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LINDE HALF-YEAR FINANCIAL REPORT
JANUARY TO JUNE 2015

LeadIng.

THE LINDE GROUP

LINDE FINANCIAL HIGHLIGHTS

[H1 – JANUARY TO JUNE 2015]

Linde financial highlights		*January to June 2015*	*January to June 2014*	*Change*
Share				
Closing price	€	169.90	155.30	9.4%
Year high	€	193.85	157.30	23.2%
Year low	€	149.30	139.15	7.3%
Market capitalisation (at closing price on 30 June)	€ million	31,540	28,835	9.4%
Earnings per share – undiluted	€	3.12	3.36	−7.1%
Earnings per share – undiluted (before non-recurring items)	€	3.65	3.36	8.6%
Number of shares outstanding at the end of the reporting period	000s	185,638	185,672	–
Group				
Revenue	€ million	9,036	8,212	10.0%
Operating profit[1]	€ million	2,104	1,896	11.0%
Operating margin	%	23.3	23.1	20 bp[3]
EBIT	€ million	1,025	1,073	−4.5%
Profit for the period	€ million	629	680	−7.5%
Number of employees[2]		65,345	65,591	−0.4%
Gases Division				
Revenue	€ million	7,554	6,825	10.7%
Operating profit[1]	€ million	2,091	1,863	12.2%
Operating margin	%	27.7	27.3	40 bp[3]
Engineering Division				
Revenue	€ million	1,351	1,418	−4.7%
Operating profit[1]	€ million	114	141	−19.1%
Operating margin	%	8.4	9.9	−150 bp[3]

[1] EBIT (before non-recurring item of EUR 138 m) adjusted for amortisation of intangible assets and depreciation of tangible assets.
[2] At 30 June 2015/31 December 2014.
[3] Basis points.

LINDE HALF-YEAR FINANCIAL REPORT

[H1 – JANUARY TO JUNE 2015]

JANUARY TO JUNE 2015: POSITIVE EXCHANGE RATE EFFECTS HAVE A BENEFICIAL IMPACT ON LINDE'S REVENUE AND EARNINGS

- Group revenue: EUR 9.036 bn (2014: EUR 8.212 bn), up 10.0 percent (revenue similar to 2014 after adjusting for exchange rate effects)
- Group operating profit[1]: EUR 2.104 bn (2014 EUR 1.896 bn), up 11.0 percent (up 0.4 percent after adjusting for exchange rate effects)
- Operating cash flow: EUR 1.583 bn; +54.9 percent
- Outlook for 2015:
  - Revenue forecast in the Gases Division revised up mainly as a result of exchange rate effects to between EUR 15.1 bn and EUR 15.5 bn
  - Revenue forecast for the Engineering Division revised down as a result of the unfavourable environment for plant construction to between EUR 2.5 bn and EUR 2.7 bn
  - Forecast for Group revenue therefore revised to between EUR 17.9 bn and EUR 18.5 bn
  - Group operating profit[1] of between EUR 4.1 bn and EUR 4.3 bn and ROCE of 9 percent to 10 percent confirmed

[1] EBIT (before non-recurring items) adjusted for the amortisation of intangible assets and the depreciation of tangible assets.

GROUP INTERIM MANAGEMENT REPORT

General economic environment

Given the large number of geopolitical crises, economic experts are expecting global economic growth to remain at a similar level in the current year to that seen in 2014. The international forecasting institute Oxford Economics[1] is therefore projecting an increase in global gross domestic product (GDP) for the full year 2015 of 2.6 percent. Growth in 2014 was 2.7 percent. The economic experts are forecasting growth in global industrial production (IP) for the full year 2015 of 2.4 percent (2014: 2.5 percent).

Dynamic trends in the growth regions, which include East Asia and North America, are still being seen as the strongest driver of global economic development. Although the GDP growth forecast for China in 2015 has been revised down in the current year, structural adjustments are expected to stimulate growth. Moreover, the experts are assuming that the recovery in Germany is gathering pace. It is not anticipated that the debt crisis in Greece will have a major impact on the global economy. Although the low price of oil is expected to lead to an increase in global consumption, it may also have an adverse effect on investment activity in some industry sectors.

Nevertheless, there are still a number of risks that might have an impact on the global economy. Economic development could be adversely affected by the large number of geopolitical crises. Other factors which might continue to hamper growth are considerable ongoing government deficits, currency fluctuations and persistently high unemployment in many industrialised countries. In addition, uncertainty has been created by high levels of volatility in the financial markets.

Economists are expecting different rates of growth in the different regions of the world in 2015.

Once again, it is anticipated that the greatest economic growth will be in the Asia/Pacific region. Oxford Economics is forecasting an increase in GDP in this region for the full year 2015 of 5.6 percent (2014: 5.9 percent). For the first time, India is expected to overtake China as the fastest-growing economy, with projected GDP growth of 7.5 percent (2014: 7.1 percent). Industrial production in India is even forecast to more than double, from 1.8 percent in 2014 to 4.9 percent in 2015. Nevertheless, China's GDP growth is expected to remain very high at 6.6 percent (2014: 7.4 percent). Industrial production in China is expected not to increase quite as fast as in 2014. It is projected to rise by 6.0 percent in 2015, compared with the actual increase in 2014 of 7.3 percent.

In Australia, Oxford Economics is predicting GDP growth of 2.6 percent (2014: 2.7 percent). This increase will come primarily from the expansion of the service sector, which dominates the Australian economy, generating around 80 percent of the country's GDP. A weaker economic environment continues to be forecast for manufacturing industry in Australia. It is also anticipated that investment in the mining industry will continue to decline.

For the EMEA region as a whole (Europe, Middle East, Africa), growth is expected to be 1.5 percent in 2015, a similar figure to that achieved in 2014 of 1.6 percent. The projection for Germany of 1.9 percent is slightly higher than the figure for 2014 of 1.6 percent. However, industrial production in Germany in 2015 is expected to remain moderate at 1.5 percent, the same figure as in 2014. In the UK, economic experts are forecasting GDP growth of 2.6 percent (2014: 3.0 percent). In Eastern Europe and the Middle East, as a result of the crisis in Ukraine and Russia, economists are now, as expected, predicting a relatively low increase in GDP of 0.5 percent (2014: 2.0 percent). Industrial production in that region is also forecast to grow by only 0.8 percent (2014: 2.4 percent). In South Africa, Linde's largest market in Africa, economists are anticipating GDP growth of 2.1 percent, which is higher than the figure of 1.5 percent achieved in 2014.

In the Americas region as a whole, economic output is currently expected to rise by 1.7 percent in 2015 (2014: 2.2 percent). The main driver of this trend is the United States, where GDP growth of 2.3 percent is being forecast for 2015 (2014: 2.4 percent). In South America, it is even expected that economic output will decline in 2015 by 0.6 percent, compared with GDP growth of 0.6 percent in 2014. GDP in Brazil is expected to fall in 2015 by 1.6 percent, while GDP in Venezuela is expected to decline by 6.0 percent.

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Business review of The Linde Group

Linde achieved increases in Group revenue and Group operating profit in the first half of 2015 and has once again benefited from positive exchange rate effects. Revenue rose by 10.0 percent to EUR 9.036 bn (2014: EUR 8.212 bn). Operating profit rose by 11.0 percent to EUR 2.104 bn (2014: EUR 1.896 bn). Exchange rate movements contributed to the increase. Positive trends continued to be seen in the exchange rates for US dollars, British pounds and Chinese renminbi. These effects have arisen purely on the translation of various local currencies into the reporting currency (the euro). After adjusting for exchange rate effects, Group revenue in the first half of 2015 was similar to the figure for Group revenue in the first half of 2014. Group operating profit increased slightly by 0.4 percent.

The Group operating margin for the first six months of 2015 was 23.3 percent, which was also slightly higher than the figure for the prior-year period (2014: 23.1 percent).

Cost of sales increased in the reporting period at virtually the same rate as revenue, by 10.1 percent or EUR 535 m to EUR 5.851 bn (2014: EUR 5.316 bn). Gross profit on sales of EUR 3.185 bn was 10.0 percent higher than the figure for the first half of 2014 of EUR 2.896 bn. At 35.2 percent, the gross margin was almost the same as the figure for the prior-year period of 35.3 percent.

Restructuring costs of EUR 138 m were recognised in functional costs during the reporting period. These costs, which have been classified as a non-recurring item, relate to structural and organisational measures being taken to enhance the efficiency of the Group.

EBIT in the six months to 30 June 2015 was EUR 1.025 bn, which was below the figure for the first half of 2014 of EUR 1.073 bn. After adjusting for non-recurring items, EBIT in the reporting period was EUR 1.163 bn (2014: EUR 1.073 bn). The net financial expense in the first six months of 2015 was EUR 198 m (2014: EUR 179 m). Linde therefore generated a profit before tax in the first half of 2015 of EUR 827 m (2014: EUR 894 m).

The income tax expense was EUR 198 m (2014: EUR 214 m). This gives an income tax rate of 23.9 percent (2014: 23.9 percent). Linde's profit for the first six months of 2015 (after deducting the tax expense) was EUR 629 m (2014: EUR 680 m).

After adjusting for non-controlling interests, profit for the period attributable to Linde AG shareholders was EUR 579 m (2014: EUR 624 m), giving earnings per share of EUR 3.12 (2014: EUR 3.36). Earnings per share before non-recurring items was EUR 3.65, which was 8.6 percent higher than the figure for the prior-year period of EUR 3.36.

Gases Division

In the Gases Division, Linde generated revenue in the first six months of 2015 of EUR 7.554 bn, an increase of 10.7 percent when compared with the figure for the prior-year period of EUR 6.825 bn. On a comparable basis, after adjusting for exchange rate effects and changes in the price of natural gas, Linde would have achieved an increase in revenue of 1.9 percent. After making an additional adjustment of EUR 36 m, which is the contribution to revenue made by the LPG business acquired by Linde during the reporting period from Wesfarmers Kleenheat Pty Ltd, the increase in revenue was 1.4 percent. Revenue has been adversely affected not only by the relatively weak macroeconomic environment, but also by current low energy costs and the expiry of on-site contracts.

Operating profit rose by 12.2 percent to EUR 2.091 bn (2014: EUR 1.863 bn). The operating margin in the first half of 2015 rose to 27.7 percent (2014: 27.3 percent).

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

EMEA (Europe, Middle East, Africa)

In EMEA, Linde's largest sales market, the Group generated revenue of EUR 3.005 bn in the first six months of 2015, which was slightly higher than the figure achieved in the first six months of 2014 of EUR 2.978 bn. On a comparable basis, revenue fell by 1.5 percent. When comparing with the revenue generated in the first half of 2014, it should be noted that at the end of 2014 Linde transferred a large hydrogen plant in Italy to the customer on expiry of the contract. Since then it has therefore ceased to generate revenue from that plant. Operating profit was EUR 915 m, which was 2.9 percent higher than the figure for the first half of 2014 of EUR 889 m. The operating margin increased to 30.4 percent (2014: 29.9 percent).

Different business trends were to be seen in the product areas of the various sub-regions of the EMEA segment. The on-site business, where Linde supplies gases on site to major customers, was affected by declining volumes, particularly as a result of the expiry of the on-site contract in Italy. However, Linde was able to achieve revenue growth in this product area, especially in Eastern Europe and in the UK. Against the prevailing backdrop of modest economic growth in the eurozone, revenue in the liquefied gases business was down on the prior-year period. The cylinder gas product area continued to see relatively modest trends in all regions. In its Healthcare business, Linde achieved growth, especially in the UK and in the Middle East.

Business performance in the EMEA segment was supported by the start-up of new plants: for example, in Sweden. In January 2015, a new air separation plant commenced production on schedule at the Stenungsund site in Sweden. Under an on-site agreement, the plant supplies the customer Perstorp with 18,300 normal cubic metres of oxygen per hour. The investment made was around EUR 40 m.

During the reporting period, Linde signed a contract to build a hydrogen filling station at Arlanda Airport, also in Sweden. Construction is expected to be completed in the third quarter of 2015.

In March 2015, a hydrogen filling station for hydrogen-powered buses was opened in Aberdeen in Scotland. The contract forms part of the HyTrEc (Hydrogen Transport Economy) project, which aims to improve access to the use of hydrogen as an alternative source of energy in the North Sea region. The hydrogen filling station is operated by Linde.

Linde is a pioneer in the development of hydrogen technology and is continuing to drive forward the establishment of a hydrogen filling station infrastructure for fuel-cell vehicles. The Group is working together with Daimler on plans to build 20 hydrogen filling stations in Germany.

In Port Elizabeth, South Africa, the Group successfully brought an air separation plant on stream in the second quarter of 2015. The plant produces 150 tonnes of liquefied gases per day and supplies industrial gases and medical gases to customers in the Eastern Cape region. The investment made was around EUR 23 m.

A CO_2 purification and liquefaction plant started production in Denizli, Turkey, in the second quarter of 2015. The plant purifies and liquefies 240 tonnes of CO_2 per day and supplies liquefied CO_2 to customers in the region in the food industry. At the same time, Linde signed a long-term supply agreement for raw CO_2 with Zorlu Energy, one of the largest energy companies in Turkey.

An air separation plant came on stream during the reporting period in Trinec in the Czech Republic. This plant supplies 34,000 normal cubic metres of liquefied oxygen and 34,500 normal cubic metres of liquefied nitrogen per hour to steel-producer Trinecke Železarny, based on the renewal of an existing long-term supply contract. The total investment was around EUR 62 m.

Asia/Pacific

Business trends in the Asia/Pacific segment were supported principally by positive exchange rate effects. Linde generated revenue in the six months to 30 June 2015 of EUR 2.086 bn. This was 14.9 percent more than the figure for the first six months of 2014 of EUR 1.816 bn. On a comparable basis, revenue in the first half of 2015 increased by 1.4 percent. Growth here was underpinned by the contribution to revenue of EUR 36 m made by the LPG business of Wesfarmers Kleenheat Gas Pty Ltd, which Linde acquired in February 2015. If an adjustment were also to be made for this effect, growth in revenue in the first half of 2015 would be similar to that achieved in the first half of 2014. Operating profit rose by 13.0 percent to EUR 538 m (2014: EUR 476 m), giving an operating margin of 25.8 percent (2014: 26.2 percent).

Within the Asia/Pacific segment, the best performance was to be seen in the on-site business in China and East Asia. Revenue generated by the cylinder gas product area was below that achieved in the prior-year period. Low energy costs are part of the reason for the fall in revenue here.

In the South Pacific, the prevailing weak economic environment in manufacturing industry and declining investment in the mining industry had an adverse impact on growth. Particularly in the LPG business which is so vital to Australia, lower energy costs hampered revenue growth, as the price savings on the procurement side were generally passed on to customers.

At the end of February, Linde acquired the LPG business in Australia from Wesfarmers Kleenheat Gas Pty Ltd under an asset deal so as to continue to expand the distribution network there.

In the first quarter of 2015, Linde successfully brought on stream the air separation plant In Quanzhou, China, which supplies gases to Fujian Refining & Petrochemical. The plant is operated by Fujian Linde-FPCL Gases Company Limited, a joint venture between SINOPEC Fujian Petrochemical Company Limited and Linde, and will produce around 28,000 normal cubic metres of oxygen and 57,000 normal cubic metres of nitrogen per hour. The profit generated by this plant is included in the share of profit or loss from associates and joint ventures (at equity) in the Group's statement of profit or loss.

In April 2015, another air separation plant was brought on stream, also in China. This plant has a capacity of 87,500 normal cubic metres of liquefied oxygen and 10,000 normal cubic metres of liquefied nitrogen per hour and will supply customers in the Tianjin region. The amount of the investment was around EUR 27 m.

As a result of renewing existing supply contracts with power-plant operator SeeTec and with Samsung Total Petrochemicals Co., Ltd. (STC) in the Seosan petrochemical cluster, South Korea, Linde has been able to expand its capacity on this site. During the reporting period, another air separation plant was successfully brought on stream here. The plant produces 20,000 normal cubic metres of oxygen and 40,000 normal cubic metres of nitrogen per hour and also supplies products for the regional market. The amount of the investment was around EUR 62 m.

Americas

In the Americas segment, revenue increased significantly in the first half of 2015 by 21.8 percent to EUR 2.552 bn (2014: EUR 2.095 bn). On a comparable basis, revenue rose by 7.0 percent. When compared with the prior-year period, operating profit increased by 28.1 percent to EUR 638 m (2014: EUR 498 m). The operating margin rose to 25.0 percent (2014: 23.8 percent).

In the healthcare business, Linde was able to achieve significant growth in North America as a result of the rise in the number of patients requiring care. The Group also continually adapts its cost structures in response to regular government tenders and has increasingly been seeing the benefits of this approach.

Positive trends were also to be seen in the market for electronic gases and in the liquefied gases business.

On the major petrochemical site at La Porte, Texas, Linde brought on stream during the reporting period a large air separation plant and a new gasification train for its existing synthesis gas complex. Linde has invested a total of more than USD 200 m in this project. The new air separation plant is the largest plant of its type operated by Linde in the United States.

Together with the new gasification unit, it comprises the largest complex in the world for the production and subsequent processing of synthesis gas to be based on natural gas. In the Houston area, Linde therefore has a fully-integrated site for the production of air gases and syngas products. The expansion project will ensure that Linde is able to provide long-term security of supply to its petrochemical customers in La Porte.

Business trends in the individual countries in South America have continued to be modest in the first half of 2015. The economic situation in the region is characterised by high inflation and low growth rates. This environment is also slowing Linde's business performance in the region. Nevertheless, Linde has been able to achieve slight growth on a comparable basis in virtually all its product areas.

Product areas

As explained in the comments on the segments, each product area contributed to a different extent to the business performance of the Gases Division.

The greatest rate of growth was achieved by the Healthcare business, where Linde increased revenue in the first half of 2015 on a comparable basis by 7.4 percent to EUR 1.802 bn (2014: EUR 1.678 bn). Particularly positive trends were to be seen in the homecare business in North America.

In the on-site product area, revenue increased on a comparable basis by 1.0 percent to EUR 1.958 bn (2014: EUR 1.939 bn). After adjusting for the effects of the expiry of contracts, revenue in this product area in the first half of 2015 was 3.5 percent higher than the figure achieved in the prior-year period.

Trends in the liquefied gases business were relatively steady. Revenue here increased slightly by 1.1 percent to EUR 1.779 bn (2014: EUR 1.759 bn). In the cylinder gas product area, revenue on a comparable basis was EUR 2.015 bn, which was 1.2 percent below the figure for the first half of 2014 of EUR 2.039 bn. It should be noted that current low energy prices have depressed revenue from liquefied gases and cylinder gas, especially in the LPG business. In these two product areas, the acquisition of the LPG business from Wesfarmers Kleenheat Gas Pty Ltd had a positive impact. A further contributory factor to the fall in revenue in the cylinder gas business was the discontinuation of carbon tax in Australia, as the cost of this levy had until now been passed on to the customer.

1 GASES DIVISION: REVENUE AND OPERATING PROFIT BY SEGMENT

	January to June 2015			January to June 2014		
in € million	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	3,005	915	30.4	2,978	889	29.9
Asia/Pacific	2,086	538	25.8	1,816	476	26.2
Americas	2,552	638	25.0	2,095	498	23.8
Consolidation	–89	–	–	–64	–	–
GASES DIVISION	**7,554**	**2,091**	**27.7**	**6,825**	**1,863**	**27.3**

2 GASES DIVISION: REVENUE AND OPERATING PROFIT BY SEGMENT

	2nd Quarter 2015			2nd Quarter 2014		
in € million	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	1,533	474	30.9	1,511	460	30.4
Asia/Pacific	1,092	286	26.2	946	252	26.6
Americas	1,300	323	24.8	1,035	238	23.0
Consolidation	–43	–	–	–34	–	–
GASES DIVISION	**3,882**	**1,083**	**27.9**	**3,458**	**950**	**27.5**

Engineering Division

Revenue and earnings trends in Linde's international plant construction project business reflected the progress made on individual projects. Revenue in the Engineering Division fell in the first half of 2015 by 4.7 percent to EUR 1.351 bn (2014: EUR 1.418 bn). Due to the current low price of oil and the resultant faltering demand in plant construction, order intake in the six months to 30 June 2015 was just EUR 724 m (2014: EUR 1.058 bn). Although the order backlog in the Engineering Division at 30 June 2015 remained very high at EUR 4.191 bn (31 December 2014: EUR 4.672 bn), the low order intake was beginning to have an impact on the revenue trend.

Operating profit fell to EUR 114 m (2014: EUR 141 m). The operating margin was 8.4 percent, which was not as high as the figure for the prior-year period of 9.9 percent. However, the operating margin in the Engineering Division continues to be above the industry average and matches the target of around 8 percent Linde has set itself for the current financial year.

In the first quarter of 2015, Linde was awarded a contract to build an air separation plant for steel-producer Bhushan Power & Steel Limited in India. The Group will construct the plant on the Rengali site. Under the terms of the agreement, Linde will be responsible for the basic and detailed engineering as well as for the procurement and supply of the equipment and plant components.

During the reporting period, Linde was awarded the contract to supply a helium refrigeration plant to the European Spallation Source (ESS) in Lund, Sweden. The plant will be delivered to Lund in summer 2017. Then it will be installed so as to come on stream in summer 2018. The European Spallation Source is an interdisciplinary research centre based on the world's most intense source of neutrons.

In May 2015, the Engineering Division was awarded a contract by Tecnicas Reunidas, Madrid, Spain, to supply six pressure swing adsorption (PSA) plants for the customer Petronas at Pengerang in Malaysia. The total value of the contract is over USD 20 m. The capacity of the plant is more than 430,000 normal cubic metres of hydrogen per hour which is used for downstream processes within the Petronas refinery. The contract encompasses engineering, procurement and the delivery of the six plants.

In addition, the Engineering Division won a contract in the second quarter of 2015 to build key components for a large natural gas liquefaction plant in North America.

Order intake in the first six months of 2015 was relatively evenly spread across the Asia/Pacific, Europe and North America regions, with around a third of orders in each region.

50 percent of new orders related to the natural gas product area or the hydrogen and synthesis gas plant product area. The rest of the order intake was spread across the remaining types of plant.

3 ENGINEERING DIVISION

	2nd Quarter		January to June	
in € million	2015	2014	2015	2014
Revenue	683	717	1,351	1,418
Order intake	444	357	724	1,058
Order backlog at 30.06./31.12.	–	–	4,191	4,672
Operating profit	57	70	114	141
Operating margin	8.3%	9.8%	8.4%	9.9%

4 ENGINEERING DIVISION: ORDER INTAKE BY REGION

	January to June			
in € million	2015	in percent	2014	in percent
Asia/Pacific	214	29.6	199	18.8
Europe	263	36.3	374	35.4
North America	209	28.9	415	39.2
Middle East	21	2.9	31	2.9
Africa	11	1.5	16	1.5
South America	6	0.8	23	2.2
ENGINEERING DIVISION	**724**	**100.0**	**1,058**	**100.0**

E 5 ENGINEERING DIVISION: ORDER INTAKE BY PLANT TYPE

	January to June			
in € million	2015	in percent	2014	in percent
Natural gas plants	223	30.8	374	35.3
Air separation plants	79	10.9	117	11.1
Olefin plants	142	19.6	116	11.0
Hydrogen and synthesis gas plants	139	19.2	354	33.5
Other	141	19.5	97	9.1
ENGINEERING DIVISION	**724**	100.0	**1,058**	**100.0**

E 6 ENGINEERING DIVISION: ORDER INTAKE BY REGION

	2nd Quarter			
in € million	2015	in percent	2014	in percent
Asia/Pacific	92	20.7	88	24.6
Europe	172	38.7	121	33.9
North America	162	36.5	117	32.8
Middle East	8	1.8	23	6.4
Africa	5	1.2	6	1.7
South America	5	1.1	2	0.6
ENGINEERING DIVISION	**444**	**100.0**	**357**	**100.0**

E 7 ENGINEERING DIVISION: ORDER INTAKE BY PLANT TYPE

	2nd Quarter			
in € million	2015	in percent	2014	in percent
Natural gas plants	139	31.3	73	20.4
Air separation plants	43	9.7	30	8.4
Olefin plants	104	23.4	50	14.0
Hydrogen and synthesis gas plants	83	18.7	176	49.3
Other	75	16.9	28	7.9
ENGINEERING DIVISION	**444**	**100.0**	**357**	**100.0**

Finance

Once again there was a very positive trend in cash flow from operating activities. In the first half of 2015, it more than doubled to EUR 1.583 bn (2014: EUR 722 m). It should be noted that in 2014 Linde made a payment of EUR 300 m to provide additional funding for the defined benefit pension plans in Germany. After adjusting for this one-off item, cash flow from operating activities in the first six months of 2014 was EUR 1.022 bn. On an adjusted basis, the increase in cash flow from operating activities was 54.9 percent. The main factors contributing to this significant increase were the good operating profit and more efficient working capital management. The decline in working capital in the six months ended 30 June 2015 was EUR 100 m (2014: EUR 344 m). Income taxes paid fell by EUR 103 m to EUR 239 m as a result of timing differences (2014:EUR 342 m). Some of these differences will reverse in the second half of 2015.

During the reporting period, Linde spent a total of EUR 901 m on investments in tangible assets, intangible assets and financial assets, which was slightly below the figure for the first half of 2014 of EUR 964 m. Payments made for investments in consolidated companies, on the other hand, rose to EUR 98 m (2014 : EUR 35 m). Of this amount, EUR 53 m related to assets and liabilities in the LPG business of Wesfarmers Kleenheat Gas Pty Ltd acquired under an asset deal.

Payments of EUR 152 m were made during the reporting period to purchase securities for the purpose of short-term investment (2014: EUR 153 m). The net cash outflow from investing activities for the first six months of 2015 of EUR 1.006 bn was the same as the figure for the first six months of 2014. The net free cash inflow for the six months ended 30 June 2015 was EUR 577 m, compared with a net free cash outflow for the six months ended 30 June 2014 of EUR 284 m.

Within cash flow from financing activities, the amount by which loan proceeds exceeded redemptions fell from EUR 981 m in the first half of 2014 to EUR 444 m in the first half of 2015. Net interest payments in the first six months of 2015 were EUR 183 m, a similar figure to that seen in the first six months of 2014 of EUR 177 m. The net cash outflow from financing activities in the first half of 2015 was EUR 367 m, compared with a net cash inflow in the first half of 2014 of EUR 203 m.

Total assets increased by EUR 1.618 bn or 4.7 percent, from EUR 34.425 bn at 31 December 2014 to EUR 36.043 bn at 30 June 2015. Exchange rate movements had an impact on almost all the items in the balance sheet.

At 30 June 2015, goodwill stood at EUR 11.626 bn, which was 5.2 percent above the figure at 31 December 2014 of EUR 11.055 bn. Of the increase of EUR 571 m, EUR 530 m related to exchange rate effects and EUR 41 m to additions as a result of acquisitions.

Other intangible assets, comprising customer relationships, brand names and sundry intangible assets, increased by EUR 30 m from EUR 2.922 bn at 31 December 2014 to EUR 2.952 bn at 30 June 2015. Positive exchange rate effects of EUR 172 m and additions of EUR 26 m were set against amortisation of EUR 167 m.

Tangible assets are stated at a carrying amount of EUR 12.736 bn at 30 June 2015 (31 December 2014: EUR 12.151 bn). Depreciation of EUR 774 m was virtually matched by additions of EUR 811 m. The main reason for the increase was exchange rate effects of EUR 561 m.

Trade receivables fell by EUR 15 m from EUR 3.061 bn to EUR 3.046 bn. There are a number of different factors to consider here as well. The reduction in receivables of EUR 142 m was partially offset by positive exchange rate effects of EUR 127 m. Securities increased significantly as a result of purchases by EUR 151 m to EUR 672 m (31 December 2014: EUR 521 m).

Equity increased by EUR 991 m in the first half of 2015 and stood at EUR 15.258 bn at 30 June 2015 (31 December 2014: EUR 14.267 bn). The increase was due not only to positive exchange rate effects, but also the profit for the period of EUR 629 m. The dividend payment of EUR 615 m reduced the equity figure. The equity ratio at 30 June 2015 was 42.3 percent, which was higher than the figure at 31 December 2014 of 41.4 percent.

Provisions for pensions and similar obligations fell by EUR 64 m to EUR 1.201 bn at 30 June 2015 (31 December 2014: EUR 1.265 bn). This decrease was mainly due to the change in actuarial assumptions. Asset cover for Linde's pension provisions is 86.2 percent (2014: 84.9 percent).

Net financial debt comprises gross financial debt less short-term securities and cash and cash equivalents. At 30 June 2015, net financial debt was EUR 8.460 bn (31 December 2014: 8.198 bn). The increase of EUR 262 m was due to a variety of effects in different directions. Net financial debt increased as a result of the dividend payment of EUR 615 m and exchange rate effects and remeasurements totalling EUR 222 m, while on the other hand the good figure for cash flow from operating activities had a positive impact on net financial debt.

Gross financial debt rose during the reporting period by EUR 655 m to EUR 10.511 bn (31 December 2014: EUR 9.856 bn). Of the gross financial debt, EUR 2.109 bn (31 December 2014: EUR 1.294 bn) is disclosed as current financial debt. The remaining financial debt of EUR 8.402 bn (31 December 2014: EUR 8.562 bn) – by far the largest proportion – is due in more than one year and is therefore classified as non-current financial debt.

With short-term securities of EUR 672 m, cash and cash equivalents of EUR 1.379 bn and its EUR 2.5 bn syndicated credit facility, available liquidity for Linde at 30 June 2015 was EUR 2.442 bn (31 December 2014: EUR 2.864 bn). During the reporting period, Linde successfully extended the term of the EUR 2.5 bn syndicated credit facility agreed in July 2013 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 dynamic indebtedness factor (net financial debt to operating profit for the last twelve months) was 2.0 at 30 June 2015, slightly below the figure at 31 December 2014 of 2.1. The Group's gearing (the ratio of net debt to equity) improved in the first half of 2015 to 55.4 percent (31 December 2014: 57.5 percent).

Employees

The number of employees in The Linde Group worldwide at 30 June 2015 was 65,345 (31 December 2014: 65,591). Of this number, 53,319 were employed in the Gases Division and 7,213 in the Engineering Division. The majority of the 4,813 staff in the Other Activities segment are employed by Gist, Linde's logistics service-provider.

8 *EMPLOYEES BY SEGMENT AT THE BALANCE SHEET DATE*

	30.06.2015	31.12.2014
Gases Division	53,319	53,436
EMEA	21,642	21,779
Asia/Pacific	11,869	12,175
Americas	19,808	19,482
Engineering Division	7,213	7,330
Other Activities	4,813	4,825
GROUP	**65,345**	**65,591**

Outlook

Group

Economists have reduced their expectations for 2015 and are forecasting similar growth levels for the global economy to those seen in 2014. The international forecasting institute Oxford Economics is currently predicting an increase in global gross domestic product (GDP) in 2015 of 2.6 percent. Actual GDP growth in 2014 was 2.7 percent. Oxford Economics is forecasting an increase in global industrial production (IP) in 2015 of 2.4 percent, compared with the actual increase in 2014 of 2.5 percent.

The high level of sovereign debt in major economies is expected to have the greatest impact on global macroeconomic trends. Other factors which might adversely affect the global economy are currency fluctuations, high unemployment in many industrialised countries and the uncertain political situation in some regions of the world. The low price of oil may have an adverse impact on investment activity. It is therefore expected that especially in international plant construction the market environment will be unfavourable. This also has a negative impact on business trends in Linde's Engineering Division.

Linde has revised its revenue forecast for the current year. Depending on economic trends and exchange rate movements, Linde expects to achieve Group revenue of between EUR 17.9 bn and EUR 18.5 bn in the 2015 financial year. Originally, Linde had set itself a target of generating Group revenue of between EUR 18.2 bn and EUR 19.0 bn. The forecast for Group revenue has been revised mainly as a result of changes in the environment for plant construction. At the same time, the revenue forecast for the Gases Division has been revised up, primarily as a result of current trends in exchange rates. Linde is still anticipating that it will achieve an increase in Group operating profit (after adjusting for non-recurring items) in 2015 to between EUR 4.1 bn and EUR 4.3 bn. The non-recurring items relate to costs recognised for structural and organisational measures designed to enhance efficiency. Linde is still seeking to achieve a return on capital employed (ROCE) of between 9 percent and 10 percent in the 2015 financial year.

N.B.: The Group's medium-term targets continue to apply. A detailed description of these targets is given in the section of the Financial Report 2014 entitled *TARGETS AND STRATEGY OF THE LINDE GROUP*. *SEE PAGES 85 TO 87.*

Outlook – Gases Division

Recent economic forecasts indicate that the growth rate for the global economy in 2015 will be similar to that seen in 2014. However, considering the geopolitical crises in some areas of the world, Linde expects parts of the gases market to be volatile. The Group remains committed to its target in the gases business of outperforming the market and continuing to increase productivity.

Linde's on-site project pipeline will make a contribution to revenue and earnings in the 2015 financial year and an even more significant contribution to revenue and earnings in subsequent years. The Group is forecasting that its liquefied gases and cylinder gas product areas will perform in line with macroeconomic trends. In the Healthcare product area, stable business trends are expected.

Depending on sector-specific trends and exchange rate movements, Linde is now seeking to achieve the following targets in the Gases Division in the 2015 financial year: revenue of between EUR 15.1 bn and EUR 15.5 bn and operating profit of between EUR 4.1 bn and EUR 4.3 bn. The forecasts in the Gases Division have been revised up from the original figures projected of between EUR 14.9 bn and EUR 15.4 bn for revenue and between EUR 4.05 bn and EUR 4.25 bn for operating profit as a result of current trends in exchange rates. Other factors to consider here are the passage of time, making it easier to predict business performance in the remaining part of the financial year, and downward trends in energy prices. The margins which are achieved in 2015 in the EMEA, Asia/Pacific and Americas segments are expected to be around the same as those actually achieved in the 2014 financial year.

Outlook – Engineering Division

Linde is well positioned in the olefin plant, natural gas plant, air separation plant and hydrogen and synthesis gas plant product areas and has a high order backlog. However, order intake in the first six months of 2015 has been lower than expected as a result of the persistently low price of oil and the resultant faltering demand in plant construction. The Group has therefore adjusted the revenue forecast of between EUR 3.0 bn and EUR 3.3 bn it had made for the Engineering Division in the 2015 financial year. Linde now assumes that it will be able to generate revenue of between EUR 2.5 bn and EUR 2.7 bn in 2015. The Group continues to expect to achieve an operating margin of around 8 percent.

Opportunity and risk report

As a Group with a global footprint, Linde operates in a dynamic environment in which new market opportunities are constantly emerging. These business opportunities, which were described in detail in the 2014 Financial Report *(SEE OPPORTUNITY REPORT ON PAGES 132 TO 134)*, have not changed significantly in the six months to 30 June 2015.

The risk situation for Linde as described in the 2014 Financial Report *(SEE RISK REPORT ON PAGES 134 TO 147)* has not changed significantly in the first six months of 2015. No risks were identified which might, individually or in total, have an adverse impact on the viability of The Linde Group as a going concern.

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

9 GROUP STATEMENT OF PROFIT OR LOSS

	2nd Quarter		January to June	
in € million	*2015*	*2014*	*2015*	*2014*
Revenue	4,638	4,167	9,036	8,212
Cost of sales	2,999	2,694	5,851	5,316
GROSS PROFIT	**1,639**	**1,473**	**3,185**	**2,896**
Marketing and selling expenses	708	597	1,367	1,187
Research and development costs	30	27	58	49
Administration expenses	445	366	840	723
Other operating income	106	97	231	210
Other operating expenses	63	32	131	87
Share of profit or loss from associates and joint ventures (at equity)	3	7	5	13
EBIT	**502**	**555**	**1,025**	**1,073**
Financial income	10	14	21	27
Financial expenses	110	97	219	206
PROFIT BEFORE TAX	**402**	**472**	**827**	**894**
Taxes on income	97	113	198	214
PROFIT FOR THE PERIOD	**305**	**359**	**629**	**680**
attributable to Linde AG shareholders	279	334	579	624
attributable to non-controlling interests	26	25	50	56
Earnings per share in € – undiluted	1.50	1.80	3.12	3.36
Earnings per share in € – diluted	1.50	1.79	3.11	3.35

10 GROUP STATEMENT OF COMPREHENSIVE INCOME

	2nd Quarter		January to June	
in € million	2015	2014	2015	2014
PROFIT FOR THE PERIOD	305	359	629	680
OTHER COMPREHENSIVE INCOME (NET OF TAX)	44	–93	969	–204
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	–285	–4	969	–66
Unrealised gains/losses on available-for-sale financial assets	–5	–	–6	–7
Unrealised gains/losses on derivative financial instruments	178	–89	–401	–140
Currency translation differences	–458	85	1,376	81
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	329	–89	–	–138
Remeasurement of defined benefit plans	329	–89	–	–138
TOTAL COMPREHENSIVE INCOME	349	266	1,598	476
attributable to Linde AG shareholders	358	231	1,485	426
attributable to non-controlling interests	–9	35	113	50

11 GROUP STATEMENT OF FINANCIAL POSITION

in € million	*30.06.2015*	*31.12.2014*
Assets		
Goodwill	11,626	11,055
Other intangible assets	2,952	2,922
Tangible assets	12,736	12,151
Investments in associates and joint ventures (at equity)	257	240
Other financial assets	63	85
Receivables from finance leases	237	248
Trade receivables	1	3
Other receivables and other assets	572	549
Income tax receivables	3	3
Deferred tax assets	323	306
NON-CURRENT ASSETS	28,770	27,562
Inventories	1,214	1,155
Receivables from finance leases	51	50
Trade receivables	3,046	3,061
Other receivables and other assets	744	723
Income tax receivables	167	216
Securities	672	521
Cash and cash equivalents	1,379	1,137
CURRENT ASSETS	7,273	6,863
TOTAL ASSETS	**36,043**	**34,425**

12 GROUP STATEMENT OF FINANCIAL POSITION

in € million	30.06.2015	31.12.2014
Equity and liabilities		
Capital subscribed	475	475
Capital reserve	6,738	6,730
Revenue reserves	6,560	6,564
Cumulative changes in equity not recognised through the statement of profit or loss	543	–363
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	**14,316**	**13,406**
Non-controlling interests	942	861
TOTAL EQUITY	**15,258**	**14,267**
Provisions for pensions and similar obligations	1,201	1,265
Other non-current provisions	484	492
Deferred tax liabilities	1,783	1,726
Financial debt	8,402	8,562
Liabilities from finance leases	48	51
Trade payables	2	2
Other non-current liabilities	705	648
NON-CURRENT LIABILITIES	**12,625**	**12,746**
Current provisions	1,046	1,012
Financial debt	2,109	1,294
Liabilities from finance leases	22	23
Trade payables	3,271	3,485
Other current liabilities	1,206	1,073
Liabilities from income taxes	506	525
CURRENT LIABILITIES	**8,160**	**7,412**
TOTAL EQUITY AND LIABILITIES	**36,043**	**34,425**

13 GROUP STATEMENT OF CASH FLOWS

	January to June	
in € million	2015	2014
PROFIT BEFORE TAX	827	894
Adjustments to profit before tax to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	941	823
Impairments of financial assets	1	1
Profit/loss on disposal of non-current assets	−7	−42
Net interest	178	177
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	10	10
Share of profit or loss from associates and joint ventures (at equity)	−5	−13
Distributions/dividends received from associates and joint ventures	4	6
Income taxes paid	−239	−342
Changes in assets and liabilities		
Change in inventories	−7	−44
Change in trade receivables	103	−219
Change in provisions	−58	−119
Change in trade payables	−196	−81
External funding/allocation to plan assets re. defined benefit obligations	–	−300
Change in other assets and liabilities	31	−29
CASH FLOW FROM OPERATING ACTIVITIES	1,583	722
Payments for tangible and intangible assets and plants held under finance leases in accordance with IFRIC 4/IAS 17	−876	−933
Payments for investments in consolidated companies	−98	−35
Payments for investments in financial assets	−25	−31
Payments for investments in securities	−603	−156
Proceeds on disposal of securities	451	3
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	50	58
Proceeds on disposal of non-current assets held for sale and disposal groups	12	41
Proceeds on disposal of financial assets	83	47
CASH FLOW FROM INVESTING ACTIVITIES	−1,006	−1,006

14 GROUP STATEMENT OF CASH FLOWS

	January to June	
in € million	*2015*	*2014*
Dividend payments to Linde AG shareholders and non-controlling interests	−615	−589
Cash inflow/outflow as a result of changes in non-controlling interests	–	−1
Interest received	79	75
Interest paid	−262	−252
Proceeds of loans and capital market debt	1,279	1,758
Cash outflow for the repayment of loans and capital market liabilities	−835	−777
Cash outflow for the repayment of liabilities from finance leases	−13	−11
CASH FLOW FROM FINANCING ACTIVITIES	−367	203
NET CASH INFLOW/OUTFLOW	210	−81
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	1,137	1,178
Effects of currency translation	32	−15
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1,379	1,082

15 STATEMENT OF CHANGES IN GROUP EQUITY

in € million	Capital subscribed	Capital reserve
AT 01.01.2014	**475**	**6,712**
Profit for the period	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	–	8
Capital increase/decrease	–	–
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	–	8
AT 30.06.2014	**475**	**6,720**
AT 01.01.2015	**475**	**6,730**
Profit for the period	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	–	8
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	–	8
OTHER CHANGES	–	–
AT 30.06.2015	**475**	**6,738**

Revenue reserves		*Cumulative changes in equity not recognised through the statement of profit or loss*					
Remeasurement of defined benefit plans	*Retained earnings*	*Currency translation differences*	*Available-for-sale financial assets*	*Hedging instruments*	*Total equity attributable to Linde AG shareholders*	*Non-controlling interests*	*Total equity*
–482	**7,005**	**–1,179**	**14**	**221**	**12,766**	**820**	**13,586**
–	624	–	–	–	624	56	680
–136	–	85	–7	–140	–198	–6	–204
–136	**624**	**85**	**–7**	**–140**	**426**	**50**	**476**
–	–557	–	–	–	–557	–32	–589
–	–	–	–	–	8	–	8
–	–	–	–	–	–	–1	–1
–	**–557**	**–**	**–**	**–**	**–549**	**–33**	**–582**
–618	**7,072**	**–1,094**	**7**	**81**	**12,643**	**837**	**13,480**
–980	**7,544**	**61**	**5**	**–429**	**13,406**	**861**	**14,267**
–	579	–	–	–	579	50	629
–	–	1,312	–5	–401	906	63	969
–	**579**	**1,312**	**–5**	**–401**	**1,485**	**113**	**1,598**
–	–585	–	–	–	–585	–30	–615
–	–	–	–	–	8	–	8
–	**–585**	**–**	**–**	**–**	**–577**	**–30**	**–607**
–	**2**	**–**	**–**	**–**	**2**	**–2**	**–**
–980	**7,540**	**1,373**	**–**	**–830**	**14,316**	**942**	**15,258**

16 SEGMENT INFORMATION

	Segments	
	Gases Division	
	January to June	
in € million, SEE NOTE [8]	2015	2014
Revenue from third parties	7,549	6,819
Revenue from other segments	5	6
TOTAL SEGMENT REVENUE	7,554	6,825
OPERATING PROFIT	2,091	1,863
Restructuring costs (non-recurring item)	130	–
Amortisation of intangible assets and depreciation of tangible assets	926	808
EBIT (EARNINGS BEFORE INTEREST AND TAX)	1,035	1,055
Capital expenditure (excluding financial assets)	718	808

in € million, SEE NOTE [8]
Revenue from third parties
Revenue from other segments
TOTAL SEGMENT REVENUE
OPERATING PROFIT
Restructuring costs (non-recurring item)
Amortisation of intangible assets and depreciation of tangible assets
EBIT (EARNINGS BEFORE INTEREST AND TAX)
Capital expenditure (excluding financial assets)

Segments				*Reconciliation*		*Group*	
Engineering Division		*Other Activities*					
January to June		*January to June*		*January to June*		*January to June*	
2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
1,193	1,110	294	283	–	–	9,036	8,212
158	308	3	1	−166	−315	–	–
1,351	**1,418**	**297**	**284**	**−166**	**−315**	**9,036**	**8,212**
114	**141**	**22**	**26**	**−123**	**−134**	**2,104**	**1,896**
5	–	–	–	3	–	138	–
19	17	16	16	−20	−18	941	823
90	**124**	**6**	**10**	**−106**	**−116**	**1,025**	**1,073**
10	12	3	4	58	−2	789	822

Segments							
Gases Division							
EMEA		*Asia/Pacific*		*Americas*		*Total Gases Division*	
January to June		*January to June*		*January to June*		*January to June*	
2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
2,997	2,975	2,073	1,804	2,479	2,040	7,549	6,819
8	3	13	12	73	55	5	6
3,005	**2,978**	**2,086**	**1,816**	**2,552**	**2,095**	**7,554**	**6,825**
915	**889**	**538**	**476**	**638**	**498**	**2,091**	**1,863**
68		33		29		130	–
342	319	295	239	289	250	926	808
505	**570**	**210**	**237**	**320**	**248**	**1,035**	**1,055**
323	400	158	206	237	202	718	808

ADDITIONAL COMMENTS

[1] General accounting policies

The condensed Group interim financial statements of Linde AG for the six months ended 30 June 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable to interim financial reporting, as adopted by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and the Council on the application of International Accounting Standards.

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

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

The accounting policies used in the condensed Group interim financial statements are the same as those used to prepare the Group financial statements for the year ended 31 December 2014.

In addition, IAS 34 Interim Financial Reporting has been applied. Since 1 January 2015, the following standard has become effective:

- Improvements to IFRSs (2011–2013)

The following new or revised standards and interpretations have been issued by the IASB and the IFRS Interpretations Committee. However, they have not been applied in the condensed Group interim financial statements for the six months ended 30 June 2015 as they are either not yet effective or have not yet been adopted by the European Commission:

- IFRS 15 Revenue from Contracts with Customers (first-time application according to IASB in financial years beginning on or after 1 January 2017)
- IFRS 9 Financial Instruments and Subsequent Amendments (Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 as well as Amendments to IFRS 9/IFRS 7: Mandatory Effective Date and Transition Disclosures); (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IAS 1: Disclosure Initiative (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Improvements to IFRSs (2012–2014), (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Improvements to IFRSs (2010–2012), (first-time application according to IASB in financial years beginning on or after 1 July 2014)
- Amendments to IAS 19 Employee Benefits: Defined Benefit Plans – Employee Contributions (first-time application according to IASB in financial years beginning on or after 1 July 2014)

IFRS 15

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

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

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

- Recognition of revenue when control is transferred. The point in time at which (or the period of time over which) revenue is recognised is determined by the transfer of control over the goods and services to the customer (control approach). The transfer of risks and rewards (risk and reward approach) is only an indication that a transfer of control may have taken place.
- Specific rules on arrangements with multiple elements
- New criteria for revenue recognition over the period in which the performance obligation is settled
- More extensive disclosures in the notes to the financial statements

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

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

A detailed analysis is currently being conducted to evaluate the impact of IFRS 15 on The Linde Group.

IFRS 9

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

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

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

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

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

[2] Changes in Group structure

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

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

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

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

17 STRUCTURE OF COMPANIES INCLUDED IN THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	As at 31.12.2014	Additions	Disposals	As at 30.06.2015
CONSOLIDATED SUBSIDIARIES	**535**	**2**	**4**	**533**
of which within Germany	18	–	1	17
of which outside Germany	517	2	3	516
COMPANIES ACCOUNTED FOR USING THE LINE-BY-LINE METHOD	**5**	**–**	**–**	**5**
of which within Germany	–	–	–	–
of which outside Germany	5	–	–	5
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	**35**	**2**	**–**	**37**
of which within Germany	3	2	–	5
of which outside Germany	32	–	–	32
NON-CONSOLIDATED SUBSIDIARIES	**59**	**1**	**8**	**52**
of which within Germany	1	–	–	1
of which outside Germany	58	1	8	51

Most of the disposals were mergers and liquidations. Significant additions during the reporting period are described in NOTE [3] below.

[3] Acquisitions

An acquisition is deemed to be significant if its total assets after the purchase price allocation (inclusive of goodwill) exceed EUR 50 m. The main acquisition during the reporting period was the purchase of the LPG business from Wesfarmers Kleenheat Gas Pty Ltd on the east coast of Australia.

LPG business acquired from Wesfarmers Kleenheat Gas Pty Ltd on Australia's east coast

On 20 February 2015, The Linde Group acquired the assets and liabilities of the LPG business of Wesfarmers Kleenheat Gas Pty Ltd on the east coast of Australia under an asset deal. From that date, the business has been included in full in the consolidated financial statements of The Linde Group. The aim of the acquisition was to continue to expand the LPG distribution network on the east coast of Australia.

After adjusting for some cash items and liabilities, the purchase price was EUR 53 m, which was settled in cash. As at 30 June 2015, all liabilities had been settled.

The main components of the goodwill of EUR 4 m remaining after the purchase price allocation are synergies with the Group's existing LPG business on the east coast of Australia as well as going concern synergies arising from the business acquired. The goodwill is not tax-deductible.

In the course of the acquisition, Linde acquired assets of EUR 12 m which, at the date of acquisition, had already been put up for sale due to stipulations made by the Australian Competition & Consumer Commission. By the reporting date, these assets had been sold in full at the value stated and most of the revenue associated with the sale had already been received.

No receivables were acquired in the course of the acquisition.

Other acquisitions

In the first six months of 2015, Linde made acquisitions to expand its business in the Healthcare product area in the EMEA and Americas segments. The total purchase price for these acquisitions was EUR 47 m, of which EUR 41 m was paid in cash. The total purchase price includes deferred purchase price payments and contingent consideration. Sometimes separate transactions were agreed with former owners. In the course of these corporate acquisitions, Linde has acquired non-current assets as well as inventories and other current assets. Total goodwill arising was EUR 37 m, including fair value adjustments in the course of purchase price allocations of EUR 7 m. Part of the goodwill (EUR 33 m) is tax-deductible. Linde has not acquired any receivables in the course of these acquisitions.

18 IMPACT OF ACQUISITIONS ON NET ASSETS OF THE LINDE GROUP

Opening balance upon initial consolidation	*Fair value*	
in € million	*Kleenheat*	*Other*
Non-current assets	35	12
Inventories	5	1
Other current assets	1	–
Non-current assets held for sale and disposal groups	12	–
Equity	49	10
Liabilities	4	3

19 IMPACT OF ACQUISITIONS ON THE PROFIT FOR THE PERIOD OF THE LINDE GROUP

in € million	*Profit for the period since the acquisition date*	*Profit for the period since the beginning of the financial year on 1 January 2015*[1]
Kleenheat	2	2
Other	3	5

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

20 IMPACT OF ACQUISITIONS ON THE REVENUE OF THE LINDE GROUP

in € million	*Revenue since the acquisition date*	*Revenue since the beginning of the financial year on 1 January 2015*[1]
Kleenheat	36	39
Other	7	17

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

[4] Foreign currency translation

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

Since 1 January 2010, Linde's activities in Venezuela, which is classified as a hyperinflationary economy in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, have been disclosed after adjustment for the effects of inflation. The rate of inflation is calculated using an inflation index derived from exchange rate movements.

The principal exchange rates used are as follows:

21 PRINCIPAL EXCHANGE RATES

		Spot rate on balance sheet date		Average rate January to June	
Exchange rate €1 =	*ISO code*	*30.06.2015*	*31.12.2014*	*2015*	*2014*
Argentina	ARS	10.14608	10.24078	9.84853	10.72796
Australia	AUD	1.45529	1.48084	1.42698	1.49891
Brazil	BRL	3.48683	3.21518	3.30825	3.14643
Canada	CAD	1.38468	1.40591	1.37843	1.50274
China	CNY	6.92677	7.50845	6.94431	8.45064
Czech Republic	CZK	27.27051	27.65959	27.50121	27.44301
Hungary	HUF	315.35542	316.60565	307.42590	306.84198
Malaysia	MYR	4.22316	4.23024	4.06350	4.47616
Norway	NOK	8.81622	9.04242	8.65169	8.27748
Poland	PLN	4.19145	4.28704	4.14030	4.17456
South Africa	ZAR	13.67913	13.99917	13.29316	14.66368
South Korea	KRW	1,246.38244	1,323.45492	1,227.25637	1,438.21055
Sweden	SEK	9.21481	9.43320	9.34361	8.95400
Switzerland	CHF	1.04069	1.20289	1.05682	1.22145
Turkey	TRY	3.00673	2.82439	2.86109	2.96470
UK	GBP	0.71115	0.77679	0.73221	0.82133
USA	USD	1.11650	1.20985	1.11632	1.37054

[5] Pension obligations

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

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

At 30 June 2015, changes in the assumptions on which the pension obligations were based and in the measurement at fair value of the plan assets resulted in no overall change in the equity figure when compared to that at 31 December 2014.

During the reporting period, a plan curtailment and a plan settlement relating to a defined benefit plan in the Netherlands had a positive impact on operating profit totalling EUR 42 m. The plan curtailment and plan settlement are disclosed in other operating income.

[6] Net financial debt

22 NET FINANCIAL DEBT

in € million	Current 30.06.2015	Current 31.12.2014	Non-current 30.06.2015	Non-current 31.12.2014	Total 30.06.2015	Total 31.12.2014
Financial debt	2,109	1,294	8,402	8,562	10,511	9,856
Less: Securities	672	521	–	–	672	521
Less: Cash and cash equivalents	1,379	1,137	–	–	1,379	1,137
NET FINANCIAL DEBT	58	−364	8,402	8,562	8,460	8,198

Of the financial debt at 30 June 2015, EUR 3.370 bn (31 December 2014: EUR 3.253 bn) was in a fair value hedging relationship. If there had been no adjustment to the carrying amount as a result of fair value hedging relationships which had been agreed and were outstanding at the end of the reporting period, the financial debt of EUR 10.511 bn (31 December 2014: EUR 9.856 bn) would have been EUR 99 m (31 December 2014: EUR 111 m) lower.

The Linde Group concludes Credit Support Annexes (CSAs) with banks to minimise counterparty risk. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. These transactions are governed by the rules set out in the master agreement for financial derivative transactions, whereby related rights and obligations to exchange financial collateral do not qualify for offsetting in the balance sheet. An amount of EUR 80 m (31 December 2014: EUR 80 m) in respect of these agreements has been disclosed in bank loans and overdrafts as part of financial debt and an amount of EUR 257 m (31 December 2014: EUR 141 m) has been disclosed in cash equivalents.

For individual categories of financial assets and financial liabilities in The Linde Group, the carrying amount of the item is generally a reasonable approximation of the fair value of the item. This does not apply to receivables from finance leases or to financial debt. In the case of receivables from finance leases, the fair value is EUR 341 m, while the carrying amount is EUR 288 m. The fair value of the financial debt is EUR 10.943 bn, compared with its carrying amount of EUR 10.511 bn. The fair value of financial instruments is generally determined using quoted market prices. If no quoted market prices are available, the financial instruments are measured using valuation methods customary in the market, based on market parameters specific to that instrument. At the balance sheet date, the figure for investments and securities included assets of EUR 659 m in respect of which the value had been determined by quoted prices in active markets for identical financial instruments (Level 1). The investments and securities category also included financial assets (available-for-sale financial assets) of EUR 24 m for which a fair value cannot be reliably determined. For these assets, there are neither observable market prices nor sufficient information for a reliable valuation using other valuation methods. There is currently no intention to sell these assets.

For derivative financial instruments, the fair value is determined as follows. Options are measured by external partners using Black-Scholes pricing models. Futures are measured with recourse to the quoted market price in the relevant market. Included in derivatives at the balance sheet date were assets of EUR 359 m and liabilities of EUR 587 m in respect of which the values were determined using valuation techniques where the principal inputs were derived from observable market data (Level 2).

All other derivative financial instruments are measured by discounting future cash flows using the present value method. The starting parameters for these models should, as far as possible, be the relevant observable market prices and interest rates at the balance sheet date, obtained from recognised external sources. At the balance sheet date, no assets or liabilities had been recognised for which the values had been determined by valuation techniques with principal inputs not derived from observable market data (Level 3). During the reporting period, there were no transfers between Levels 1, 2 and 3 of the fair value hierarchy.

Linde uses both derivative financial instruments and financial debt to hedge against exposure to translation risks (net investment hedges). The unrealised losses on hedging instruments recognised in other comprehensive income during the reporting period of EUR 401 m (2014: EUR 140 m) are mainly the result of movements in the US dollar exchange rate against the euro.

[7] Earnings per share

23 EARNINGS PER SHARE

in € million	January to June 2015	January to June 2014
Profit for the period attributable to Linde AG shareholders	579	624
Shares in thousands		
Weighted average number of shares outstanding	185,638	185,598
Dilution as a result of share option schemes	641	766
Weighted average number of shares outstanding – diluted	186,279	186,364
EARNINGS PER SHARE IN € – UNDILUTED	**3.12**	**3.36**
EARNINGS PER SHARE IN € – DILUTED	**3.11**	**3.35**

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

[8] Segment reporting

As a result of the changes made to the Group's organisational model with effect from 15 January 2015 and the associated changes on the Executive Board, each operational member of the Executive Board is responsible for one of the Group's segments. The reportable segments in the Gases Division (EMEA, Asia/Pacific and Americas) now correspond to the operating segments. There is no longer a need to combine the former operating segments (Regional Business Units, RBUs) to form the reportable segments. The Linde Group continues to comprise five segments in all: EMEA, Asia/Pacific, Americas, Engineering Division and Other Activities.

The same principles apply to segment reporting in the interim report as those described in the Group financial statements for the year ended 31 December 2014.

To arrive at the figure for the Gases Division as a whole from the figures for the segments within the Gases Division, consolidation adjustments of EUR 89 m (2014: EUR64 m) were deducted from revenue. Therefore, it is not possible to arrive at the figure for the Gases Division as a whole by merely adding together the segments in the Gases Division.

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

24 RECONCILIATION OF SEGMENT REVENUE AND OF THE SEGMENT RESULT

in € million	January to June 2015	January to June 2014
Revenue		
Total segment revenue	9,202	8,527
Consolidation	–166	–315
GROUP REVENUE	**9,036**	**8,212**
Operating profit		
Operating profit from segments	2,227	2,030
Operating profit from Corporate activities	–129	–119
Restructuring costs (non-recurring item)	138	–
Amortisation and depreciation	941	823
Financial income	21	27
Financial expenses	219	206
Consolidation	6	–15
PROFIT BEFORE TAX	**827**	**894**

[9] Related party transactions

Linde AG is related in the course of its normal business activities to non-consolidated subsidiaries, joint ventures and associates. These companies are disclosed in the list of shareholdings on PAGES 246 TO 263 OF THE 2014 FINANCIAL REPORT.

Services provided by related companies totalled EUR 44 m (2014: EUR 63 m). Revenue from related companies was immaterial during the reporting period.

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

25 RECEIVABLES FROM AND LIABILITIES TO RELATED PARTIES

	30.06.2015			31.12.2014		
in € million	Non-consolidated subsidiaries	Associates and joint ventures	Total	Non-consolidated subsidiaries	Associates and joint ventures	Total
Receivables from related parties	3	31	34	3	14	17
Liabilities to related parties	–	44	44	1	36	37

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

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

[10] Contingent liabilities and other financial commitments

In the normal course of business, The Linde Group or any of its Group companies are involved in current or foreseeable legal or arbitration proceedings. During the reporting period, there have been no significant changes when compared with the information provided about contingent liabilities and legal proceedings on *PAGE 243 OF THE 2014 FINANCIAL REPORT*. The consolidated figure for other financial commitments arising from investments in tangible assets and intangible assets (commitments arising from orders) at 30 June 2015 was EUR 449 m (31 December 2014: EUR 391 m).

[11] Reconciliation of key financial figures

The key financial figures relating to The Linde Group have been adjusted in the table below for non-recurring items. Non-recurring items are items which, due to their nature, frequency and/or extent, are likely to have an adverse impact on how accurately the key financial figures reflect the sustainability of the earnings capacity of The Linde Group in the capital market.

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

26 KEY FINANCIAL FIGURES ADJUSTED FOR NON-RECURRING ITEMS

	January to June					
	2015			*2014*		
in € million	*As reported*	*Non-recurring items*	*Key financial figures before non-recurring items*	*As reported*	*Non-recurring items*	*Key financial figures before non-recurring items*
Revenue	9,036	–	9,036	8,212	–	8,212
Cost of sales	–5,851	22	–5,829	–5,316	–	–5,316
GROSS PROFIT	3,185	22	3,207	2,896	–	2,896
Research and development costs, marketing, selling and administration expenses	–2,265	116	–2,149	–1,959	–	–1,959
Other operating income and expenses	100	–	100	123	–	123
Share of profit or loss from associates and joint ventures (at equity)	5	–	5	13	–	13
EBIT	1,025	138	1,163	1,073	–	1,073
Financial result	–198	–	–198	–179	–	–179
Taxes on income	–198	–33	–231	–214	–	–214
PROFIT FOR THE PERIOD	629	105	734	680	–	680
attributable to Linde AG shareholders	579	99	678	624	–	624
attributable to non-controlling interests	50	6	56	56	–	56
EBIT	1,025	138	1,163	1,073	–	1,073
Amortisation of intangible assets and depreciation of tangible assets	–941	–	–941	823	–	823
OPERATING PROFIT	1,966	138	2,104	250	–	250
EARNINGS PER SHARE IN € – UNDILUTED	3.12	0.53	3.65	3.36	–	3.36
EARNINGS PER SHARE IN € – DILUTED	3.11	0.53	3.64	3.35	–	3.35

[12] Discretionary decisions and estimates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[13] Events after the balance sheet date

No significant events have occurred for The Linde Group since the end of the reporting period on 30 June 2015.

MUNICH, 28 JULY 2015

DR WOLFGANG BÜCHELE
[CHIEF EXECUTIVE OFFICER]

GEORG DENOKE
[MEMBER OF THE EXECUTIVE BOARD]

THOMAS BLADES
[MEMBER OF THE EXECUTIVE BOARD]

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[MEMBER OF THE EXECUTIVE BOARD]

DR CHRISTIAN BRUCH
[MEMBER OF THE EXECUTIVE BOARD]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

REVIEW REPORT

To Linde Aktiengesellschaft, Munich

We have reviewed the condensed interim consolidated financial statements – comprising the Group statement of profit or loss, the Group statement of comprehensive income, the Group statement of financial position, the Group statement of cash flows, the statement of changes in Group equity and selected explanatory notes – together with the Group interim management report of Linde Aktiengesellschaft, Munich, for the period from 1 January to 30 June 2015 that are part of the semi-annual financial report according to § 37w German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the Group interim management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the Group interim management report based on our review.

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

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

MUNICH, 28 JULY 2015

KPMG AG
[WIRTSCHAFTSPRÜFUNGS-
GESELLSCHAFT]

BECKER [WIRTSCHAFTS-PRÜFER]	V. HEYNITZ [WIRTSCHAFTS-PRÜFER]

RESPONSIBILITY STATEMENT

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

MUNICH, 28 JULY 2015

LINDE AKTIENGESELLSCHAFT
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FINANCIAL CALENDAR

[1]
INTERIM REPORT
JANUARY TO JUNE 2015
29 July 2015

[2]
AUTUMN PRESS CONFERENCE
2015
28 October 2015
Carl von Linde Haus, Munich,
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[3]
INTERIM REPORT
JANUARY TO SEPTEMBER 2015
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[4]
ANNUAL GENERAL MEETING
2016
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This report is available in both German and English and can be downloaded from our website at *WWW.LINDE.COM*.
Further information about Linde can be obtained from us on request.

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