

LINDE PLC

HALF-YEAR FINANCIAL REPORT  
1 JANUARY - 30 JUNE  
2020

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## **FORWARD-LOOKING STATEMENTS**

This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, potential, forecast, and similar expressions. They are based on management’s reasonable expectations and assumptions as of the date the statements are made but involve risks and uncertainties. These risks and uncertainties include, without limitation: the performance of stock markets generally; developments in worldwide and national economies and other international events and circumstances, including trade conflicts and tariffs; changes in foreign currencies and in interest rates; the cost and availability of electric power, natural gas and other raw materials; the ability to achieve price increases to offset cost increases; catastrophic events including natural disasters, epidemics, pandemics such as COVID-19 and acts of war and terrorism; the ability to attract, hire, and retain qualified personnel; the impact of changes in financial accounting standards; the impact of changes in pension plan liabilities; the impact of tax, environmental, healthcare and other legislation and government regulation in jurisdictions in which the company operates; the cost and outcomes of investigations, litigation and regulatory proceedings; the impact of potential unusual or non-recurring items; continued timely development and market acceptance of new products and applications; the impact of competitive products and pricing; future financial and operating performance of major customers and industries served; the impact of information technology system failures, network disruptions and breaches in data security; and the effectiveness and speed of integrating new acquisitions into the business. These risks and uncertainties may cause actual future results or circumstances to differ materially from accounting standards generally accepted in the United States, International Financial Reporting Standards or adjusted projections, estimates or other forward-looking statements.

Linde plc assumes no obligation to update or provide revisions to any forward-looking statement in response to changing circumstances. The above listed risks and uncertainties are further described in the Principal Risks and Uncertainties section of the Linde plc 2019 Directors' Report and Financial Statements, which should be reviewed carefully. Please consider Linde plc’s forward-looking statements in light of those risks.

## BUSINESS PERFORMANCE OVERVIEW

### CONSOLIDATED RESULTS OF OPERATIONS

The following table provides summary results of operations of Linde for the six month periods ended 30 June 2020 and 2019:

<i>(Millions of dollars)</i> <b>Six Months Ended 30 June</b>	<b>2020</b>	<b>2019</b>	<b>Variance</b>	
Revenue	\$13,323	\$14,428	\$ (1,105)	(8)%
Cost of sales (includes depreciation)	9,487	10,526	(1,039)	(10)%
Marketing and selling expenses, administrative expense and research and development costs (includes depreciation and amortization)	2,483	2,602	(119)	(5)%
Other operating income and (expenses) - net	16	29	(13)	(45)%
Operating profit from continuing operations	<b>1,369</b>	<b>1,329</b>	<b>40</b>	<b>3 %</b>
<i>Operating margin</i>	<i>10.3 %</i>	<i>9.2 %</i>		
Financial expenses - net	87	59	28	47 %
Share of profit and loss from associates and joint ventures (at equity)	31	33	(2)	(6)%
Income tax expense	370	338	32	9 %
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>\$ 943</b>	<b>\$ 965</b>	<b>\$ (22)</b>	<b>(2)%</b>
attributable to Linde plc shareholders	\$ 869	\$ 893	\$ (24)	(3)%
attributable to noncontrolling interests	\$ 74	\$ 72	\$ 2	3 %
<b>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS - LINDE PLC SHAREHOLDERS</b>	<b>\$ 1.63</b>	<b>\$ 1.63</b>	<b>\$ —</b>	<b>— %</b>

#### **Results of Operations, For the Six Months Ended 30 June 2020 Compared With 2019**

Revenue decreased 8% to \$13,323 million in 2020 compared to \$14,428 in 2019. Volume decreased revenues 5% primarily driven by the impact of COVID-19 in all geographic segments, partially offset by new project start-ups. Higher pricing across all geographic segments contributed 2% to revenues. Currency translation decreased revenues by 3%, driven by the weakening of the Euro, British pound, Australian dollar, Brazilian real and Chinese yuan against the U.S. dollar. Cost pass-through decreased revenues by 1% in the period.

Cost of sales decreased \$1,039 million versus 2019 primarily due to lower volumes and the benefits of ongoing productivity initiatives. Cost of sales for the period ended 30 June 2020 was 71.2% of sales versus 73.0% of sales in 2019. The decrease as a percentage of sales in the period was due primarily to higher pricing, lower cost pass-through and the impact of cost reduction and productivity initiatives.

Marketing and selling expenses, administrative and research and development costs ("SG&A/R&D") decreased \$119 million in 2020 to \$2,483 million. SG&A/R&D was 18.6% of sales in 2020 versus 18.0% of sales in 2019.

Other operating income and (expenses) - net in 2020 was a net benefit of \$16 million versus a net benefit of \$29 million in 2019.

Operating profit from continuing operations of \$1,369 million in 2020 was \$40 million higher than operating profit of \$1,329 million in 2019. The increase was driven by higher price, lower depreciation and amortization related to the merger, and the impact of productivity initiatives partially offset by higher cost reduction programs and other charges. 2020 includes cost reduction programs and other charges of \$380 million. 2019 included cost reduction programs and other charges of \$230 million. A discussion of operating profit by segment is included in the segment discussion that follows.

Financial expense – net in 2020 increased \$28 million, or 47%, versus 2019.

Share of profit and loss from associates and joint ventures (at equity) decreased \$2 million in 2020 versus 2019.

The reported effective tax rate ("ETR") for 2020 was 28.2% versus 25.9% in 2019. The increase was primarily due to a deferred income tax charge related to the revaluation of net deferred income tax liabilities for a tax rate change in the United Kingdom as compared to 2019.

Profit from continuing operations for 2020 was \$943 million, \$22 million or 2% lower than \$965 million in 2019. This is primarily driven by higher financial expense-net and a higher effective tax rate, partially offset by higher operating profit.

Diluted earnings per share from continuing operations - Linde plc shareholders ("EPS") of \$1.63 in 2020 was flat as compared to 2019.

The ultimate magnitude of COVID-19, including the extent of its impact on the company's operational results, will be determined by the length of time that such circumstances continue, measures taken to prevent its spread, and the demand for the company's products and services, as well as the effect of governmental and public actions taken in response.

The company is committed to the safety and well-being of its employees and to ensuring that its facilities follow the highest standards of safety and hygiene. At the same time, the company and its employees remain committed to meeting the needs of customers and ensuring they receive products and services in a timely manner.

## SEGMENT DISCUSSION

Linde assesses the performance of the operating segments determined in accordance with U.S. GAAP. Accordingly, the analysis of key performance indicators and the associated segment discussion that follows are based on U.S. GAAP results. A reconciliation from U.S. GAAP results to those determined under EU-International Financial Reporting Standards ("IFRS") for the six months ended 30 June 2020 and 2019 is also provided. The following summary of U.S. GAAP sales and operating profit by segment provides a basis for the discussion that follows. Linde evaluates the performance of its operating segments based on operating profit, excluding the items not indicative of ongoing business trends ("Segment operating profit").

<i>(Millions of dollars)</i> Six Months Ended 30 June	2020	2019	Variance	
<b>Sales</b>				
Americas	\$ 5,094	\$ 5,481	\$ (387)	(7)%
EMEA	3,081	3,355	(274)	(8)%
APAC	2,631	2,915	(284)	(10)%
Engineering	1,418	1,388	30	2 %
Other	892	954	(62)	(7)%
Total U.S. GAAP Sales	13,116	14,093	(977)	(7)%
GAAP adjustments <sup>1</sup>	207	280	(73)	(26)%
Merger-related divestitures	—	55	(55)	(100)%
Total IFRS Consolidated Sales	<u>\$ 13,323</u>	<u>\$ 14,428</u>	<u>\$ (1,105)</u>	(8)%
<b>Operating Profit</b>				
Americas	\$ 1,283	\$ 1,230	\$ 53	4 %
EMEA	658	679	(21)	(3)%
APAC	575	577	(2)	— %
Engineering	229	177	52	29 %
Other	(76)	(122)	46	38 %
U.S. GAAP segment operating profit	2,669	2,541	128	5 %
Reconciliation to Consolidated Operating Profit:				
Cost reduction programs and other charges <sup>2</sup>	(380)	(230)	(150)	65 %
Merger-related divestitures	—	13	(13)	(100)%
Purchase accounting impacts - Linde AG <sup>3</sup>	(965)	(1,046)	81	8 %
U.S. GAAP Consolidated Operating Profit	1,324	1,278	46	4 %
GAAP adjustments <sup>1</sup>	45	51	(6)	
IFRS Consolidated Operating Profit	<u>\$ 1,369</u>	<u>\$ 1,329</u>	<u>\$ 40</u>	3 %

(1) Primarily related to consolidation of certain entities under IFRS versus equity method accounting for US GAAP.

(2) Related to cost reduction programs, largely severance costs, see Note 8 to the condensed consolidated financial statements.

(3) Impacts of the required purchase accounting related to the merger transaction, primarily the increased depreciation and amortization of assets recorded at fair value.

## *Americas*

The Americas segment includes Linde's industrial gases operations in approximately 20 countries including the United States, Canada, Mexico and Brazil.

### *Sales*

Sales for the Americas segment decreased \$387 million, or 7%, for the six months ended 30 June 2020 versus the respective 2019 period. Higher pricing contributed 2% to sales. Volumes decreased 4%, primarily to the manufacturing and metals end markets due to COVID-19 and were partially offset by new project start-ups and higher volumes to the healthcare end market. Currency translation decreased sales by 3%, primarily driven by the weakening of the Brazilian real, Mexican peso and Canadian dollar against the U.S. Dollar.

### *Operating profit*

Operating profit in the Americas segment increased \$53 million, or 4%, for the six months ended 30 June 2020 versus the respective 2019 period due primarily to higher pricing and the impact of cost reduction and productivity initiatives which more than offset the unfavorable impacts of currency translation and lower volumes.

## *EMEA*

The EMEA segment includes Linde's industrial gases operations in approximately 45 European, Middle Eastern and African countries including Germany, France, Sweden, the Republic of South Africa, and the United Kingdom.

### *Sales*

EMEA segment sales decreased \$274 million, or 8%, in the six months ended 30 June 2020 as compared to the respective 2019 period, primarily driven by lower volumes. Volumes decreased 4% driven by overall weaker industrial production and the impact of COVID-19. Unfavorable currency translation decreased 4% due to the weakening of the British pound and South African rand against the U.S. Dollar, partially offset by higher price of 2%.

### *Operating profit*

Operating profit for the EMEA segment decreased \$21 million, or 3%, in the six months ended 30 June 2020 as compared to the respective 2019 period driven largely by lower volumes and unfavorable impacts of currency translation, partially offset by higher price and cost reduction programs.

## *APAC*

The APAC segment includes Linde's industrial gases operations in approximately 20 Asian and South Pacific countries including China, Australia, India, South Korea and Taiwan.

### *Sales*

Sales for the APAC segment decreased \$284 million, or 10%, for the six months ended 30 June 2020 versus the respective 2019 period driven primarily by volumes and unfavorable currency. Volumes decreased 7% in the period as the impact of COVID-19 and a prior year equipment sale more than offset the contribution of new project start ups. Higher price contributed 2% for the period. Unfavorable currency translation decreased sales by 4%, driven primarily by the weakening of the Chinese yuan, Korean won and India rupee against the U.S. Dollar.

### *Operating profit*

Operating profit in the APAC segment decreased \$2 million for the six months ended 30 June 2020 versus the respective 2019 period. Lower volumes were partially offset by higher price and the impact of cost reduction and productivity initiatives in the period.

## ***Engineering***

### ***Sales***

Engineering segment sales increased \$30 million, or 2%, for the six months ended 30 June 2020 as compared to the respective 2019 period driven primarily by volumes and project start up timing slightly offset by unfavorable currency impacts.

### ***Operating profit***

Engineering segment operating profit increased \$52 million, or 29%, for the six months ended 30 June 2020 as compared to the respective 2019 period due primarily to project execution and the impact of productivity initiatives.

## ***Other***

Other consists of corporate costs and a few smaller businesses including: Surface Technologies, GIST, global helium wholesale, and Electronic Materials; which individually do not meet the quantitative thresholds for separate presentation.

### ***Sales***

Sales for Other decreased \$62 million, or 7%, in the six months ended 30 June 2020, versus the respective 2019 period primarily due to lower volumes, partially offset by higher price largely attributable to helium. Currency translation decreased sales by 2%.

### ***Operating profit***

Operating profit in Other increased \$46 million, or 38% for the six months ended 30 June 2020 versus the respective 2019 period due primarily to higher price and the impact of cost reduction and productivity initiatives, partially offset by unfavorable currency translation impacts.

## CONSOLIDATED FINANCIAL POSITION

The following table provides a summary of consolidated financial position of Linde as of 30 June 2020 and 31 December 2019:

<i>(Millions of dollars)</i>	<b>30/06/2020</b>	<b>31/12/2019</b>	<b>Variance</b>	
Goodwill	\$ 26,703	\$ 27,148	\$ (445)	(2) %
Other intangible assets	16,146	16,818	(672)	(4) %
Tangible assets	28,291	29,689	(1,398)	(5) %
Other assets	10,244	10,700	(456)	(4) %
Non-current assets classified as held for sale	25	320	(295)	(92) %
Cash and cash equivalents	5,056	2,790	2,266	81 %
<b>TOTAL ASSETS</b>	<b>\$ 86,465</b>	<b>\$ 87,465</b>	<b>\$ (1,000)</b>	<b>(1) %</b>
Equity	47,988	52,141	(4,153)	(8) %
Pension obligations and other provisions	4,487	3,705	782	21 %
Financial debt	17,365	13,947	3,418	25 %
Other liabilities	16,614	17,587	(973)	(6) %
Liabilities in connection with non-current assets classified as held for sale	11	85	(74)	(87) %
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$ 86,465</b>	<b>\$ 87,465</b>	<b>\$ (1,000)</b>	<b>(1) %</b>

Goodwill decreased \$445 million to \$26,703 million as of 30 June 2020 from \$27,148 million as of 31 December 2019. This decrease is primarily related to the impact of negative currency translation during the six months ended 30 June 2020 (see Note 4 to the condensed consolidated financial statements).

Other intangible assets – net decreased \$672 million to \$16,146 million as of 30 June 2020 from \$16,818 million as of 31 December 2019. This decrease is primarily related to the amortization of finite lived intangible assets and the impact of negative currency translation (see Note 4 to the condensed consolidated financial statements).

Tangible assets (property, plant and equipment – net) decreased \$1,398 million to \$28,291 million as of 30 June 2020 from \$29,689 million as of 31 December 2019. This decrease is primarily related to the depreciation of the tangible assets and negative impact of currency translation partly offset by capital expenditures during the six months ended 30 June 2020 (see Note 4 to the condensed consolidated financial statements).

Other assets decreased \$456 million to \$10,244 million as of 30 June 2020 from \$10,700 million as of 31 December 2019. This decrease is primarily related to the impact of negative currency translation during the six months ended 30 June 2020.

Non-current assets classified as held for sale, net of Liabilities in connection with non-current assets classified as held for sale was \$14 million at 30 June 2020 versus \$235 million at 31 December 2019 driven primarily by the completion of merger-related divestitures.

Cash and cash equivalents increased \$2,266 million to \$5,056 million as of 30 June 2020 from \$2,790 million as of 31 December 2019. Operating cash flow of \$3,326 million and cash inflows from financing activities of \$353 million were partially offset by cash outflows for investing activities of \$1,233 million. See the "Liquidity and Capital Resources" discussion below for further detail. The cash is available for corporate uses, including among others, capital expenditures and share repurchases.

Equity decreased \$4,153 million to \$47,988 million as of 30 June 2020 from \$52,141 million as of 31 December 2019. This decrease was primarily driven by negative currency translation of \$1,883 million, share option schemes and net share repurchases of \$1,723 million and \$1,017 million of dividend payments to Linde plc shareholders, partially offset by net income of \$947 million (see the condensed statement of changes in consolidated equity and Note 5 to the condensed consolidated financial statements).

Pension obligations and other provisions increased \$782 million to \$4,487 million as of 30 June 2020 from \$3,705 million as of 31 December 2019. This increase is primarily related to the revaluation of pension obligations which was negatively impacted by a reduction in discount rates, most significantly in Americas and EMEA.



Financial debt (the sum of short-term debt, current portion of long-term debt and long-term debt), increased \$3,418 million to \$17,365 million as of 30 June 2020 from \$13,947 million as of 31 December 2019 driven primarily by debt borrowings during 2020 (see "Liquidity and Capital Resources" discussion below and Note 6 to the condensed consolidated financial statements).

Other liabilities decreased \$973 million to \$16,614 million as of 30 June 2020 from \$17,587 million as of 31 December 2019. This decrease is driven largely by the impact of negative currency translation and timing of accruals related to incentives and taxes.

## **LIQUIDITY AND CAPITAL RESOURCES**

Following is a summary of the consolidated statement of cash flows:

(Millions of dollars)

<b>Six Months Ended 30 June</b>	<b>2020</b>	<b>2019</b>	<b>Variance</b>
Cash flow from operating activities	\$ 3,326	\$ 2,251	\$ 1,075
Cash flow (for)/from investing activities	(1,233)	2,828	(4,061)
Cash flow (for)/from financing activities	353	(6,794)	7,147
Other cash activity	(180)	(51)	(129)
Change in cash and cash equivalents	2,266	(1,766)	4,032
Cash and cash equivalents, beginning -of-period	2,790	4,533	(1,743)
Cash and cash equivalents, end-of-period	\$ 5,056	\$ 2,767	\$ 2,289

### ***Cash flow from operating activities***

Cash flows from operations was \$3,326 million, or 25% of sales, an increase of \$1,075 million from \$2,251 million, or 16% of sales in 2019. The increase was driven by higher profit adjusted for non-cash charges, lower working capital requirements, lower merger and synergy related cash outflows and favorable changes in other noncurrent assets and liabilities.

### ***Cash flow (for)/from investing activities***

Net cash used for investing activities was \$1,233 million in 2020, largely related to capital expenditures. The net cash inflow of \$2,828 million in 2019 was primarily due to proceeds from merger-related divestitures in 2019.

Capital expenditures for the six months ended 30 June 2020 were \$1,598 million, \$123 million lower than the prior year.

Acquisition expenditures in 2020 were \$4 million and primarily related to acquisitions in the Americas and APAC. Acquisition expenditures in 2019 were \$140 million and relate primarily to acquisitions in the Americas.

Divestitures and asset sales for the six months ended 30 June 2020 and 2019 were \$369 million and \$4,689 million, respectively. The 2019 period includes net proceeds of \$3.4 billion from the sale of Linde AG's Americas business and \$1.2 billion from the sale of select assets of Linde AG Korea.

### ***Cash flow (for)/from financing activities***

Cash flow from financing activities was \$353 million in 2020 compared to a use of \$6,794 million in 2019. Cash provided by debt in 2020 was \$3,503 million versus cash used for debt of \$1,311 million in 2019 primarily due to the issuance of €1.5 billion bonds and increased commercial paper borrowings in 2020. The 2019 period also included a \$3,200 million outflow for the cash-merger squeeze-out of the 8% of Linde AG shares completed on 8 April 2019.

Cash dividends of \$1,017 million increased \$66 million from 2019 driven primarily by a 10% increase in quarterly dividends per share from 87.5 cents to 96.3 cents per share.

Net purchases of ordinary shares were \$1,803 million in 2020 versus \$1,195 million in 2019. Noncontrolling interest transactions and other payments was \$102 million in 2020 versus \$3,126 million in 2019, driven by the squeeze out payment to the 8% Linde AG noncontrolling interests in 2019.

The company continues to believe it has sufficient operating flexibility, cash, and funding sources to meet its business needs around the world. The company has a \$5 billion unsecured and undrawn revolving credit agreement with no associated

financial covenants. No borrowings were outstanding under the credit agreement as of 30 June 2020. The company does not anticipate any limitations on its ability to access the debt capital markets and/or other external funding sources and remains committed to its strong ratings from Moody's and Standard & Poor's.

***Other cash activity***

Other cash activity primarily includes the effects of currency translation on cash.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

Due to the size and geographic reach of the company's operations, a wide range of factors, many of which are outside of the company's control, could materially affect the company's future operations and financial performance. Management believes the risks that may significantly impact the company have not changed since 31 December 2019. Refer to the Principal Risks and Uncertainties section of the Linde plc 2019 Directors' Report and Financial Statements for further information.

## DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU; and
- the interim business performance overview includes a fair review of the information required by: - Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and - Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Approved by the Board of Directors and signed on its behalf on 25 September 2020 by:

/S/ Stephen F. Angel

Stephen F. Angel

*Chief Executive Officer and Director*

/S/ Prof.Dr. Clemens Börsig

Prof. Dr. Clemens Börsig

*Director*

# *Independent review report to Linde plc*

## **Report on the condensed consolidated interim financial statements**

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### **Our conclusion**

We have reviewed Linde plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Financial Report of Linde plc for the six month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

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### **What we have reviewed**

The interim financial statements, comprise:

- the condensed consolidated statement of financial position as at 30 June 2020;
- the condensed consolidated statement of profit and loss and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed statement of changes in consolidated equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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## **Responsibilities for the interim financial statements and the review**

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### **Our responsibilities and those of the directors**

The half-yearly financial report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

Our responsibility is to express a conclusion on the interim financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### **What a review of interim financial statements involves**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom and Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers  
Chartered Accountants  
25 September 2020  
Dublin

- (a) *The maintenance and integrity of the Linde plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*
- (b) *Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

# Condensed Consolidated Financial Statements (Unaudited)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS (UNAUDITED)

<b>For The Six Months Ended 30 June</b> <i>(Millions of dollars)</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Revenue	[2]	\$ 13,323	\$ 14,428
Cost of sales		9,487	10,526
<b>GROSS PROFIT</b>		<b>\$ 3,836</b>	<b>\$ 3,902</b>
Marketing and selling expenses		1,040	1,243
Research and development costs		115	147
Administration expenses		1,232	1,106
Impairment losses on receivables and contract assets		96	106
Other operating income		141	147
Other operating expenses		125	118
<b>OPERATING PROFIT FROM CONTINUING OPERATIONS</b>		<b>\$ 1,369</b>	<b>\$ 1,329</b>
Financial income		31	195
Financial expenses		118	254
Share of profit and loss from associates and joint ventures (at equity)		31	33
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>\$ 1,313</b>	<b>\$ 1,303</b>
Income tax expense		370	338
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>\$ 943</b>	<b>\$ 965</b>
<b>PROFIT FROM DISCONTINUED OPERATIONS, NET OF TAX</b>		<b>4</b>	<b>82</b>
<b>PROFIT</b>		<b>\$ 947</b>	<b>\$ 1,047</b>
attributable to Linde plc shareholders		873	968
attributable to noncontrolling interests of continuing operations		74	72
attributable to noncontrolling interests of discontinued operations		—	7
<b>PROFIT - LINDE PLC SHAREHOLDERS</b>			
Income from continuing operations		\$ 869	\$ 893
Income from discontinued operations		\$ 4	\$ 75
<b>EARNINGS PER SHARE – CONTINUING OPERATIONS LINDE PLC SHAREHOLDERS</b>	[3]		
Earnings per share in USD – undiluted		\$ 1.64	\$ 1.64
Earnings per share in USD – diluted		\$ 1.63	\$ 1.63
<b>EARNINGS PER SHARE - LINDE PLC SHAREHOLDERS</b>	[3]		
Earnings per share in USD – undiluted		\$ 1.65	\$ 1.78
Earnings per share in USD – diluted		\$ 1.64	\$ 1.77



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

<b>Six Month Period Ended 30 June</b> <i>(Millions of dollars)</i>	<b>2020</b>	<b>2019</b>
PROFIT	\$ 947	\$ 1,047
OTHER COMPREHENSIVE INCOME (LOSS)		
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS		
Currency translation adjustments		
Foreign currency translation adjustments	(2,006)	(44)
Reclassifications to net income	—	12
Income taxes	24	5
Currency translation adjustments	(1,982)	(27)
Derivative instruments		
Current period unrealized gain (loss)	(45)	(20)
Reclassifications to net income	50	—
Income taxes	1	4
Derivative instruments	6	(16)
Securities		
Current period unrealized gain (loss)	—	1
Reclassifications to net income	—	—
Income taxes	—	—
Securities	—	1
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS		
Funded status - retirement obligation remeasurement	(285)	(408)
Income taxes	44	85
Funded status - retirement obligations	(241)	(323)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	\$ (2,217)	\$ (365)
COMPREHENSIVE INCOME (LOSS)(INCLUDING NONCONTROLLING INTERESTS)	\$ (1,270)	\$ 682
Less: noncontrolling interests	25	11
COMPREHENSIVE INCOME (LOSS) - LINDE PLC	<u>\$ (1,245)</u>	<u>\$ 693</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

<i>(Millions of dollars)</i>	<i>Note</i>	<b>30/06/2020</b>	<b>31/12/2019</b>
<b>Assets</b>			
Goodwill	[4]	\$ 26,703	\$ 27,148
Other intangible assets	[4]	16,146	16,818
Tangible assets	[4]	28,291	29,689
Right of use assets		1,080	1,168
Investments in associates and joint ventures (at equity)		1,001	1,008
Other financial assets		100	100
Receivables from finance leases		44	55
Miscellaneous other receivables and other assets		621	598
Deferred tax assets		266	251
<b>NON-CURRENT ASSETS</b>		<b>74,252</b>	<b>76,835</b>
Inventories		1,729	1,710
Receivables from finance leases		16	17
Trade receivables		3,911	4,122
Contract assets	[2]	226	369
Miscellaneous other receivables and other assets		1,126	1,194
Income tax receivables		124	108
Cash and cash equivalents		5,056	2,790
Non-current assets classified as held for sale		25	320
<b>CURRENT ASSETS</b>		<b>12,213</b>	<b>10,630</b>
<b>TOTAL ASSETS</b>		<b>\$ 86,465</b>	<b>\$ 87,465</b>

(Millions of dollars)

	<i>Note</i>	<b>30/06/2020</b>	<b>31/12/2019</b>
<b>EQUITY AND LIABILITIES</b>			
Called-up share capital presented as equity		\$ 1	\$ 1
Retained earnings	[5]	51,864	52,249
Treasury shares	[5]	(4,836)	(3,156)
Other reserves		(1,815)	105
<b>TOTAL EQUITY ATTRIBUTABLE TO LINDE PLC SHAREHOLDERS</b>		<b>\$ 45,214</b>	<b>\$ 49,199</b>
Noncontrolling interests	[5]	2,774	2,942
<b>TOTAL EQUITY</b>		<b>\$ 47,988</b>	<b>\$ 52,141</b>
Long-term pensions and similar obligations		2,929	2,549
Other non-current provisions		693	562
Deferred tax liabilities		6,479	6,993
Financial liabilities	[6,7]	11,018	10,622
Liabilities from leases		781	840
Contract liabilities	[2]	439	359
Income tax liabilities		230	236
Other non-current liabilities		383	404
<b>NON-CURRENT LIABILITIES</b>		<b>\$ 22,952</b>	<b>\$ 22,565</b>
Current pensions and similar obligations		30	27
Current provisions		835	567
Financial liabilities	[6,7]	6,347	3,325
Liabilities from leases		268	290
Trade payables		3,580	4,079
Contract liabilities	[2]	1,695	1,761
Other current liabilities		1,834	1,878
Income tax liabilities		925	747
Liabilities in connection with non-current assets classified as held for sale		11	85
<b>CURRENT LIABILITIES</b>		<b>\$ 15,525</b>	<b>\$ 12,759</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 86,465</b>	<b>\$ 87,465</b>

# CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (UNAUDITED)

<i>(Millions of dollars)</i>	Called-up share capital	Retained earnings (including remeasurement of defined benefit plans)	Other reserves			Treasury shares	Total equity attributable to Linde plc shareholders	Non- controlling interests	Total equity
			Currency translation differences	Hedging instruments	Other				
<b>AS AT 01/01/2019</b>	\$ 1	\$ 52,448	\$ (123)	\$ (2)		\$ (629)	\$ 51,695	\$ 6,094	\$ 57,789
Profit	–	968	—	—		—	968	78	1,046
Other comprehensive income (net of tax)	–	(322)	62	(16)		—	(276)	(89)	(365)
<b>TOTAL COMPREHENSIVE INCOME</b>	—	<b>646</b>	<b>62</b>	<b>(16)</b>		—	<b>692</b>	<b>(11)</b>	<b>681</b>
Dividend payments	–	(951)	—	—		—	(951)	(92)	(1,043)
Changes as a result of share option schemes and stock purchase plans	–	(12)	—	—	55	(1,143)	(1,100)	—	(1,100)
<b>TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY</b>	—	<b>(963)</b>	—	—	<b>55</b>	<b>(1,143)</b>	<b>(2,051)</b>	<b>(92)</b>	<b>(2,143)</b>
Additions (reductions) to noncontrolling interests	—	—	—	—	—	—	—	(3,052)	(3,052)
<b>AT 30/06/2019</b>	<b>\$ 1</b>	<b>\$ 52,131</b>	<b>\$ (61)</b>	<b>\$ (18)</b>	<b>\$ 55</b>	<b>\$ (1,772)</b>	<b>\$ 50,336</b>	<b>\$ 2,939</b>	<b>\$ 53,275</b>
<b>AS AT 01/01/2020</b>	<b>\$ 1</b>	<b>\$ 52,249</b>	<b>\$ 73</b>	<b>\$ (27)</b>	<b>\$ 59</b>	<b>\$ (3,156)</b>	<b>\$ 49,199</b>	<b>\$ 2,942</b>	<b>\$ 52,141</b>
Profit	–	873	—	—	—	—	873	74	947
Other comprehensive income (net of tax)	–	(241)	(1,883)	6	—	—	(2,118)	(99)	(2,217)
<b>TOTAL COMPREHENSIVE INCOME</b>	—	<b>632</b>	<b>(1,883)</b>	<b>6</b>	—	—	<b>(1,245)</b>	<b>(25)</b>	<b>(1,270)</b>
Dividend payments	–	(1,017)	—	—	—	—	(1,017)	(61)	(1,078)
Changes as a result of share option schemes and stock purchase plans	–	—	—	—	(43)	(1,680)	(1,723)	—	(1,723)
<b>TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY</b>	—	<b>(1,017)</b>	—	—	<b>(43)</b>	<b>(1,680)</b>	<b>(2,740)</b>	<b>(61)</b>	<b>(2,801)</b>
Additions (reductions) to noncontrolling interests	—	—	—	—	—	—	—	(82)	(82)
<b>AT 30/06/2020</b>	<b>\$ 1</b>	<b>\$ 51,864</b>	<b>\$ (1,810)</b>	<b>\$ (21)</b>	<b>\$ 16</b>	<b>\$ (4,836)</b>	<b>\$ 45,214</b>	<b>\$ 2,774</b>	<b>\$ 47,988</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

**For The Six Months Ended 30 June**

*(Millions of dollars)*

	<i>Note</i>	<b>2020</b>	<b>2019</b>
Profit attributable to Linde plc shareholders		\$ 873	\$ 968
Less: Profit from discontinued operations		(4)	(75)
Add: Profit from continuing operations attributable to noncontrolling interests		73	72
Profit from continuing operations		942	965
<i>Adjustments to profit after tax to calculate cash flow from operating activities – continuing operations</i>			
Cost reduction programs and other charges, net of payments		239	(286)
Amortization of intangible assets/depreciation of tangible assets	[4]	2,476	2,612
Amortization of merger-related inventory step-up		—	9
Deferred income taxes		(204)	(130)
Share based compensation		75	38
<i>Changes in assets and liabilities</i>			
Change in trade receivables		(118)	(194)
Change in contract assets & liabilities		70	(98)
Change in inventories		(83)	(74)
Change in prepaid and other current assets		(43)	(84)
Change in payables, provisions and accruals		(28)	(278)
Pension contributions		(34)	(43)
Long-term assets, liabilities and other		34	(186)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>\$ 3,326</b>	<b>\$ 2,251</b>
Capital expenditures		\$ (1,598)	\$ (1,721)
Acquisitions / Payments for investments in consolidated companies		(4)	(140)
Proceeds on disposal of tangible and intangible assets, and receivables from leases		369	4,689
<b>CASH FLOW (FOR)/FROM INVESTING ACTIVITIES</b>		<b>\$ (1,233)</b>	<b>\$ 2,828</b>

<i>(Millions of dollars)</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Dividend payments to Linde plc shareholders	[5]	\$ (1,017)	\$ (951)
Cash outflows due to changes of noncontrolling interests		(102)	(3,126)
Issuance of common stock		25	55
Purchases of common stock		(1,828)	(1,250)
Short-term debt borrowings (repayments) - net		1,913	(44)
Long-term debt borrowings		1,656	48
Long-term debt repayments		(66)	(1,315)
Cash outflows for the repayment of liabilities from finance leases		(168)	(101)
Other cash flows		(60)	(110)
<b>CASH FROM/(FOR) FINANCING ACTIVITIES</b>		<b>\$ 353</b>	<b>\$ (6,794)</b>
<b>Discontinued Operations</b>			
Cash provided by operating activities		4	65
Cash used for investing activities		(2)	(63)
Cash used for financing activities		(14)	(3)
<b>CASH FLOW (FOR)/FROM DISCONTINUED OPERATIONS</b>		<b>(12)</b>	<b>(1)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>2,434</b>	<b>(1,716)</b>
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>		<b>\$ 2,790</b>	<b>\$ 4,533</b>
Effects of currency translation		(180)	(48)
Cash and cash equivalents reported as non-current assets classified as held for sale and disposal groups		12	(2)
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>		<b>\$ 5,056</b>	<b>\$ 2,767</b>

# Notes to Condensed Consolidated Financial Statements

## [1] Business Overview And Basis Of Preparation

### *Business Overview*

Linde plc (Registration number 602527) ("Linde" or "the company") is an incorporated public limited company formed under the laws of Ireland. Linde's registered office is located at Ten Earlsfort Terrace, Dublin 2, D02 T380 Ireland. Linde's principal executive offices are located at The Priestley Centre, 10 Priestley Road, Surrey Research Park, Guildford, Surrey GU2 7XY, United Kingdom. Linde trades on the New York Stock Exchange and on the Frankfurt Stock Exchange under the symbol LIN.

### *Basis of Preparation*

These condensed consolidated financial statements of Linde for the six months ended 30 June 2020 have been prepared in accordance with Accounting Standard IAS 34, *Interim Financial Reporting* as adopted by the European Union.

The condensed interim financial statements should be read in conjunction with the 2019 consolidated financial statements, which have been prepared in accordance with IFRS as adopted by the European Union. The 2019 consolidated financial statements were authorized for issue by the Board of Directors on 30 April 2020 and are available on the company's website.

The condensed consolidated financial statements have been prepared using the same accounting policies as those used in the preparation of the consolidated financial statements for the year ended 31 December 2019. No other changes to IFRS that became effective in 2020 had a significant effect on the condensed consolidated financial information included in this report.

The Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing these condensed consolidated financial statements.

The condensed consolidated financial statements presented do not constitute full statutory financial statements for the company. The full statutory financial statements for the company for the year ended 31 December 2019 as filed with the Companies Registration Office in line with the company's annual return date. The audit report on those statutory financial statements was unqualified.

### *Other Developments*

While the events surrounding the COVID-19 pandemic continued to evolve during the first six months of 2020 Linde's primary focus was, and continues to be, the health and safety of its employees and the needs of its customers. The spread of COVID-19 has caused the company to modify its business practices (including employee travel, employee work locations, and cancellation of physical participation in meetings and events), and the company may take further actions if required by government authorities or that it determines are in the best interests of the company's employees, customers, suppliers and other stakeholders. The ultimate magnitude of COVID-19, including the extent of its impact on the company's operational results, will be determined by the length of time that such circumstances continue, measures taken to prevent its spread, and the demand for the company's products and services, as well as the effect of governmental and public actions taken in response.

### *Reclassifications*

Certain prior years' amounts have been reclassified to conform to the current year's presentation.

## [2] Revenue

### *Contracts with Customers*

Approximately 83% of Linde's consolidated sales are generated from industrial gases and related products in three geographic segments (Americas, EMEA, and APAC) and the remaining 17% is related primarily to the Engineering segment, and to a lesser extent Other (see Note 8 for operating segment details). Linde serves a diverse group of industries including healthcare,

energy, manufacturing, food, beverage carbonation, fiber-optics, steel making, aerospace, chemicals and water treatment.

### *Industrial Gases*

Within each of the company's geographic segments for industrial gases, there are three basic distribution methods: (i) on-site or tonnage; (ii) merchant or bulk liquid; and (iii) packaged or cylinder gases. The distribution method used by Linde to supply a customer is determined by many factors, including the customer's volume requirements and location. The distribution method generally determines the contract terms with the customer and, accordingly, the revenue recognition accounting practices. Linde's primary products in its industrial gases business are atmospheric gases (oxygen, nitrogen, argon, rare gases) and process gases (carbon dioxide, helium, hydrogen, electronic gases, specialty gases, acetylene). These products are generally sold through one of the three distribution methods.

Following is a description of each of the three industrial gases distribution methods and the respective revenue recognition policies:

*On-site.* Customers that require the largest volumes of product and that have a relatively constant demand pattern are supplied by cryogenic and process gas on-site plants. Linde constructs plants on or adjacent to these customers' sites and supplies the product directly to customers by pipeline. Where there are large concentrations of customers, a single pipeline may be connected to several plants and customers. On-site product supply contracts generally are total requirement contracts with terms typically ranging from 10-20 years and contain minimum purchase requirements and price escalation provisions. Many of the cryogenic on-site plants also produce liquid products for the merchant market. Therefore, plants are typically not dedicated to a single customer. Additionally, Linde is responsible for the design, construction, operations and maintenance of the plants and our customers typically have no involvement in these activities. Advanced air separation processes also allow on-site delivery to customers with smaller volume requirements.

The company's performance obligations related to on-site customers are satisfied over time as customers receive and obtain control of the product. Linde has elected to apply the practical expedient for measuring progress towards the completion of a performance obligation and recognizes revenue as the company has the right to invoice each customer, which generally corresponds with product delivery. Accordingly, revenue is recognized when product is delivered to the customer and the company has the right to invoice the customer in accordance with the contract terms. Consideration in these contracts is generally based on pricing which fluctuates with various price indices. Variable components of consideration exist within on-site contracts but are considered constrained.

*Merchant.* Merchant deliveries generally are made from Linde's plants by tanker trucks to storage containers at the customer's site. Due to the relatively high distribution cost, merchant oxygen and nitrogen generally have a relatively small distribution radius from the plants at which they are produced. Merchant argon, hydrogen and helium can be shipped much longer distances. The customer agreements used in the merchant business are usually three to seven year supply agreements based on the requirements of the customer. These contracts generally do not contain minimum purchase requirements or volume commitments.

The company's performance obligations related to merchant customers are generally satisfied at a point in time as the customers receive and obtain control of the product. Revenue is recognized when product is delivered to the customer and the company has the right to invoice the customer in accordance with the contract terms. Any variable components of consideration within merchant contracts are constrained however this consideration is not significant.

*Packaged Gases.* Customers requiring small volumes are supplied products in containers called cylinders, under medium to high pressure. Linde distributes merchant gases from its production plants to company-owned cylinder filling plants where cylinders are then filled for distribution to customers. Cylinders may be delivered to the customer's site or picked up by the customer at a packaging facility or retail store. Linde invoices the customer for the industrial gases and the use of the cylinder container(s). The company also sells hardgoods and welding equipment purchased from independent manufacturers. Packaged gases are generally sold under one to three-year supply contracts and purchase orders and do not contain minimum purchase requirements or volume commitments.

The company's performance obligations related to packaged gases are satisfied at a point in time. Accordingly, revenue is recognized when product is delivered to the customer or when the customer picks up product from a packaged gas facility or retail store, and the company has the right to payment from the customer in accordance with the contract terms. Any variable consideration is constrained and will be recognized when the uncertainty related to the consideration is resolved.

### *Linde Engineering*



The company designs and manufactures equipment for air separation and other industrial gas applications manufactured specifically for end customers. Sale of equipment contracts are generally comprised of a single performance obligation. Revenue from sale of equipment is generally recognized over time as Linde has an enforceable right to payment for performance completed to date and performance does not create an asset with alternative use. For contracts recognized over time, revenue is recognized primarily using a cost incurred input method. Costs incurred to date relative to total estimated costs at completion are used to measure progress toward satisfying performance obligations. Costs incurred include material, labor, and overhead costs and represent work contributing and proportionate to the transfer of control to the customer. Contract modifications are typically accounted for as part of the existing contract and are recognized as a cumulative adjustment for the inception-to-date effect of such change.

#### *Contract Assets and Liabilities*

Contract assets and liabilities result from differences in timing of revenue recognition and customer invoicing. Contract assets primarily relate to sale of equipment contracts for which revenue is recognized over time. The balance represents unbilled revenue which occurs when revenue recognized under the measure of progress exceeds amounts invoiced to customers. Customer invoices may be based on the passage of time, the achievement of certain contractual milestones or a combination of both criteria. Contract liabilities include advance payments or right to consideration prior to performance under the contract. Contract liabilities are recognized as revenue as performance obligations are satisfied under contract terms. Linde has contract assets of \$226 million and \$369 million at 30 June 2020 and 31 December 2019, respectively. Total contract liabilities are \$2,134 million at 30 June 2020 (current contract liabilities of \$1,695 million and noncurrent contract liabilities of \$439 million in the consolidated statement of financial position). Total contract liabilities were \$2,120 million at 31 December 2019 (current contract liabilities of \$1,761 million and non-current of \$359 million in the consolidated statement of financial position). Revenue recognized for the six months ended 30 June 2020 that was included in the contract liability at 31 December 2019 was \$705 million. Contract assets and liabilities primarily relate to the Linde Engineering business acquired in the merger. The industrial gases business does not typically have material contract assets or liabilities.

#### *Payment Terms and Other*

Linde generally receives payment after performance obligations are satisfied, and customer prepayments are not typical for the industrial gases business. Payment terms vary based on the country where sales originate and local customary payment practices. Linde does not offer extended financing outside of customary payment terms. Amounts billed for sales and use taxes, value-added taxes, and certain excise and other specific transactional taxes imposed on revenue producing transactions are presented on a net basis and are not included in sales within the consolidated statement of profit and loss. Additionally, sales returns and allowances are not a normal practice in the industry and are not significant.

#### **Disaggregated Revenue Information**

As described above the company manages its industrial gases business on a geographic basis, while the Engineering and Other businesses are generally managed on a global basis. Furthermore, the company believes that reporting sales by distribution method by reportable geographic segment best illustrates the nature, timing, type of customer, and contract terms for its revenues, including terms and pricing.

The following tables show sales by distribution method at the consolidated level and for each reportable segment and Other for the six months ended 30 June 2020 and 2019.

<i>(Millions of dollars)</i>	<b>Six months ended 30 June 2020</b>							
	<b>Americas</b>	<b>EMEA</b>	<b>APAC</b>	<b>Engineering</b>	<b>Other</b>	<b>Total</b>	<b>%</b>	
<b>Sales</b>								
Merchant	\$ 1,360	\$ 886	\$ 923	\$ —	\$ 76	\$ 3,245	24 %	
On-Site	1,209	674	1,136	—	—	3,019	23 %	
Packaged Gas	2,485	1,530	722	—	11	4,748	36 %	
Other	40	19	33	1,418	801	2,311	17 %	
	<b>\$ 5,094</b>	<b>\$ 3,109</b>	<b>\$ 2,814</b>	<b>\$ 1,418</b>	<b>\$ 888</b>	<b>\$ 13,323</b>	<b>100 %</b>	

(Millions of dollars)

Six months ended 30 June 2019

Sales	Americas	EMEA	APAC	Engineering	Other (a)	Total	%
Merchant	\$ 1,438	\$ 904	\$ 1,064	\$ —	\$ 84	\$ 3,490	24 %
On-Site	1,454	756	1,217	—	—	3,427	24 %
Packaged Gas	2,598	1,718	772	—	6	5,094	35 %
Other	42	4	74	1,378	919	2,417	17 %
	<u>\$ 5,532</u>	<u>\$ 3,382</u>	<u>\$ 3,127</u>	<u>\$ 1,378</u>	<u>\$ 1,009</u>	<u>\$ 14,428</u>	<u>100 %</u>

(a) Other/Other includes \$55 million for the six months ended 30 June 2019, respectively, of merger-related divestitures that have been excluded from segment sales.

### Remaining Performance Obligations

As described above, Linde's contracts with on-site customers are under long-term supply arrangements which generally require the customer to purchase their requirements from Linde and also have minimum purchase requirements. The company estimates the consideration related to minimum purchase requirements is approximately \$48 billion. This amount excludes all sales above minimum purchase requirements, which can be significant depending on customer needs. In the future, actual amounts will be different due to impacts from several factors, many of which are beyond the company's control including, but not limited to, timing of newly signed, terminated and renewed contracts, inflationary price escalations, currency exchange rates, and pass-through costs related to natural gas and electricity. The actual duration of long-term supply contracts ranges up to twenty years. The company estimates that approximately half of the revenue related to minimum purchase requirements are estimated to be earned in the next five years and the remaining thereafter.

### [3] Earnings Per Share

	2020	2019
<b>Numerator</b> (Millions of dollars)		
Income from continuing operations - Linde plc shareholders	\$ 869	\$ 893
Income from discontinued operations - Linde plc shareholders	4	75
Profit - Linde plc shareholders	<u>\$ 873</u>	<u>\$ 968</u>
<b>Denominator</b> (Thousands of shares)		
Weighted average shares outstanding	528,118	543,834
Shares earned and issuable under compensation plans	267	199
Weighted average shares used in basic earnings per share	528,385	544,033
Effect of dilutive securities		
Stock options and awards	3,727	3,738
Weighted average shares used in diluted earnings per share	<u>532,112</u>	<u>547,771</u>
Basic earnings per share from continuing operations	\$ 1.64	\$ 1.64
Basic earnings per share from discontinued operations	0.01	0.14
<b>Basic Earnings Per Common Share</b>	<u>\$ 1.65</u>	<u>\$ 1.78</u>
Diluted earnings per share from continuing operations	\$ 1.63	\$ 1.63
Diluted earnings per share from discontinued operations	0.01	0.14
<b>Diluted Earnings Per Common Share</b>	<u>\$ 1.64</u>	<u>\$ 1.77</u>

### [4] Goodwill, Other Intangible And Tangible Assets

The decrease in goodwill in the condensed consolidated statement of financial position of \$445 million was primarily driven by the negative impact of currency translation.

The decrease in other intangible and tangible assets of \$672 million and \$1,398 million, respectively, is primarily due to depreciation and amortization and the negative impact of currency translation, partially offset by capital expenditures during the six month period ended 30 June 2020.

## **[5] Equity**

### ***Other Linde plc Ordinary Share and Treasury Shares Transactions***

Linde may issue new ordinary shares or those held in treasury for dividend reinvestment, stock purchase plans and employee savings and incentive plans. No new Linde ordinary shares were issued during the six months ended 30 June 2020. In addition, 700,000 new ordinary shares were issued during the same period in 2019.

On 22 January 2019 the company's board of directors approved the repurchase of up to \$6.0 billion of its ordinary shares. As of 30 June 2020, the company had repurchased \$4.1 billion of its ordinary shares pursuant to the 2019 program (\$1.8 billion, or 9,673,953 shares, in total for the year to date period), leaving an additional \$1.9 billion authorized.

On 24 February 2020, the Linde board of directors declared a quarterly dividend of \$0.963 per share for the first quarter of 2020 (the "Q1 Dividend"). The Q1 Dividend was paid on 20 March 2020 to shareholders of record on 6 March 2020. On 27 April 2020, the Linde board of directors declared a quarterly dividend of \$0.963 per share for the second quarter of 2020 (the "Q2 Dividend"). The Q2 Dividend was paid on 17 June 2020 to shareholders of record on 3 June 2020. Total dividends paid to shareholders during the six months ended 30 June 2020 was \$1,017 million. On 27 July 2020, the Linde board of directors declared a quarterly dividend of \$0.963 per share for the third quarter of 2020 (the "Q3 Dividend", see Note 9).

## **[6] Debt**

Increases in debt as of 30 June 2020 were primarily due to the May 2020 issuance of €750 million of 0.250% Notes due 2027 and €750 million of 0.550% Notes due 2032 as well as an increase of \$1,948 million in commercial paper borrowings.

The company maintains a \$5 billion unsecured revolving credit agreement with a syndicate of banking institutions that expires 26 March 2024. There are no financial maintenance covenants contained within the credit agreement. No borrowings were outstanding under the credit agreement as of 30 June 2020.

## **[7] Financial Instruments**

Accounting standard IFRS 9, *Financial Instruments* sets out the rules on the classification and measurement of financial assets and contains rules on impairment losses on financial instruments as well as on hedge accounting.

## Financial Assets

	Fair value		Carrying amount	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
<i>(Millions of dollars)</i>				
<b>At fair value in other comprehensive income (debt instruments) ("FVtOCI")</b>				
Investments and securities	\$ 3	\$ 2	\$ 3	\$ 2
<b>At fair value through profit and loss ("FVtPL")</b>				
Freestanding derivatives	96	111	96	111
Derivatives designated as hedging instruments	55	56	55	56
Investments and securities	50	46	50	46
<b>At amortized cost</b>				
Cash and cash equivalents	5,056	2,790	5,056	2,790
Trade receivables	3,911	4,122	3,911	4,122
Other receivables and assets	1,745	1,789	1,745	1,789
Investments and securities	—	1	—	1
<b>Total</b>	<b>\$ 10,916</b>	<b>\$ 8,917</b>	<b>\$ 10,916</b>	<b>\$ 8,917</b>

## Financial Liabilities

	Fair value		Carrying amount	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
<i>(Millions of dollars)</i>				
<b>Financial liabilities at amortized cost</b>				
Financial liabilities	\$ 17,787	\$ 13,761	\$ 17,365	\$ 13,947
Trade payables	3,580	4,080	3,580	4,080
Miscellaneous liabilities	2,217	2,281	2,217	2,281
<b>Derivatives with negative fair values</b>				
Freestanding derivatives	140	91	140	91
Derivatives designated as hedging instruments	16	8	16	8
<b>Liabilities from finance leases</b>	<b>1,049</b>	<b>1,130</b>	<b>1,049</b>	<b>1,130</b>
<b>Total</b>	<b>\$ 24,789</b>	<b>\$ 21,351</b>	<b>\$ 24,367</b>	<b>\$ 21,537</b>

The fair value of cash and cash equivalents, short-term debt, accounts receivables-net, and accounts payable approximate carrying value because of the short-term maturities of these instruments.

The fair value of financial instruments is generally determined using stock exchange prices. If stock exchange prices are not available, the fair value 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 determined as follows: Options are valued using the Black-Scholes option pricing model. Futures are measured with recourse to the quoted market price in the relevant market. All other 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 reporting date.

The following table shows the financial instruments in Linde which are measured at fair value. Linde uses the following hierarchy to determine and disclose fair values based on the method used to ascertain their fair values:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data.

#### Financial Assets And Liabilities Measured At Fair Value

<i>(Millions of dollars)</i>	Level 1		Level 2		Level 3	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Investments and securities	\$ 22	\$ 18	\$ —	\$ —	\$ 30	\$ 28
Thereof debt instruments at FVtOCI	3	2	—	—	—	—
Thereof at FVtPL	19	16	—	—	30	28
Freestanding derivatives with positive fair values	—	—	96	111	—	—
Derivatives designated as hedging instruments with positive fair values	—	—	55	56	—	—
Freestanding derivatives with negative fair values	—	—	140	91	—	—
Derivatives designated as hedging instruments with negative fair values	—	—	16	8	—	—
Cash and cash equivalents	—	—	—	—	—	—

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

The fair value of financial instruments in the “financial assets at amortized cost”, and “financial liabilities at amortized cost” categories is determined by discounting the expected cash flows. The interest rates applied are the same as those that would apply to new financial instruments with a similar risk structure, currency and maturity. Fair value is determined using the discounted cash flow method, taking into account individual credit ratings and other market circumstances in the form of credit and liquidity spreads generally applied in the market (Level 2). The exception to this is bonds issued by Linde traded in the capital market (Level 1). The fair value of these instruments is determined using the current bond price in the market. In cases involving short-term financial instruments in the “financial assets at amortized cost”, and “financial liabilities at amortized cost” categories, it is assumed that the fair value corresponds to the carrying amount.

Level 3 investments and securities contain a venture fund. For the valuation, Linde uses the net asset value received as part of the fund's quarterly reporting, which for the most part is not based on quoted prices in active markets. In order to reflect current market conditions, Linde proportionally adjusts these by observable market data (stock exchange prices) or current transaction prices.

The following table summarizes the changes in level 3 investments and securities at 30 June 2020 and 31 December 2019. Gains (losses) recognized in earnings are recorded to in financial income (expense) within the company's condensed consolidated statements of profit and loss.

<i>(Millions of dollars)</i>	
Balance at 1 January 2020	\$ 28
Gains (losses) recognized in earnings	2
<b>Balance at 30 June 2020</b>	<b>\$ 30</b>

#### Counterparty risk

Counterparties to Linde's derivatives are major banking institutions with credit ratings of investment grade or better. As of year-end, Linde had existing Credit Support Annexes ("CSAs") in place with their principal counterparties to minimize potential default risk and to mitigate counterparty risk. Under the CSAs, the fair values of derivatives for the purpose of interest rate and currency management are collateralized with cash on a regular basis. As 30 June 2020, the impact of such collateral posting arrangements on the fair value of derivatives was insignificant. Additionally, some contracts are subject to offsetting or netting processes. Management believes the risk of incurring losses on derivative contracts related to credit risk is remote and any resulting losses would be immaterial.

## [8] Segment Information

The CODM assesses the performance of the operating segments determined in accordance with U.S. GAAP. Accordingly, the segment discussion below is based on U.S. GAAP results. A reconciliation to IFRS as adopted by the European Union is disclosed below. For a description of Linde's operating segments, refer to Note 26 to Linde's 2019 Directors' Report and Financial Statements.

The table below presents sales and operating profit information about reportable segments and Other for the six months ended 30 June 2020 and 2019.

(Millions of dollars)	Six Months Ended 30 June	
	2020	2019
SALES <sup>(a)</sup>		
Americas	\$ 5,094	\$ 5,481
EMEA	3,081	3,355
APAC	2,631	2,915
Engineering	1,418	1,388
Other	892	954
Total U.S. GAAP sales	13,116	14,093
GAAP adjustments <sup>1</sup>	207	280
Merger-related divestitures <sup>3</sup>	—	55
Total IFRS sales	\$ 13,323	\$ 14,428

(a) Sales reflect external sales only. Intersegment sales, primarily from Engineering to the industrial gases segments, were not material.

(Millions of dollars)	Six Months Ended 30 June	
	2020	2019
SEGMENT OPERATING PROFIT		
Americas	\$ 1,283	\$ 1,230
EMEA	658	679
APAC	575	577
Engineering	229	177
Other	(76)	(122)
U.S. GAAP segment operating profit	2,669	2,541
Cost reduction programs and other charges <sup>2</sup>	(380)	(230)
Merger-related divestitures <sup>3</sup>	—	13
Purchase accounting impacts - Linde AG <sup>4</sup>	(965)	(1,046)
U.S. GAAP operating profit from continuing operations	1,324	1,278
GAAP adjustments <sup>1</sup>	45	51
IFRS operating profit from continuing operations	\$ 1,369	\$ 1,329

- (1) Primarily related to consolidation of certain entities under IFRS versus equity method accounting for US GAAP.
- (2) Primarily related to the cost reduction programs which are not included in Management's view of segment profitability. Total cost reduction program related charges were \$380 million and \$230 million for the six months ended 30 June 2020 and 2019, respectively. Severance costs were \$250 million for the six months ended 30 June 2020. The actions were substantially complete as of June 2020 with the remainder anticipated to be completed by the end of 2021. Other cost reduction charges of \$41 million for the six months ended 30 June 2020, are primarily related to actions taken to execute the company's synergistic actions including location consolidations and business rationalization, software and process harmonization, and associated non-recurring costs. Linde incurred merger-related costs and other charges which totaled \$89 million for the six months ended 30 June 2020.
- (3) To adjust for the results of Praxair's merger-related divestitures.
- (4) Impacts of the required purchase accounting related to the merger transaction, primarily the increased depreciation and amortization of assets recorded at fair value.

## **[9] Subsequent Events**

### **Dividend Declaration**

On 27 July 2020 Linde announced its Board of Directors has declared a quarterly dividend of \$0.963 per share. The dividend was paid on 18 September 2020 to shareholders of record on 03 September 2020.

### **Bond Issuances**

On 10 August 2020 the company issued \$700 million aggregate principal amount of 1.100% notes due 10 August 2030 and \$300 million aggregate principal amount of 2.000% notes due 10 August 2050.

### **Bond Repayments**

In September 2020 the company repaid €1,000 million of 1.75% notes and \$300 million of 2.25% notes that became due.

Approved by the Board of Directors and signed on its behalf on 25 September 2020 by:

/S/ Stephen F. Angel

Stephen F. Angel

*Chief Executive Officer and Director*

/S/ Prof.Dr. Clemens Börsig

Prof. Dr. Clemens Börsig

*Director*