement for the period of six months ended at 30 June 2016, and the notes. The Board of Managing Directors of the Company is responsible for the preparation and presentation of these interim financial statements in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports. Our responsibility is to express a conclusion on this interim financial information based on our review.

## *Scope*

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements as at 30 June 2016 is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports.

AMSTELVEEN, 16 SEPTEMBER 2016

KPMG ACCOUNTANTS N.V.

F.M. VAN DEN WILDENBERG RA

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