

# Linde Finance B.V.

FINANCIAL STATEMENTS  
FOR THE 2015 FINANCIAL YEAR



# Financial Statements

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# DIRECTOR'S REPORT

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The Board of Managing Directors of Linde Finance B.V. hereby presents the financial statements for the year ended 31 December 2015. These statements are prepared according to 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.

## 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. During the reporting period, Linde successfully extended the term of the EUR 2.5 bn syndicated credit facility agreed in July 2013 for the second time by one year 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 (subject to the agreement of the lenders).

Intercompany credit exposure has been insured with Linde AG, Munich through a Credit Assurance Agreement. For further information we refer to [NOTE \[29\] PAGE 22](#).

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 annual financial statements 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 statement, 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 2015 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, 11 MARCH 2016

THE BOARD OF MANAGING DIRECTORS

MICHA GLASER

# FINANCIAL HIGHLIGHTS

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 DIRECTOR'S 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 December 2015 the nominal debt outstanding under this program is EUR 6.9 bn (31.12.2014: EUR 7.3 bn). Thereof EUR 4.5 bn (31.12.2014: EUR 5.0 bn) is issued by Linde Finance B.V..

During 2015 Linde Finance B.V. issued a fifteen year EUR 100 m medium term note, a twelve year EUR 80 m medium term note and a five year EUR 50 m medium term note. Two bonds have been repaid, a seven year EUR 600 m bond and a five year AUD 150 m.

As per 31 December 2015, Linde Finance B.V. has nominal EUR 700.0 m (31.12.2014: EUR 700.0 m) and GBP 250.0 m (31.12.2014: GBP 250.0 m) of subordinated bonds outstanding. Linde Finance B.V. also has debt outstanding for nominal GBP 200.0 m (31.12.2014: GBP 200.0 m) which originally has been issued by the former BOC GROUP PLC and for which Linde Finance B.V. has been substituted as issuer in December 2007. These three bonds are not issued under the DIP.

In July 2013 Linde AG, Munich and Linde Finance B.V. have agreed a new five year EUR 2.5 bn syndicated credit facility. During the reporting period, Linde successfully extended the term of the EUR 2.5 bn syndicated credit facility for the second time by one year 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 (subject to the agreement of the lenders).

Supplementary to the EUR 10.0 bn Debt Issuance Programme, Linde Finance B.V. has a EUR 2.0 bn multi-currency Commercial Paper (CP) Programme which is unconditionally guaranteed by Linde AG, Munich. As per 31 December 2015, Linde Finance B.V. has no Commercial Papers outstanding (31.12.2014: EUR 0.0 m).

During 2015 the interest income amounted to EUR 587.9 m (31.12.2014: EUR 595.7 m). The interest expense amounted to EUR 562.3 m (31.12.2014: EUR 573.2 m).

The profit after taxation was EUR 17.5 m (31.12.2014: EUR 17.2 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 2016 we expect a positive and stable result. In relation to personnel, we do not foresee any changes in 2016.

## T1 ISSUED MEDIUM TERM NOTES

in € million

Type	Currency	Principal	Coupon (percent)	Issue date	Maturity date
Medium term note	EUR	100	1.900	21.10.2015	21.10.2030
Medium term note	EUR	80	1.652	20.10.2015	20.10.2027
Medium term note	EUR	50	0.634	20.10.2015	20.10.2020

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.

AMSTERDAM, 11 MARCH 2016

THE BOARD OF MANAGING DIRECTORS

MICHA GLASER

# BOARD OF SUPERVISORY DIRECTOR'S REPORT

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The Board of Supervisory Directors hereby submits the report for the financial statements for the book year ended 31 December 2015. The financial statements have been audited by KPMG Accountants N.V. and were provided with an unqualified audit opinion on 11 March 2016. The audit report can be found on [PAGE 25](#) 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 two times in 2015. Besides these meetings there are on-going 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).

The current composition of the Board of Supervisory Directors is:

- Georg Denoke (1965, German nationality), member of the Board of Supervisory Directors since 12 September 2006.
- 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, 11 MARCH 2016

ON BEHALF OF THE BOARD  
OF SUPERVISORY DIRECTORS,

GEORG DENOKE  
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 reporting year of 2015.

*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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## T2 BALANCE SHEET OF LINDE FINANCE B.V. – ASSETS

<i>in € thousand</i>	<i>Note</i>	<i>31.12.2015</i>	<i>31.12.2014</i>
Other operating fixed assets		20	24
<b>Tangible fixed assets</b>		<b>20</b>	<b>24</b>
Loans to group companies	[1]	6,920,116	8,231,143
Deferred derivatives results	[2]	2,649	4,259
Prepaid expenses	[3]	2,545	3,272
<b>Financial fixed assets</b>		<b>6,925,310</b>	<b>8,238,674</b>
<b>FIXED ASSETS</b>		<b>6,925,330</b>	<b>8,238,698</b>
Loans to group companies	[4]	4,402,471	3,319,270
Interest receivable from group companies	[5]	153,424	157,724
Interest receivables from third parties	[6]	28,333	29,727
Deferred derivatives results	[2]	25,755	32,818
Forward exchange contracts	[7]	37,866	111,066
Derivatives at fair value	[8]	184,224	229,906
Tax receivable	[9]	3,773	4,411
<b>Receivables</b>		<b>4,835,846</b>	<b>3,884,922</b>
Collateral deposits	[10]	131,200	71,200
Liquid assets	[11]	5,206	7,801
<b>Cash and cash equivalents</b>		<b>136,406</b>	<b>79,001</b>
<b>CURRENT ASSETS</b>		<b>4,972,252</b>	<b>3,963,923</b>
<b>ASSETS</b>		<b>11,897,582</b>	<b>12,202,621</b>



# BALANCE SHEET EQUITY AND LIABILITIES

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## T3 BALANCE SHEET OF LINDE FINANCIAL B.V. – EQUITY AND LIABILITIES

<i>in € thousand</i>	<i>Note</i>	<i>31.12.2015</i>	<i>31.12.2014</i>
Share capital		5,000	5,000
Share premium		150,000	150,000
Retained earnings		136,518	119,357
Unappropriated profits		17,543	17,161
<b>EQUITY</b>	[12]	<b>309,061</b>	<b>291,518</b>
Subordinated bonds	[13]	1,043,400	1,033,030
Bonds notes payable	[14]	4,420,577	4,466,868
Deferred derivatives results		77	98
Loans from group companies	[15]	219,398	265,411
<b>LONG TERM LIABILITIES</b>		<b>5,683,452</b>	<b>5,765,407</b>
Bonds notes payable	[14]	381,972	703,309
Collateral borrowing	[16]	8,700	7,733
Loans from group companies	[15]	5,054,662	4,938,044
Interest payable to third parties	[17]	136,213	138,638
Interest payable to group companies	[18]	33,661	36,275
Forward exchange contracts	[7]	92,695	77,728
Derivatives at fair value	[8]	184,224	229,906
Other payables to third parties	[19]	5,250	6,298
Other payables to group companies		1,788	1,939
Tax payable		5,834	5,747
Accounts payable		70	79
<b>SHORT TERM LIABILITIES</b>		<b>5,905,069</b>	<b>6,145,696</b>
<b>EQUITY AND LIABILITIES</b>		<b>11,897,582</b>	<b>12,202,621</b>

# PROFIT AND LOSS ACCOUNT

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## T4 PROFIT AND LOSS

<i>in € thousand</i>	<i>Note</i>	<i>2015</i>	<i>2014</i>
Group company loans		425,094	443,666
Other interest income		162,844	152,018
<b>INTEREST INCOME</b>	[20]	<b>587,938</b>	<b>595,684</b>
Group company loans		169,308	178,205
Other interest expense		392,988	395,017
<b>INTEREST EXPENSES</b>	[21]	<b>562,296</b>	<b>573,222</b>
<b>NET INTEREST RESULT</b>		<b>25,642</b>	<b>22,462</b>
Foreign exchange result		-1,385	1,331
<b>FINANCIAL RESULT</b>		<b>24,257</b>	<b>23,793</b>
General and administrative expenses	[22]	968	851
Other income		89	85
<b>PROFIT BEFORE TAXATION</b>		<b>23,378</b>	<b>23,027</b>
Taxation	[23]	5,835	5,866
<b>NET PROFIT AFTER TAXATION</b>		<b>17,543</b>	<b>17,161</b>

# CASH FLOW STATEMENT

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## T5 CASH FLOW STATEMENT

<i>in € thousand</i>	2015	2014
<b>NET PROFIT</b>	<b>17,543</b>	<b>17,161</b>
In-/decrease fixed assets	1,313,368	-6,246
In-/decrease current assets	-1,010,924	-715,884
In-/decrease long term liabilities	-311,955	-644,410
In-/decrease current liabilities	459,063	1,167,362
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>449,552</b>	<b>-199,178</b>
Proceeds from issuance of debt securities	230,000	630,619
Repayment of debt securities	-699,690	-445,641
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-469,690</b>	<b>184,978</b>
In-/decrease cash at banks	-2,595	2,961
Liquid assets 1 January	7,801	4,840
<b>LIQUID ASSETS 31 DECEMBER</b>	<b>5,206</b>	<b>7,801</b>
<b>INCLUDED IN THE CASH FLOW FOR THE YEAR ARE THE FOLLOWING AMOUNTS</b>		
Interest Income received	565,606	553,701
Interest expenses paid	464,064	467,765*
Income taxes paid	3,175	4,460

\* corrected amount 2014

# 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 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 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

For 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.

## Taxation

Taxation is calculated on the basis of commercial income adjusted for available fiscal facilities.

## Net result

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

# NOTES TO THE ANNUAL ACCOUNTS AS PER 31 DECEMBER 2015

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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:

#### T6 MOVEMENT IN LONG TERM LOANS TO GROUP COMPANIES

<i>in € thousand</i>	<i>2015</i>	<i>2014</i>
<b>At 1 January</b>	<b>8,231,143</b>	<b>8,222,485</b>
New loans	2,148,549	3,081,049
Reclassified to short term loans	-1,728,454	-771,129
Translation adjustment	700,108	86,318
Loans redeemed	-2,431,230	-2,387,580
<b>At 31 December</b>	<b>6,920,116</b>	<b>8,231,143</b>

An amount of EUR 2.0 bn (31.12.2014: EUR 1.8 bn) of the principal portions outstanding have a final maturity over more than five years.

Long-term loans to group companies for a total amount of EUR 1.3 bn (31.12.2014: EUR 1.9 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 2015 was 4.40 per cent (31.12.2014: 4.08 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 25.8 m (31.12.2014: EUR 32.8 m). The unwinding of derivatives has been executed on a risk neutral basis.

A remaining amount of EUR 2.6 m (31.12.2014: EUR 4.3 m) will be amortised over the remaining tenor of the settled swap.

### [3] Prepaid expenses

In July 2013 Linde AG, Munich and Linde Finance B.V. had agreed a new five year EUR 2.5 bn syndicated revolving credit facility. During the reporting period, Linde successfully extended the term of the syndicated revolving credit facility for a second time by one year 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 (subject to the agreement of the lenders).

Linde Finance B.V. paid an upfront premium of EUR 4.5 m. The outstanding value per 31 December 2015 of EUR 2.5 m (31.12.2014: EUR 3.3 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 4.4 bn (31.12.2014: EUR 3.3 bn) of which the principal portions are due and payable within one year. Interest rates are determined based on the arm's length principle. The average interest rate on these loans as at 31 December 2015 is 2.50 percent (31.12.2014: 1.78 percent).

Short-term loans to group companies for a total amount of EUR 1.3 bn (31.12.2014: EUR 739.3 m) are denominated in a currency other than Euro at 31 December 2015. 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 151.5 m (31.12.2014: EUR 152.0 m), EUR 1.9 m (31.12.2014: EUR 3.1 m) accrued interest on derivatives with group companies and EUR 0.02 m (31.12.2014: EUR 2.7 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 28.3 m (31.12.2014: EUR 29.7 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 184.2 m (31.12.2014: 229.9 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 2015 Linde Finance B.V. has a tax receivable of EUR 3.8 m (31.12.2014: EUR 4.4 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 2015 is EUR 131.2 m (31.12.2014: EUR 71.2 m).

### [11] Liquid assets

Liquid assets comprise only cash at banks which are at the disposal of Linde Finance B.V..

## Equity and liabilities

### [12] Equity

Authorized share capital consists of 15,000 shares of EUR 1,000 each. As per 31 December 2015, the total number

of shares outstanding which are fully paid in, are 5,000 (31.12.2014: 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.

#### T7 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 2014</b>	<b>5,000</b>	<b>150,000</b>	<b>109,955</b>	<b>9,402</b>	<b>274,357</b>
Transfer to retained earnings	-	-	9,402	-9,402	-
unappropriated profits	-	-	-	17,161	17,161
<b>At 31 December 2014 / 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</b>	<b>5,000</b>	<b>150,000</b>	<b>136,518</b>	<b>17,543</b>	<b>309,061</b>

### [13] Subordinated bonds

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

#### T8 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>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*
2	GBP	250	8.125	8.265	14.07.2016	14.07.2066	3 month GBP Libor+4,125	Irish Stock Exchange*

\* 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 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.



## [14] Bonds notes payable

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

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

### T9 BONDS NOTES PAYABLE

<i>in € thousand</i>	<i>31.12.2015</i>	<i>31.12.2014</i>
< 1 year	381,972	703,309
1-5 years	2,751,281	3,022,327
> 5 years	1,669,296	1,444,541
	<b>4,802,549</b>	<b>5,170,177</b>

The bonds notes payable of Linde Finance B.V., bear an average interest of 3.82 percent (31.12.2014: 4.6 percent). An amount of EUR 4.5 bn (31.12.2014: EUR 5.0 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 1.1 bn (31.12.2014: 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.

### T10 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	GBP	200	6.500	29.01.2016	London Stock Exchange*
2	USD	50	variable	02.03.2016	not listed
3	USD	50	variable	11.07.2016	not listed
4	USD	20	variable	19.07.2016	not listed
5	USD	20	variable	20.04.2017	not listed
6	EUR	1,000	4.750	24.04.2017	Bourse de Luxembourg
7	EUR	50	variable	23.05.2018	not listed
8	EUR	750	3.125	12.12.2018	Bourse de Luxembourg
9	USD	150	variable	23.05.2019	not listed
10	EUR	500	1.750	11.06.2019	Bourse de Luxembourg
11	AUD	100	4.250	20.06.2019	Bourse de Luxembourg
12	USD	200	variable	21.08.2019	not listed
13	EUR	50	0.634	20.10.2020	Bourse de Luxembourg
14	EUR	600	3.875	01.06.2021	Bourse de Luxembourg
15	GBP	300	5.875	24.04.2023	Bourse de Luxembourg
16	EUR	300	1.875	22.05.2024	Bourse de Luxembourg
17	USD	200	3.434	26.08.2026	Bourse de Luxembourg
18	EUR	80	1.652	20.10.2027	Bourse de Luxembourg
19	EUR	100	1.900	21.10.2030	Bourse de Luxembourg

\* Not issued under DIP

## [15] Loans from group companies

Linde Finance B.V. holds loans from group companies for a total amount of EUR 5.2 bn (31.12.2014: EUR 5.1 bn). An amount of EUR 219,4 m (31.12.2014: EUR 265.4 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 31 December 2015 the average interest rate on these loans was 0.38 percent (31.12.2014: 0.36 percent).

Short-term loans from group companies for an amount of EUR 3.5 bn (31.12.2014: EUR 3.2 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 counterparty risk. The outstanding value of the cash collateral deposited at Linde Finance B.V. by various banks, as per 31 December 2015 is EUR 8.7 m (31.12.2014: EUR 7.7 m).

## [17] Interest payable to third parties

### T11 INTEREST PAYABLE TO THIRD PARTIES

<i>in € thousand</i>	31.12.2015	31.12.2014
Accrued interest bonds notes payable	93,516	94,217
Accrued interest subordinated bonds	37,035	36,437
Accrued interest derivatives	3,568	4,834
Upfront premiums received on derivatives	2,094	3,150
	<b>136,213</b>	<b>138,638</b>

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

## [18] Interest payable to group companies

Interest payable to group companies include accrued interest on loans from group companies of EUR 1.6 m (31.12.2014: EUR 2.3 m) and accrued interest on derivatives with group companies of EUR 31.9 m (31.12.2014: EUR 33.3 m).

This also includes upfront premiums received on derivatives with group parties for an amount of EUR 0.1 m (31.12.2014: EUR 0.7 m), which will be amortised over the remaining tenor.

## [19] Other payables to third parties

Other payables essentially include EUR 5.2 m (31.12.2014: EUR 0.0 m) of early payment of foreign currency settlement with a value date 2016 but book date 2015. In 2014 EUR 6.3 m of unpaid financial transactions were included.

## Profit and loss

### [20] Interest income

The interest income includes EUR 425.1 m (31.12.2014: EUR 443.7 m) of interest income on loans given to group companies. The other interest income EUR 162.8 m (31.12.2014: EUR 152.0 m) is income generated from external derivatives, amortisation of discounts and other interest income.

### [21] Interest expense

The interest expense includes EUR 169.3 m (31.12.2014: EUR 178.2) of interest from loans of group companies. The other interest expense of EUR 393.0 m (31.12.2014: EUR 395.0 m) comprises mainly of interest expenses for external bonds, external derivatives and the amortisation of discounts. The interest expense includes EUR 5.8 m (31.12.2014: EUR 8.4 m) internal fee related to the guarantee issued by Linde AG, Munich.

## [22] General and administrative expenses

The general and administrative expenses for the period can be analysed as stated in the below table. 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.

### T12 GENERAL AND ADMINISTRATIVE EXPENSES

<i>in € thousand</i>	2015	2014
Wages and salaries	485	540
Other general and administrative expenses	483	311
	<b>968</b>	<b>851</b>

## [23] Taxation

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

This APA ruling defines the minimum returns for inter-company loans.

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

### T13 TAXATION

<i>in € thousand</i>	2015	2014
Profit before taxation	23,378	23,027
Income tax rate (percent)	25.00	25.00
Income tax expenses	5,835	5,866
Effective tax rate (percent)	<b>24.96</b>	<b>25.47</b>

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## [24] Auditors' fees and services

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

## [25] Directors

Linde Finance B.V. has one Managing Director (31.12.2014: one) and three Supervisory Board Members (31.12.2014 three). The members of the Supervisory Board did not receive any remuneration during 2015. 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 and in conformity with Rj 275 it is opted for accounting this in the financial statements of Linde AG.

## [26] Employees

During 2015 Linde Finance B.V. had an average of 3.0 full time equivalents (31.12.2014: 3.0).

The wages and salaries refer to [NOTE \[22\] PAGE 19](#) includes social security charges and pension premium costs of EUR 50.4 k (31.12.2014: 58.1 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.

## [27] Off balance sheet commitments

Linde Finance B.V. has entered into a number of interest rate swap agreements, with a principal amount of EUR 10.1 bn (31.12.2014: EUR 11.6 bn) and a number of cross currency swap agreements, with a principal amount of EUR 377.5 m (31.12.2014: EUR 397.8 m). Due to the application of cost price hedging to derivative financial instruments an amount of EUR 5.5 bn (31.12.2014: EUR 6.8 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 4.6 bn (31.12.2014: EUR 4.8 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.

In July 2013 Linde AG, Munich and Linde Finance B.V. had agreed a new five-year EUR 2.5 bn syndicated revolving credit facility. During the reporting period, Linde successfully extended the term of the syndicated revolving credit facility for a second time by one year 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 (subject to the agreement of the lenders).

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.

#### T14 FAIR VALUES FINANCIAL ASSETS AND LIABILITIES

<i>in € million</i>	31.12.2015	31.12.2014
<b>Assets</b>		
Loans to group companies (non current)	7,553.9	9,138.4
Loans to group companies (current)	4,501.8	3,350.3
Interest rate swaps/cross currency swaps external	107.6	147.9
FX swaps	17.9	70.2
Interest rate swaps/cross currency swaps internal	195.2	258.9
<b>Liabilities</b>		
Bonds/notes payable	4,780.0	5,710.3
Subordinated bonds	1,074.0	1,117.2
Loans from group companies (non current)	212.9	258.6
Loans from group companies (current)	5,019.5	4,903.1
Interest rate swaps/cross currency swaps external	198.7	243.4
FX swaps	67.7	39.4
Interest rate swaps/cross currency swaps internal	101.8	142.4

## [28] 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.

#### T15 MAJOR OUTSTANDING LOAN EXPOSURE

<i>in € million</i>			31.12.2015	<i>in percent</i>
Linde AG	Munich	DEU	4,964.1	43.8
Linde UK Holdings Limited	Guilford	GBR	3,358.2	29.7
Linde Gas Holding Sweden AB	Lidingo	SWE	912.2	8.1
BOC Holdings	Guilford	GBR	401.7	3.5
Linde Holdings Netherlands B.V.	Schiedam	NLD	374.5	3.3
The BOC Group Limited	Guilford	GBR	340.6	3.0
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	134.1	1.2
other			413.6	3.8
			<b>11,322.6</b>	<b>100.0</b>

**T16 MAJOR OUTSTANDING DEPOSIT EXPOSURE**

<i>in € million</i>			<i>31.12.2015</i>	<i>in percent</i>
BOC Helex	Guilford	GBR	649.4	12.3
The BOC Group Limited	Guilford	GBR	631.6	12.0
Linde UK Holdings Limited	Guilford	GBR	482.0	9.1
Linde North America Inc	Murray Hill	USA	471.7	8.9
BOC LIMITED	Guilford	GBR	389.5	7.4
Linde Holdings, LLC	Tulsa	USA	297.6	5.6
BOC HOLDINGS	Guilford	GBR	149.2	2.8
Oy AGA AB	Espoo	FIN	111.3	2.1
Linde Gas GmbH	Stadl-Paura	AUT	78.6	1.4
other			2,013.2	38.4
			<b>5,274.1</b>	<b>100.0</b>

## [29] 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 below table provides the net foreign exchange cash flow positions per 31 December 2015. 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.

**T17 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 31.12.2015</i>	<i>Latest Maturity</i>
GBP	4,401	5,989	24.04.2023
USD	4,545	4,204	26.08.2026
CAD	829	551	17.12.2018
Other currencies		4	
<b>Total position</b>		<b>10,749</b>	

The total Value at Risk (VaR) for the largest positions is per 31 December 2015 EUR 2.3 m (31.12.2014: 1.4 m). The VaR calculation is based on a 97.5% VaR for Linde

Finance B.V. foreign currency positions (Multivariate normality assumed, i.e., Markowitz approach).

**T18 FOREIGN CURRENCY RISK LINDE FINANCE B.V. AS AT 31.12.2015**

<i>in thousand</i>	<i>Exposure FX</i>	<i>Exposure €</i>	<i>VaR €</i>
AUD	17	11	3
CAD	829	551	132
GBP	4,401	5,972	1,142
RUB	-178	-2	-1
TRY	-17	-5	-2
USD	4,545	4,185	1,004
<b>Total</b>			<b>2,277</b>
<b>Total Risk (diversified)</b>			<b>2,095</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 EUR equivalents. A positive sign is a net long position.

**T19 INTEREST RISK**

<i>in € thousand</i> <i>Time bucket</i>	<i>Bucket end date</i>	<i>Yearly mismatch</i>	<i>Cummulated mismatch</i>
less than 10 years	31.12.2026	-	-
less than 5 years	31.12.2021	-	-
less than 4 years	31.12.2020	-	-
less than 3 years	31.12.2019	-	-
less than 2 years	31.12.2018	-	-
less than 1 year	31.12.2016	164,276	164,267

**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 a 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*

The liquidity risk is actively managed and covered by a currently undrawn EUR 2.5 bn five year syndicated revolving credit facility, which was agreed in July 2013. During the reporting period, Linde successfully extended the term of the syndicated revolving credit facility for a second time by one year 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 (subject to the agreement of the lenders).

## [30] 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.

## [31] Subsequent events

No subsequent event occurred.

AMSTERDAM, 11 MARCH 2016

THE BOARD OF MANAGING  
DIRECTORS

MICHA GLASER

THE BOARD OF SUPERVISORY  
DIRECTORS

GEORG DENOKE, CHAIRMAN

BJÖRN SCHNEIDER

DR SVEN SCHNEIDER



# INDEPENDENT AUDITOR'S REPORT

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To: The Board of Managing Directors of Linde Finance B.V.

## Report on the audit of the financial statements 2015

### Our opinion

We have audited the financial statements 2015 of Linde Finance B.V. (the company), based in Amsterdam. In our opinion the financial statements give a true and fair view of the financial position of Linde Finance B.V. as at December 31, 2015 and of its result for 2015 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements comprise:

1. the balance sheet as at December 31, 2015;
2. the profit and loss account for 2015; and
3. the notes comprising the cash flow statement, 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 Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

### Materiality

Misstatements can arise from fraud or errors 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.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 20 million (2014: EUR 20 million). The materiality is determined with reference to the Company's total equity (6,5%) as we consider the financial position most relevant given the activities of the Company as financing entity for The Linde Group companies and for the noteholders.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of EUR 1 million, 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 Board of Managing Directors and 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 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 results on the derivatives and related hedged positions.

The accounting treatment of derivatives is dependent on whether the hedge relationship qualifies for hedge accounting or not and is disclosed on page 13. An overview of the Company's hedging activities is included in Note 29 Page 22.

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 the application of cost price hedge accounting.

#### *Our response*

We have evaluated the Company's hedge documentation and identification process for new hedge relationships. Our procedures 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. We also assessed whether the disclosure requirements were met in the financial statements.

#### *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 and that the disclosure is adequate.

#### *Estimation uncertainty in respect of the valuation of Loans to Group companies*

##### *Description*

The Company is a financing entity entering into financing arrangements with The Linde Group companies. The Company has no substantial assets other than the loans to Group companies. The Company is therefore interrelated and dependent on the performance of the Linde Group for repayment of its debt instruments and meeting its financial obligations. This is highlighted in Note 29 Page 22 of the financial statements. Given this pervasive impact on the financial statements of the Company, we considered this a key audit matter.

##### *Our response*

Our audit procedures 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. To this end we have performed, amongst others, the following procedures with respect to the exposure on Group entities:

- Inspect the audited 2015 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 A.G. and Linde Finance B.V.

##### *Our observation*

Based on our audit procedures we found that the loans to Group companies of Linde AG are appropriately valued in accordance with the company's accounting policies on page 12.

#### **Responsibilities of the Board of Managing Directors and the Supervisory Board for the financial statements**

The Board of Managing Directors is responsible for the preparation and fair presentation of the financial statements and for the preparation of the Board of Managing

Directors report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Board of Managing Directors is responsible for such internal control as the Board of Managing Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Managing Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Managing Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Managing Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Managing Directors 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 assignment 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 have detected all errors and/or fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, 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 for one resulting from errors, 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 the Board of Managing Directors;
- Concluding on the appropriateness of the Board of Managing Directors' 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 company'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 the company ceasing 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.

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.

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 those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

#### **Report on other legal and regulatory requirements**

*Report on the Board of Managing Directors report and the other information*

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Board of Managing Directors report and other information),:

- We have no deficiencies to report as a result of our examination whether the Board of Managing Directors report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed;
- We report that the Board of Managing Directors report, to the extent we can assess, is consistent with the financial statements.

#### **Engagement**

We were engaged by the Board of Managing Directors as auditor of Linde Finance B.V. prior to the year 2003 and have operated as statutory auditor ever since that date. Our re-appointment is yearly confirmed and documented by an engagement letter, for the year 2015 dated 2 July 2015.

AMSTELVEEN, 11 MARCH 2016  
KPMG ACCOUNTANTS N.V.

F.M. VAN DEN WILDENBERG RA

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Linde Finance B.V.  
Buitenveldertselaan 106  
1081 AB Amsterdam  
Netherlands  
Phone +31.20.301.3803  
Fax +31.20.301.3809  
[www.linde-finance.com](http://www.linde-finance.com)