

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2020

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-38730

LINDE PLC

(Exact name of registrant as specified in its charter)

Ireland

(State or other jurisdiction of incorporation)

98-1448883

(I.R.S. Employer Identification No.)

The Priestley Centre
10 Priestley Road,
Surrey Research Park,
Guildford, Surrey GU2 7XY
United Kingdom

(Address of principal executive offices) (Zip Code)

+44 14 83 242200

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Ordinary shares (€0.001 nominal value per share) | LIN | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At June 30, 2020, 525,360,032 ordinary shares (€0.001 par value) of the Registrant were outstanding.

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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 principles generally accepted in the United States of America, 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 Item 1A. Risk Factors in Linde plc’s Form 10-K for the fiscal year ended December 31, 2019 filed with the SEC on March 2, 2020 and in Item 1A. of Linde plc’s Form 10-Q for the period ending March 31, 2020 filed with the SEC on May 7, 2020, which should be reviewed carefully. Please consider Linde plc’s forward-looking statements in light of those risks.

LINDE PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Millions of dollars, except per share data)
(UNAUDITED)

| | Quarter Ended June 30, | |
|---|------------------------|---------|
| | 2020 | 2019 |
| Sales | 6,377 | 7,204 |
| Cost of sales, exclusive of depreciation and amortization | 3,619 | 4,280 |
| Selling, general and administrative | 760 | 884 |
| Depreciation and amortization | 1,124 | 1,195 |
| Research and development | 34 | 45 |
| Cost reduction programs and other charges | 249 | 141 |
| Other income (expense) - net | — | 10 |
| Operating Profit | 591 | 669 |
| Interest expense - net | 18 | 10 |
| Net pension and OPEB cost (benefit), excluding service cost | (45) | (24) |
| Income From Continuing Operations Before Income Taxes and Equity Investments | 618 | 683 |
| Income taxes on continuing operations | 164 | 169 |
| Income From Continuing Operations Before Equity Investments | 454 | 514 |
| Income from equity investments | 29 | 28 |
| Income From Continuing Operations (Including Noncontrolling Interests) | 483 | 542 |
| Income from discontinued operations, net of tax | — | 9 |
| Net Income (Including Noncontrolling Interests) | 483 | 551 |
| Less: noncontrolling interests from continuing operations | (25) | (29) |
| Less: noncontrolling interest from discontinued operations | — | — |
| Net Income – Linde plc | \$ 458 | \$ 522 |
| Net Income – Linde plc | | |
| Income from continuing operations | \$ 458 | \$ 513 |
| Income from discontinued operations | \$ — | \$ 9 |
| Per Share Data – Linde plc Shareholders | | |
| Basic earnings per share from continuing operations | \$ 0.87 | \$ 0.95 |
| Basic earnings per share from discontinued operations | — | 0.02 |
| Basic earnings per share | \$ 0.87 | \$ 0.97 |
| Diluted earnings per share from continuing operations | \$ 0.87 | \$ 0.94 |
| Diluted earnings per share from discontinued operations | — | 0.02 |
| Diluted earnings per share | \$ 0.87 | \$ 0.96 |
| Weighted Average Shares Outstanding (000's): | | |
| Basic shares outstanding | 525,510 | 542,561 |
| Diluted shares outstanding | 529,054 | 546,488 |

The accompanying notes are an integral part of these financial statements.

LINDE PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Millions of dollars, except per share data)
(UNAUDITED)

| | Six Months Ended June 30, | |
|---|---------------------------|-----------|
| | 2020 | 2019 |
| Sales | \$ 13,116 | \$ 14,148 |
| Cost of sales, exclusive of depreciation and amortization | 7,462 | 8,396 |
| Selling, general and administrative | 1,621 | 1,763 |
| Depreciation and amortization | 2,266 | 2,418 |
| Research and development | 78 | 91 |
| Cost reduction programs and other charges | 380 | 230 |
| Other income (expense) - net | 15 | 28 |
| Operating Profit | 1,324 | 1,278 |
| Interest expense - net | 42 | 33 |
| Net pension and OPEB cost (benefit), excluding service cost | (90) | (9) |
| Income From Continuing Operations Before Income Taxes and Equity Investments | 1,372 | 1,254 |
| Income taxes on continuing operations | 329 | 309 |
| Income From Continuing Operations Before Equity Investments | 1,043 | 945 |
| Income from equity investments | 46 | 62 |
| Income From Continuing Operations (Including Noncontrolling Interests) | 1,089 | 1,007 |
| Income from discontinued operations, net of tax | 2 | 98 |
| Net Income (Including Noncontrolling Interests) | 1,091 | 1,105 |
| Less: noncontrolling interests from continuing operations | (60) | (59) |
| Less: noncontrolling interest from discontinued operations | — | (7) |
| Net Income – Linde plc | \$ 1,031 | \$ 1,039 |
| Net Income – Linde plc | | |
| Income from continuing operations | \$ 1,029 | \$ 948 |
| Income from discontinued operations | \$ 2 | \$ 91 |
| Per Share Data – Linde plc Shareholders | | |
| Basic earnings per share from continuing operations | \$ 1.95 | \$ 1.74 |
| Basic earnings per share from discontinued operations | — | 0.17 |
| Basic earnings per share | \$ 1.95 | \$ 1.91 |
| Diluted earnings per share from continuing operations | \$ 1.93 | \$ 1.73 |
| Diluted earnings per share from discontinued operations | — | 0.17 |
| Diluted earnings per share | \$ 1.93 | \$ 1.90 |
| Weighted Average Shares Outstanding (000's): | | |
| Basic shares outstanding | 528,385 | 544,033 |
| Diluted shares outstanding | 532,112 | 547,771 |

The accompanying notes are an integral part of these financial statements.

LINDE PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Millions of dollars)
(UNAUDITED)

| | Quarter Ended June 30, | |
|--|------------------------|--------|
| | 2020 | 2019 |
| NET INCOME (INCLUDING NONCONTROLLING INTERESTS) | \$ 483 | \$ 551 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Translation adjustments: | | |
| Foreign currency translation adjustments | 745 | (170) |
| Reclassification to net income | — | — |
| Income taxes | (1) | 8 |
| Translation adjustments | 744 | (162) |
| Funded status - retirement obligations (Note 8): | | |
| Retirement program remeasurements | (7) | (32) |
| Reclassifications to net income | 21 | 23 |
| Income taxes | (9) | 1 |
| Funded status - retirement obligations | 5 | (8) |
| Derivative instruments (Note 5): | | |
| Current unrealized gain (loss) | 20 | (3) |
| Reclassifications to net income | 26 | — |
| Income taxes | (10) | 1 |
| Derivative instruments | 36 | (2) |
| Securities: | | |
| Current unrealized gain (loss) | — | 9 |
| Securities | — | 9 |
| TOTAL OTHER COMPREHENSIVE INCOME (LOSS) | 785 | (163) |
| COMPREHENSIVE INCOME (LOSS) (INCLUDING NONCONTROLLING INTERESTS) | 1,268 | 388 |
| Less: noncontrolling interests | (43) | (8) |
| COMPREHENSIVE INCOME (LOSS) - LINDE PLC | \$ 1,225 | \$ 380 |

The accompanying notes are an integral part of these financial statements.

LINDE PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Millions of dollars)
(UNAUDITED)

| | Six Months Ended June 30, | |
|--|---------------------------|----------|
| | 2020 | 2019 |
| NET INCOME (INCLUDING NONCONTROLLING INTERESTS) | \$ 1,091 | \$ 1,105 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Translation adjustments: | | |
| Foreign currency translation adjustments | (1,995) | (47) |
| Reclassification to net income | — | 12 |
| Income taxes | 24 | 5 |
| Translation adjustments | (1,971) | (30) |
| Funded status - retirement obligations (Note 8): | | |
| Retirement program remeasurements | 51 | (34) |
| Reclassifications to net income | 43 | 87 |
| Income taxes | (24) | (17) |
| Funded status - retirement obligations | 70 | 36 |
| Derivative instruments (Note 5): | | |
| Current period unrealized gain (loss) | (45) | (20) |
| Reclassifications to net income | 50 | — |
| Income taxes | 1 | 4 |
| Derivative instruments | 6 | (16) |
| Securities: | | |
| Current year unrealized gain (loss) | — | 1 |
| Securities | — | 1 |
| TOTAL OTHER COMPREHENSIVE INCOME (LOSS) | (1,895) | (9) |
| COMPREHENSIVE INCOME (LOSS) (INCLUDING NONCONTROLLING INTERESTS) | (804) | 1,096 |
| Less: noncontrolling interests | 28 | 22 |
| COMPREHENSIVE INCOME (LOSS) - LINDE PLC | \$ (776) | \$ 1,118 |

The accompanying notes are an integral part of these financial statements.

LINDE PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Millions of dollars)
(UNAUDITED)

| | June 30, 2020 | December 31, 2019 |
|---|---------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 4,941 | \$ 2,700 |
| Accounts receivable - net | 3,994 | 4,322 |
| Contract assets | 226 | 368 |
| Inventories | 1,715 | 1,697 |
| Assets held for sale | 3 | 125 |
| Prepaid and other current assets | 1,194 | 1,140 |
| <i>Total Current Assets</i> | 12,073 | 10,352 |
| Property, plant and equipment - net | 27,693 | 29,064 |
| Goodwill | 26,580 | 27,019 |
| Other intangible assets - net | 15,504 | 16,137 |
| Other long-term assets | 4,006 | 4,040 |
| <i>Total Assets</i> | \$ 85,856 | \$ 86,612 |
| Liabilities and equity | | |
| Accounts payable | \$ 2,816 | \$ 3,266 |
| Short-term debt | 3,679 | 1,732 |
| Current portion of long-term debt | 2,723 | 1,531 |
| Contract liabilities | 1,693 | 1,758 |
| Liabilities of assets held for sale | 1 | 2 |
| Other current liabilities | 4,183 | 3,871 |
| <i>Total Current Liabilities</i> | 15,095 | 12,160 |
| Long-term debt | 11,078 | 10,693 |
| Other long-term liabilities | 11,746 | 12,124 |
| <i>Total Liabilities</i> | 37,919 | 34,977 |
| Redeemable noncontrolling interests | 13 | 113 |
| Linde plc Shareholders' Equity: | | |
| Ordinary shares, €0.01 par value, authorized 1,750,000,000 shares, 2020 issued: 552,012,862 ordinary shares; 2019 issued: 552,012,862 ordinary shares | 1 | 1 |
| Additional paid-in capital | 40,211 | 40,201 |
| Retained earnings | 16,782 | 16,842 |
| Accumulated other comprehensive income (loss) (Note 11) | (6,621) | (4,814) |
| Less: Treasury stock, at cost (2020 – 26,652,830 shares and 2019 – 17,632,318 shares) | (4,836) | (3,156) |
| <i>Total Linde plc Shareholders' Equity</i> | 45,537 | 49,074 |
| Noncontrolling interests | 2,387 | 2,448 |
| <i>Total Equity</i> | 47,924 | 51,522 |
| <i>Total Liabilities and Equity</i> | \$ 85,856 | \$ 86,612 |

The accompanying notes are an integral part of these financial statements.

LINDE PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of dollars)
(UNAUDITED)

| | Six Months Ended June 30, | |
|--|---------------------------|----------|
| | 2020 | 2019 |
| Increase (Decrease) in Cash and Cash Equivalents | | |
| Operations | | |
| Net income - Linde plc | \$ 1,031 | \$ 1,039 |
| Less: Income from discontinued operations, net of tax and noncontrolling interests | (2) | (91) |
| Add: Noncontrolling interests from continuing operations | 60 | 59 |
| Income from continuing operations (including noncontrolling interests) | 1,089 | 1,007 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Cost reduction programs and other charges, net of payments | 239 | (286) |
| Amortization of merger-related inventory step-up | — | 10 |
| Depreciation and amortization | 2,266 | 2,418 |
| Deferred income taxes | (261) | (110) |
| Share-based compensation | 75 | 38 |
| Working capital: | | |
| Accounts receivable | (118) | (188) |
| Inventory | (82) | (73) |
| Prepaid and other current assets | (48) | (76) |
| Payables and accruals | (27) | (247) |
| Contract assets and liabilities, net | 71 | (103) |
| Pension contributions | (41) | (43) |
| Long-term assets, liabilities and other | (52) | (274) |
| Net cash provided by operating activities | 3,111 | 2,073 |
| Investing | | |
| Capital expenditures | (1,586) | (1,708) |
| Acquisitions, net of cash acquired | (41) | (140) |
| Divestitures and asset sales, net of cash divested | 380 | 4,689 |
| Net cash provided by (used for) investing activities | (1,247) | 2,841 |
| Financing | | |
| Short-term debt borrowings (repayments) - net | 1,945 | (11) |
| Long-term debt borrowings | 1,656 | 45 |
| Long-term debt repayments | (78) | (1,311) |
| Issuances of ordinary shares | 25 | 55 |
| Purchases of ordinary shares | (1,828) | (1,250) |
| Cash dividends - Linde plc shareholders | (1,017) | (951) |
| Noncontrolling interest transactions and other | (148) | (3,222) |
| Net cash provided by (used for) financing activities | 555 | (6,645) |
| Discontinued Operations | | |
| Cash provided by operating activities | — | 70 |
| Cash used for investing activities | — | (59) |
| Cash provided by financing activities | — | 5 |
| Net cash provided by discontinued operations | — | 16 |
| Effect of exchange rate changes on cash and cash equivalents | (178) | (49) |
| Change in cash and cash equivalents | 2,241 | (1,764) |
| Cash and cash equivalents, beginning-of-period | 2,700 | 4,466 |
| Cash and cash equivalents, including discontinued operations | 4,941 | 2,702 |
| Cash and cash equivalents of discontinued operations | — | (16) |
| Cash and cash equivalents, end-of-period | \$ 4,941 | \$ 2,686 |

The accompanying notes are an integral part of these financial statements.

INDEX TO NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to Condensed Consolidated Financial Statements - Linde plc and Subsidiaries (Unaudited)

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1. Summary of Significant Accounting Policies

Presentation of Condensed Consolidated Financial Statements - In the opinion of Linde management, the accompanying condensed consolidated financial statements include all adjustments necessary for a fair presentation of the results for the interim periods presented and such adjustments are of a normal recurring nature. The accompanying condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements of Linde plc and subsidiaries in Linde's 2019 Annual Report on Form 10-K. There have been no material changes to the company's significant accounting policies during 2020.

Accounting Standards Implemented in 2020

- **Credit Losses on Financial Instruments** –In June 2016, the FASB issued updated guidance on the measurement of credit losses. The guidance introduces a new accounting model for expected credit losses on financial instruments, including trade receivables, based on estimates of current expected credit losses. This guidance is effective for the company beginning in the first quarter 2020 and requires companies to apply the change in accounting on a modified retrospective basis. The adoption of the guidance had an immaterial impact on the consolidated financial statements.
- **Simplifying the Test for Goodwill Impairment** – In January 2017, the FASB issued updated guidance on the measurement of goodwill. The new guidance eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. The guidance is effective for the company beginning in the first quarter 2020. The adoption of the guidance had no impact on the consolidated financial statements.
- **Fair Value Measurement Disclosures** - In August 2018, the FASB issued guidance that modifies the disclosure requirements for fair value measurements. The guidance is effective in fiscal year 2020, with early adoption permitted. Certain amendments must be applied prospectively while other amendments must be applied retrospectively. The adoption of the guidance had an immaterial impact on the consolidated financial statements.

Accounting Standards to be Implemented

- **Retirement Benefit Disclosures** - In August 2018, the FASB issued guidance that modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement benefit plans. For Linde, the guidance is effective for the year ending December 31, 2020 and must be applied on a retrospective basis. The company is evaluating the impact this guidance will have on the disclosures in the notes to the consolidated financial statements.

Reclassifications – Certain prior periods' amounts have been reclassified to conform to the current year's presentation.

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, which could be material, 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.

2. Cost Reduction Programs and Other Charges

2020 Charges

Cost reduction programs and other charges were \$249 million and \$380 million for the quarter and six months ended June 30, 2020, respectively (\$187 million and \$282 million, after tax). The following table summarizes the activities related to the company's cost reduction charges for the quarter and six months ended June 30, 2020:

| <i>(millions of dollars)</i> | Quarter Ended June 30, 2020 | | | | |
|------------------------------|-----------------------------|------------------------------|--|----------------------------------|---------------|
| | Severance costs | Other cost reduction charges | Total cost reduction program related charges | Merger-related and other charges | Total |
| Americas | \$ 25 | \$ 8 | \$ 33 | \$ 6 | \$ 39 |
| EMEA | 112 | 4 | 116 | (3) | 113 |
| APAC | 1 | — | 1 | (5) | (4) |
| Engineering | 7 | 7 | 14 | 7 | 21 |
| Other | 47 | 2 | 49 | 31 | 80 |
| Total | \$ 192 | \$ 21 | \$ 213 | \$ 36 | \$ 249 |

| <i>(millions of dollars)</i> | Six Months Ended June 30, 2020 | | | | |
|------------------------------|--------------------------------|------------------------------|--|----------------------------------|---------------|
| | Severance costs | Other cost reduction charges | Total cost reduction program related charges | Merger-related and other charges | Total |
| Americas | \$ 31 | \$ 23 | \$ 54 | \$ 6 | \$ 60 |
| EMEA | 138 | 4 | 142 | — | 142 |
| APAC | 3 | 2 | 5 | 3 | 8 |
| Engineering | 21 | 7 | 28 | 8 | 36 |
| Other | 57 | 5 | 62 | 72 | 134 |
| Total | \$ 250 | \$ 41 | \$ 291 | \$ 89 | \$ 380 |

Cost Reduction Programs

Total cost reduction program related charges were \$213 million and \$291 million for the quarter and six months ended June 30, 2020, respectively (\$151 million and \$207 million after tax).

Severance costs

Severance costs are \$192 million and \$250 million for the quarter and six months ended June 30, 2020, respectively. As of June 30, 2020 these actions were substantially complete, with the remainder anticipated to be completed by the end of 2021.

Other cost reduction charges

Other cost reduction charges of \$21 million and \$41 million for the quarter and six months ended June 30, 2020, respectively, are primarily charges related to the execution of the company's synergistic actions including location consolidations and business rationalization projects, software and process harmonization, and associated non-recurring costs.

Merger-related Costs and Other Charges

Linde incurred merger-related costs and other charges which totaled \$36 million and \$89 million (\$36 million and \$75 million after tax) for the quarter and six months ended June 30, 2020, respectively.

Cash Requirements

The total cash requirements of the cost reduction program and other charges during the six months ended June 30, 2020 are estimated to be approximately \$296 million and are expected to be paid through 2022. Total cost reduction programs and other charges, net of payments in the condensed consolidated statements of cash flows for the six months ended June 30, 2020 also reflects the impact of cash payments of liabilities, including merger-related tax liabilities, accrued as of December 31, 2019.

The following table summarizes the activities related to the company's cost reduction related charges for the six months ended June 30, 2020:

| <i>(millions of dollars)</i> | Severance costs | Other cost reduction charges | Total cost reduction program related charges | Merger-related and other charges | Total |
|--|-----------------|---------------------------------|---|-------------------------------------|---------------|
| Balance, December 31, 2019 | \$ 117 | \$ 16 | \$ 133 | \$ 67 | \$ 200 |
| 2020 Cost Reduction Programs and Other Charges | 250 | 41 | 291 | 89 | 380 |
| Less: Cash payments | (64) | (13) | (77) | (37) | (114) |
| Less: Non-cash charges | — | (24) | (24) | (64) | (88) |
| Foreign currency translation and other | 1 | 1 | 2 | 2 | 4 |
| Balance, June 30, 2020 | <u>\$ 304</u> | <u>\$ 21</u> | <u>\$ 325</u> | <u>\$ 57</u> | <u>\$ 382</u> |

2019 Charges

Cost reduction programs and other charges were \$141 million and \$230 million for the quarter and six months ended June 30, 2019, respectively (\$113 million and \$194 million after tax), including merger-related costs of \$65 million and \$121 million for the quarter and six months ended June 30, 2019, respectively (\$52 million and \$105 million after tax) and synergy-related charges, primarily severance, of \$76 million and \$109 million for the quarter and six months ended June 30, 2019, respectively (\$61 million and \$89 million after tax).

Classification in the condensed consolidated financial statements

The costs are shown within operating profit in a separate line item on the consolidated statements of income. On the condensed consolidated statement of cash flows, the impact of these costs, net of cash payments, is shown as an adjustment to reconcile net income to net cash provided by operating activities. In Note 10 - Segments, Linde excluded these costs from its management definition of segment operating profit; a reconciliation of segment operating profit to consolidated operating profit is shown within the segment operating profit table.

3. Supplemental Information

Receivables

For trade receivables an expected credit loss approach was adopted as of January 1, 2020. Linde applies loss rates that are lifetime expected credit losses at initial recognition of the receivables. These expected loss rates are based on an analysis of the actual historical default rates for each business, taking regional circumstances into account. If necessary, these historical default rates are adjusted to reflect the impact of current changes in the macroeconomic environment using forward-looking information. The loss rates are also critically evaluated based on the expectations of the responsible management team regarding the collectability of the receivables. Gross trade receivables aged less than one year were \$3,982 million and \$4,390 million at June 30, 2020 and December 31, 2019 respectively and gross receivables aged greater than one year were \$302 million and \$249 million at June 30, 2020 and December 31, 2019 respectively. Receivables aged greater than one year are generally fully reserved unless specific circumstances warrant exceptions, such as those backed by federal governments.

Accounts receivable net of reserves were \$3,994 million at June 30, 2020 and \$4,322 million at December 31, 2019. Allowances for expected credit losses were \$416 million at June 30, 2020 and \$306 million at December 31, 2019. Provisions for expected credit losses were \$95 million and \$111 million for the six months ended June 30, 2020 and 2019, respectively. The allowance activity in the six months ended June 30, 2020 related to write-offs of uncollectible amounts, net of recoveries and currency movements is not material.

Inventories

The following is a summary of Linde's consolidated inventories:

(Millions of dollars)

| | June 30, 2020 | December 31, 2019 |
|----------------------------|------------------|----------------------|
| Inventories | | |
| Raw materials and supplies | \$ 387 | \$ 396 |
| Work in process | 359 | 331 |
| Finished goods | 969 | 970 |
| Total inventories | <u>\$ 1,715</u> | <u>\$ 1,697</u> |

4. Debt

The following is a summary of Linde's outstanding debt at June 30, 2020 and December 31, 2019:

| <i>(Millions of dollars)</i> | June 30, 2020 | December 31, 2019 |
|---|------------------|----------------------|
| SHORT-TERM | | |
| Commercial paper and U.S. bank borrowings | \$ 2,944 | \$ 996 |
| Other bank borrowings (primarily international) | 735 | 736 |
| Total short-term debt | 3,679 | 1,732 |
| LONG-TERM (a) | | |
| <i>(U.S. dollar denominated unless otherwise noted)</i> | | |
| 2.25% Notes due 2020 | 300 | 300 |
| 1.75% Euro denominated notes due 2020 (b) | 1,129 | 1,137 |
| 0.634% Euro denominated notes due 2020 | 57 | 56 |
| 4.05% Notes due 2021 | 500 | 499 |
| 3.875% Euro denominated notes due 2021 (b) | 700 | 711 |
| 3.00% Notes due 2021 | 499 | 499 |
| 0.250% Euro denominated notes due 2022 (b) | 1,130 | 1,129 |
| 2.45% Notes due 2022 | 599 | 599 |
| 2.20% Notes due 2022 | 499 | 499 |
| 2.70% Notes due 2023 | 499 | 499 |
| 2.00% Euro denominated notes due 2023 (b) | 772 | 776 |
| 5.875% GBP denominated notes due 2023 (b) | 423 | 456 |
| 1.20% Euro denominated notes due 2024 | 616 | 615 |
| 1.875% Euro denominated notes due 2024 (b) | 360 | 361 |
| 2.65% Notes due 2025 | 398 | 398 |
| 1.625% Euro denominated notes due 2025 | 557 | 556 |
| 3.20% Notes due 2026 | 725 | 725 |
| 3.434% Notes due 2026 | 196 | 196 |
| 1.652% Euro denominated notes due 2027 | 93 | 93 |
| 0.250% Euro denominated notes due 2027 (c) | 840 | — |
| 1.00% Euro denominated notes due 2028 (b) | 886 | 872 |
| 1.90% Euro denominated notes due 2030 | 117 | 118 |
| 0.550% Euro denominated notes due 2032 (c) | 835 | — |
| 3.55% Notes due 2042 | 664 | 662 |
| Other | 10 | 10 |
| International bank borrowings | 257 | 309 |
| Obligations under finance leases | 140 | 149 |
| | 13,801 | 12,224 |
| Less: current portion of long-term debt | (2,723) | (1,531) |
| Total long-term debt | 11,078 | 10,693 |
| Total debt | \$ 17,480 | \$ 13,956 |

(a) Amounts are net of unamortized discounts, premiums and/or debt issuance costs as applicable.

(b) June 30, 2020 and December 31, 2019 included a cumulative \$18 million and \$38 million adjustment to carrying value, respectively, related to hedge accounting of interest rate swaps. Refer to Note 5 for additional information.

(c) In May 2020, Linde issued €750 million of 0.250% notes due 2027 and €750 million 0.550% notes due 2032.

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

5. Financial Instruments

In its normal operations, Linde is exposed to market risks relating to fluctuations in interest rates, foreign currency exchange rates, energy and commodity costs. The objective of financial risk management at Linde is to minimize the negative impact of such fluctuations on the company's earnings and cash flows. To manage these risks, among other strategies, Linde routinely enters into various derivative financial instruments ("derivatives") including interest-rate swap and treasury rate lock agreements, currency-swap agreements, forward contracts, currency options, and commodity-swap agreements. These instruments are not entered into for trading purposes and Linde only uses commonly traded and non-leveraged instruments.

There are three types of derivatives that the company enters into: (i) those relating to fair-value exposures, (ii) those relating to cash-flow exposures, and (iii) those relating to foreign currency net investment exposures. Fair-value exposures relate to recognized assets or liabilities, and firm commitments; cash-flow exposures relate to the variability of future cash flows associated with recognized assets or liabilities, or forecasted transactions; and net investment exposures relate to the impact of foreign currency exchange rate changes on the carrying value of net assets denominated in foreign currencies.

When a derivative is executed and hedge accounting is appropriate, it is designated as either a fair-value hedge, cash-flow hedge, or a net investment hedge. Currently, Linde designates all interest-rate and treasury-rate locks as hedges for accounting purposes; however, cross-currency contracts are generally not designated as hedges for accounting purposes. Certain currency contracts related to forecasted transactions are designated as hedges for accounting purposes. Whether designated as hedges for accounting purposes or not, all derivatives are linked to an appropriate underlying exposure. On an ongoing basis, the company assesses the hedge effectiveness of all derivatives designated as hedges for accounting purposes to determine if they continue to be highly effective in offsetting changes in fair values or cash flows of the underlying hedged items. If it is determined that the hedge is not highly effective through the use of a qualitative assessment, then hedge accounting will be discontinued prospectively.

Counterparties to Linde's derivatives are major banking institutions with credit ratings of investment grade or better. The company has 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 of June 30, 2020, the impact of such collateral posting arrangements on the fair value of derivatives was insignificant. Management believes the risk of incurring losses on derivative contracts related to credit risk is remote and any losses would be immaterial.

The following table is a summary of the notional amount and fair value of derivatives outstanding at June 30, 2020 and December 31, 2019 for consolidated subsidiaries:

| | Notional Amounts | | Fair Value | | | |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| | | | Assets (a) | | Liabilities (a) | |
| | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 |
| <i>(Millions of dollars)</i> | | | | | | |
| Derivatives Not Designated as Hedging Instruments: | | | | | | |
| <i>Currency contracts:</i> | | | | | | |
| Balance sheet items | \$ 6,866 | \$ 7,936 | \$ 41 | \$ 62 | \$ 87 | \$ 37 |
| Forecasted transactions | 494 | 748 | 10 | 14 | 15 | 15 |
| Cross-currency swaps | 981 | 1,029 | 44 | 35 | 38 | 40 |
| <i>Commodity contracts</i> | N/A | N/A | 1 | — | — | — |
| Total | \$ 8,341 | \$ 9,713 | \$ 96 | \$ 111 | \$ 140 | \$ 92 |
| Derivatives Designated as Hedging Instruments: | | | | | | |
| <i>Currency contracts:</i> | | | | | | |
| Balance sheet items | \$ — | \$ 27 | \$ — | \$ 2 | \$ — | \$ 3 |
| Forecasted transactions | 283 | 464 | 3 | 9 | 12 | 3 |
| <i>Commodity contracts</i> | N/A | N/A | — | 6 | 4 | 1 |
| <i>Interest rate swaps</i> | 1,892 | 1,908 | 52 | 39 | — | — |
| Total Hedges | \$ 2,175 | \$ 2,399 | \$ 55 | \$ 56 | \$ 16 | \$ 7 |
| Total Derivatives | \$ 10,516 | \$ 12,112 | \$ 151 | \$ 167 | \$ 156 | \$ 99 |

- (a) Current assets of \$53 million are recorded in prepaid and other current assets; long-term assets of \$98 million are recorded in other long-term assets; current liabilities of \$112 million are recorded in other current liabilities; and long-term liabilities of \$44 million are recorded in other long-term liabilities.

Balance Sheet Items

Foreign currency contracts related to balance sheet items consist of forward contracts entered into to manage the exposure to fluctuations in foreign-currency exchange rates on recorded balance sheet assets and liabilities denominated in currencies other than the functional currency of the related operating unit. Certain forward currency contracts are entered into to protect underlying monetary assets and liabilities denominated in foreign currencies from foreign exchange risk and are not designated as hedging instruments. For balance sheet items that are not designated as hedging instruments, the fair value adjustments on these contracts are offset by the fair value adjustments recorded on the underlying monetary assets and liabilities.

Forecasted Transactions

Foreign currency contracts related to forecasted transactions consist of forward contracts entered into to manage the exposure to fluctuations in foreign-currency exchange rates on (1) forecasted purchases of capital-related equipment and services, (2) forecasted sales, or (3) other forecasted cash flows denominated in currencies other than the functional currency of the related operating units. For forecasted transactions that are designated as cash flow hedges, fair value adjustments are recorded to accumulated other comprehensive income ("AOCI") with deferred amounts reclassified to earnings over the same time period as the income statement impact of the associated purchase. For forecasted transactions that do not qualify for cash flow hedging relationships, fair value adjustments are recorded directly to earnings.

Cross-Currency Swaps

Cross-currency interest rate swaps are entered into to limit the foreign currency risk of future principal and interest cash flows associated with intercompany loans, and to a more limited extent bonds, denominated in non-functional currencies. The fair value adjustments on the cross-currency swaps are recorded to earnings, where they are offset by fair value adjustments on the underlying intercompany loan or bond.

Commodity Contracts

Commodity contracts are entered into to manage the exposure to fluctuations in commodity prices, which arise in the normal course of business from its procurement transactions. To reduce the extent of this risk, Linde enters into a limited number of electricity, natural gas, and propane gas derivatives. The fair value adjustments for the majority of these contracts are recorded to AOCI and are eventually offset by the income statement impact of the underlying commodity purchase.

Net Investment Hedge

As of June 30, 2020, Linde has €3.2 billion (\$3.6 billion) intercompany Euro-denominated credit facility loans and intercompany loans which are designated as hedges of the net investment positions in foreign operations. Since hedge inception, exchange rate movements have increased the credit facility loan and intercompany loans by \$85 million, with the offsetting loss shown within the cumulative translation component of AOCI in the condensed consolidated balance sheets and the consolidated statements of comprehensive income.

Linde had previously designated Euro-denominated debt instruments as net investment hedges to reduce the company's exposure to changes in the currency exchange rate on investments in foreign subsidiaries with Euro functional currencies. Exchange rate movements of \$206 million relating to the previously designated Euro-denominated debt incurred in the financial periods of 2019 and prior will remain in AOCI, until appropriate, such as upon sale or liquidation of the related foreign operations at which time amounts will be reclassified to the consolidated statement of income. Exchange rate movements related to the Euro-denominated debt occurring after de-designation are shown in the consolidated statement of income.

Interest Rate Swaps

Linde uses interest rate swaps to hedge the exposure to changes in the fair value of financial assets and financial liabilities as a result of interest rate changes. These interest rate swaps effectively convert fixed-rate interest exposures to variable rates; fair value adjustments are recognized in earnings along with an equally offsetting charge/benefit to earnings for the changes in the

fair value of the underlying financial asset or financial liability. The notional value of outstanding interest rate swaps of Linde with maturity dates from 2020 through 2028 was \$1,892 million at June 30, 2020 and \$1,908 million at December 31, 2019 (see Note 6 for further information).

Terminated Treasury Rate Locks

The unrecognized aggregated losses related to terminated treasury rate lock contracts on the underlying \$500 million 3.00% fixed-rate notes that mature in 2021 and the \$500 million 2.20% fixed-rate notes that mature in 2022 at June 30, 2020 and December 31, 2019 were immaterial in both periods. The unrecognized gains / (losses) for the treasury rate locks are shown in AOCI and are being recognized on a straight line basis to interest expense – net over the term of the underlying debt agreements.

Derivatives' Impact on Consolidated Statements of Income

The following table summarizes the impact of the company's derivatives on the consolidated statements of income:

| (Millions of dollars) | Amount of Pre-Tax Gain (Loss) Recognized in Earnings * | | | |
|--|---|-----------------|---------------------------|--------------|
| | Quarter Ended June 30, | | Six Months Ended June 30, | |
| | 2020 | 2019 | 2020 | 2019 |
| Derivatives Not Designated as Hedging Instruments | | | | |
| Currency contracts: | | | | |
| Balance sheet items | | | | |
| Debt-related | \$ 37 | \$ (125) | \$ 32 | \$ 69 |
| Other balance sheet items | (29) | 4 | (70) | 2 |
| Total | \$ 8 | \$ (121) | \$ (38) | \$ 71 |

* The gains (losses) on balance sheet items are offset by gains (losses) recorded on the underlying hedged assets and liabilities. Accordingly, the gains (losses) for the derivatives and the underlying hedged assets and liabilities related to debt items are recorded in the consolidated statements of income as interest expense-net. Other balance sheet items and anticipated net income gains (losses) are generally recorded in the consolidated statements of income as other income (expenses)-net.

The amounts of gain or loss recognized in AOCI and reclassified to the consolidated statement of income was immaterial for both the quarter and six months ended June 30, 2020. Net losses expected to be reclassified to earnings during the next twelve months are also not material.

The gains (losses) on net investment hedges are recorded as a component of AOCI within foreign currency translation adjustments in the condensed consolidated balance sheets and the condensed consolidated statements of comprehensive income. The gains (losses) on treasury rate locks are recorded as a component of AOCI within derivative instruments in the condensed consolidated balance sheets and the condensed consolidated statements of comprehensive income. The gains (losses) on net investment hedges are reclassified to earnings only when the related currency translation adjustments are required to be reclassified, usually upon sale or liquidation of the investment. The gains (losses) for interest rate contracts are reclassified to earnings as interest expense –net on a straight-line basis over the remaining maturity of the underlying debt.

6. Fair Value Disclosures

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – quoted prices for similar assets and liabilities in active markets or inputs that are observable
- Level 3 – inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes assets and liabilities measured at fair value on a recurring basis:

| (Millions of dollars) | Fair Value Measurements Using | | | | | |
|-----------------------------|-------------------------------|----------------------|------------------|----------------------|------------------|----------------------|
| | Level 1 | | Level 2 | | Level 3 | |
| | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 |
| Assets | | | | | | |
| Derivative assets | \$ — | \$ — | \$ 151 | \$ 167 | \$ — | \$ — |
| Investments and securities* | 21 | 18 | — | — | 30 | 28 |
| Total | \$ 21 | \$ 18 | \$ 151 | \$ 167 | \$ 30 | \$ 28 |
| Liabilities | | | | | | |
| Derivative liabilities | \$ — | \$ — | \$ 156 | \$ 99 | \$ — | \$ — |

* Investments and securities are recorded in prepaid and other current assets and other long-term assets in the company's condensed consolidated balance sheets.

Level 1 investments and securities are marketable securities traded on an exchange. Level 2 investments are based on market prices obtained from independent brokers or determined using quantitative models that use as their basis readily observable market parameters that are actively quoted and can be validated through external sources, including third-party pricing services, brokers and market transactions. Level 3 investments and securities consist of a venture fund within the Americas. 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 for the six months ended June 30, 2020. Gains (losses) recognized in earnings are recorded to interest expense - net in the company's consolidated statements of income.

| (Millions of dollars) | 2020 |
|---------------------------------------|--------------|
| Balance at January 1 | \$ 28 |
| Additions | — |
| Gains (losses) recognized in earnings | 2 |
| Balance at June 30 | <u>\$ 30</u> |

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

The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues. Long-term debt is categorized within either Level 1 or Level 2 of the fair value hierarchy depending on the trading volume of the issues and whether or not they are actively quoted in the market as opposed to traded through over-the-counter transactions. At June 30, 2020, the estimated fair value of Linde's long-term debt portfolio was \$14,223 million versus a carrying value of \$13,801 million. At December 31, 2019, the estimated fair value of Linde's long-term debt portfolio was \$12,375 million versus a carrying value of \$12,224 million. As Linde AG's assets and liabilities were measured at estimated fair value as of the merger date, differences between the carrying value and the fair value are insignificant; remaining differences are attributable to fluctuations in interest rates subsequent to when the debt was issued and relative to stated coupon rates.

7. Earnings Per Share – Linde plc Shareholders

Basic and diluted earnings per share is computed by dividing Income from continuing operations, Income from discontinued operations and Net income – Linde plc for the period by the weighted average number of either basic or diluted shares outstanding, as follows:

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|--|------------------------|---------|---------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Numerator (Millions of dollars) | | | | |
| Income from continuing operations | \$ 458 | \$ 513 | \$ 1,029 | \$ 948 |
| Income from discontinued operations | — | 9 | 2 | 91 |
| Net Income – Linde plc | \$ 458 | \$ 522 | \$ 1,031 | \$ 1,039 |
| Denominator (Thousands of shares) | | | | |
| Weighted average shares outstanding | 525,238 | 542,356 | 528,118 | 543,834 |
| Shares earned and issuable under compensation plans | 272 | 205 | 267 | 199 |
| Weighted average shares used in basic earnings per share | 525,510 | 542,561 | 528,385 | 544,033 |
| Effect of dilutive securities | | | | |
| Stock options and awards | 3,544 | 3,927 | 3,727 | 3,738 |
| Weighted average shares used in diluted earnings per share | 529,054 | 546,488 | 532,112 | 547,771 |
| Basic earnings per share from continuing operations | \$ 0.87 | \$ 0.95 | \$ 1.95 | \$ 1.74 |
| Basic earnings per share from discontinued operations | — | 0.02 | — | 0.17 |
| Basic Earnings Per Share | \$ 0.87 | \$ 0.97 | \$ 1.95 | \$ 1.91 |
| Diluted earnings per share from continuing operations | \$ 0.87 | \$ 0.94 | \$ 1.93 | \$ 1.73 |
| Diluted earnings per share from discontinued operations | — | 0.02 | — | 0.17 |
| Diluted Earnings Per Share | \$ 0.87 | \$ 0.96 | \$ 1.93 | \$ 1.90 |

There were no antidilutive shares for any period presented.

8. Retirement Programs

The components of net pension and postretirement benefits other than pensions (“OPEB”) costs for the quarter and six months ended June 30, 2020 and 2019 are shown below:

| | Quarter Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|------------------------|-------|------|------|---------------------------|-------|------|------|
| | Pensions | | OPEB | | Pensions | | OPEB | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| <i>(Millions of dollars)</i> | | | | | | | | |
| Amount recognized in Operating Profit | | | | | | | | |
| Service cost | \$ 36 | \$ 39 | \$ — | \$ — | \$ 73 | \$ 78 | \$ 1 | \$ 1 |
| Amount recognized in Net pension and OPEB cost (benefit), excluding service cost | | | | | | | | |
| Interest cost | 50 | 65 | 2 | 1 | 102 | 133 | 3 | 3 |
| Expected return on plan assets | (118) | (113) | — | — | (238) | (232) | — | — |
| Net amortization and deferral | 22 | 14 | (1) | (1) | 45 | 28 | (2) | (2) |
| Curtailement and termination benefits (a) | — | 10 | — | — | — | 10 | — | — |
| Settlement charge (b) | — | — | — | — | — | 51 | — | — |
| | (46) | (24) | 1 | — | (91) | (10) | 1 | 1 |
| Net periodic benefit cost | \$ (10) | \$ 15 | \$ 1 | \$ — | \$ (18) | \$ 68 | \$ 2 | \$ 2 |

(a) In the second quarter of 2019, Linde recorded a curtailment gain of \$7 million and a charge of \$17 million for termination benefits in connection with a defined benefit pension plan freeze.

(b) In the first quarter of 2019, benefits of \$91 million were paid related to the settlement of a U.S. non-qualified plan that was triggered due to a change in control provision. Accordingly, Linde recorded a pension settlement charge of \$51 million (\$38 million after tax).

Linde estimates that 2020 required contributions to its pension plans will be in the range of \$50 million to \$80 million, of which \$41 million have been made through June 30, 2020.

9. Commitments and Contingencies

Contingent Liabilities

Linde is subject to various lawsuits and government investigations that arise from time to time in the ordinary course of business. These actions are based upon alleged environmental, tax, antitrust and personal injury claims, among others. Linde has strong defenses in these cases and intends to defend itself vigorously. It is possible that the company may incur losses in connection with some of these actions in excess of accrued liabilities. Management does not anticipate that in the aggregate such losses would have a material adverse effect on the company's consolidated financial position or liquidity; however, it is possible that the final outcomes could have a significant impact on the company's reported results of operations in any given period (see Note 19 to the consolidated financial statements of Linde's 2019 Annual Report on Form 10-K).

Significant matters are:

- During 2009, the Brazilian government published Law 11941/2009 instituting a new voluntary amnesty program ("Refis Program") which allowed Brazilian companies to settle certain federal tax disputes at reduced amounts. During 2009, the company decided that it was economically beneficial to settle many of its outstanding federal tax disputes and such disputes were enrolled in the Refis Program, subject to final calculation and review by the Brazilian federal government. The company recorded estimated liabilities based on the terms of the Refis Program. Since 2009, Linde has been unable to reach final agreement on the calculations and initiated litigation against the government in an attempt to resolve certain items. Open issues relate to the following matters: (i) application of cash deposits and net operating loss carryforwards to satisfy obligations and (ii) the amount of tax reductions available under the Refis Program. It is difficult to estimate the timing of resolution of legal matters in Brazil.
- At June 30, 2020 the most significant non-income and income tax claims in Brazil, after enrollment in the Refis Program, relate to state VAT tax matters and a federal income tax matter where the taxing authorities are challenging the tax rate that should be applied to income generated by a subsidiary company. The total estimated exposure relating to such claims, including interest and penalties, as appropriate, is approximately \$190 million. Linde has not recorded any liabilities related to such claims based on management judgments, after considering judgments and opinions of outside counsel. Because litigation in Brazil historically takes many years to resolve, it is very difficult to estimate the timing of resolution of these matters; however, it is possible that certain of these matters may be resolved within the near term. The company is vigorously defending against the proceedings.
- On September 1, 2010, CADE (Brazilian Administrative Council for Economic Defense) announced alleged anticompetitive activity on the part of five industrial gas companies in Brazil and imposed fines. Originally, CADE imposed a civil fine of R\$2.2 billion Brazilian reais (\$403 million) on White Martins, the Brazil-based subsidiary of Praxair, Inc. The fine was reduced to R\$1.7 billion Brazilian reais (\$311 million) due to a calculation error made by CADE. The fine against White Martins was overturned by the Ninth Federal Court of Brasilia. CADE appealed this decision, and the Federal Court of Appeals rejected CADE's appeal and confirmed the decision of the Ninth Federal Court of Brasilia. CADE has filed an appeal with the Superior Court of Justice and a decision is pending.

Similarly, on September 1, 2010, CADE imposed a civil fine of R\$237 million Brazilian reais (\$43 million) on Linde Gases Ltda., the former Brazil-based subsidiary of Linde AG, which was divested to MG Industries GmbH on March 1, 2019 and with respect to which Linde provided a contractual indemnity. The fine was reduced to R\$188 million Brazilian reais (\$34 million) due to a calculation error made by CADE. The fine against Linde Gases Ltda. was overturned by the Seventh Federal Court in Brasilia. CADE appealed this decision, and the Federal Court of Appeals rejected CADE's appeal and confirmed the decision of the Seventh Federal Court of Brasilia. CADE filed an appeal with the Superior Court of Justice, and a final decision is pending.

Linde has strong defenses and is confident that it will prevail on appeal and have the fines overturned. Linde strongly believes that the allegations of anticompetitive activity against our current and former Brazilian subsidiaries are not supported by valid and sufficient evidence. Linde believes that this decision will not stand up to judicial review and deems the possibility of cash outflows to be extremely unlikely. As a result, no reserves have been recorded as management does not believe that a loss from this case is probable.

On and after April 23, 2019 former shareholders of Linde AG filed appraisal proceedings at the District Court (*Landgericht*) Munich I (Germany), seeking an increase of the cash consideration paid in connection with the

previously completed cash merger squeeze-out of all of Linde AG's minority shareholders for €189.46 per share. Any such increase would apply to all 14,763,113 Linde AG shares that were outstanding on April 8, 2019, when the cash merger squeeze-out was completed. The period for plaintiffs to file claims expired on July 9, 2019. The company believes the consideration paid was fair and that the claims lack merit, and no reserve has been established. We cannot estimate the timing of resolution.

10. Segments

For a description of Linde plc's operating segments, refer to Note 20 to the consolidated financial statements on Linde plc's 2019 Annual Report on Form 10-K.

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

| <i>(Millions of dollars)</i> | Quarter Ended June 30, | | Six Months Ended June 30, | |
|------------------------------|------------------------|----------|---------------------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| SALES^(a) | | | | |
| Americas | \$ 2,417 | \$ 2,779 | \$ 5,094 | \$ 5,481 |
| EMEA | 1,448 | 1,673 | 3,081 | 3,355 |
| APAC | 1,295 | 1,488 | 2,631 | 2,915 |
| Engineering | 810 | 752 | 1,418 | 1,388 |
| Other | 407 | 487 | 892 | 954 |
| Total segment sales | \$ 6,377 | \$ 7,179 | \$ 13,116 | \$ 14,093 |
| Merger-related divestitures | — | 25 | — | 55 |
| Total sales | \$ 6,377 | \$ 7,204 | \$ 13,116 | \$ 14,148 |

| <i>(Millions of dollars)</i> | Quarter Ended June 30, | | Six Months Ended June 30, | |
|--|------------------------|--------|---------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| SEGMENT OPERATING PROFIT | | | | |
| Americas | \$ 622 | \$ 646 | \$ 1,283 | \$ 1,230 |
| EMEA | 303 | 332 | 658 | 679 |
| APAC | 294 | 304 | 575 | 577 |
| Engineering | 138 | 99 | 229 | 177 |
| Other | (40) | (62) | (76) | (122) |
| Segment operating profit | 1,317 | 1,319 | 2,669 | 2,541 |
| Cost reduction programs and other charges (Note 2) | (249) | (141) | (380) | (230) |
| Merger-related divestitures | — | 6 | — | 13 |
| Purchase accounting impacts - Linde AG | (477) | (515) | (965) | (1,046) |
| Total operating profit | \$ 591 | \$ 669 | \$ 1,324 | \$ 1,278 |

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

11. Equity

Equity

A summary of the changes in total equity for the quarter and six months ended June 30, 2020 and 2019 is provided below:

| <i>(Millions of dollars)</i> | Quarter Ended June 30, | | | | | |
|---|--------------------------------|--------------------------|--------------|--------------------------------|------------------------------|--------------|
| | 2020 | | | 2019 | | |
| | Linde plc Shareholders' Equity | Noncontrolling Interests | Total Equity | Linde plc Shareholders' Equity | Noncontrolling Interests (a) | Total Equity |
| Activity | | | | | | |
| Balance, beginning of period (a) | \$ 44,776 | \$ 2,375 | \$ 47,151 | \$ 51,175 | \$ 5,457 | \$ 56,632 |
| Net income (b) | 458 | 25 | 483 | 522 | 29 | 551 |
| Other comprehensive income (loss) | 767 | 18 | 785 | (142) | (21) | (163) |
| Noncontrolling interests: | | | | | | |
| Additions (reductions) | — | 13 | 13 | — | (3,074) | (3,074) |
| Dividends and other capital changes | — | (44) | (44) | — | (76) | (76) |
| Dividends to Linde plc ordinary share holders (\$0.963 per share in 2020 and \$0.875 per share in 2019) | (506) | — | (506) | (474) | — | (474) |
| Issuances of common stock: | | | | | | |
| For employee savings and incentive plans | 10 | — | 10 | (13) | — | (13) |
| Purchases of common stock | — | — | — | (526) | — | (526) |
| Share-based compensation | 32 | — | 32 | 22 | — | 22 |
| Balance, end of period | \$ 45,537 | \$ 2,387 | \$ 47,924 | \$ 50,564 | \$ 2,315 | \$ 52,879 |
| | | | | | | |
| | Six Months Ended June 30, | | | | | |
| | 2020 | | | 2019 | | |
| | Linde plc Shareholders' Equity | Noncontrolling Interests | Total Equity | Linde plc Shareholders' Equity | Noncontrolling Interests (a) | Total Equity |
| Activity | | | | | | |
| Balance, beginning of period (a) | \$ 49,074 | \$ 2,448 | \$ 51,522 | \$ 51,596 | \$ 5,484 | \$ 57,080 |
| Net income (b) | 1,031 | 60 | 1,091 | 1,039 | 65 | 1,104 |
| Other comprehensive income (loss) | (1,807) | (88) | (1,895) | 79 | (88) | (9) |
| Noncontrolling interests: | | | | | | |
| Additions (reductions) | — | 15 | 15 | — | (3,066) | (3,066) |
| Dividends and other capital changes | — | (48) | (48) | — | (80) | (80) |
| Dividends to Linde plc ordinary share holders (\$1.926 per share in 2020 and \$1.75 per share in 2019) | (1,017) | — | (1,017) | (951) | — | (951) |
| Issuances of common stock: | | | | | | |
| For employee savings and incentive plans | (8) | — | (8) | (7) | — | (7) |
| Purchases of common stock | (1,811) | — | (1,811) | (1,230) | — | (1,230) |
| Share-based compensation | 75 | — | 75 | 38 | — | 38 |
| Balance, end of period | \$ 45,537 | \$ 2,387 | \$ 47,924 | \$ 50,564 | \$ 2,315 | \$ 52,879 |

(a) As of the beginning of both periods ended June 30, 2019, noncontrolling interests included approximately \$3.2 billion relating to the 8% of Linde AG shares which were not tendered in the Exchange Offer and were the subject of a cash-merger squeeze-out completed on April 8, 2019.

(b) Net income for noncontrolling interests excludes net income related to redeemable noncontrolling interests which is not significant for the quarters and six months ended June 30, 2020 and June 30, 2019 which is not part of total equity.

The components of AOCI are as follows:

| <i>(Millions of dollars)</i> | June 30, 2020 | December 31, 2019 |
|--|-------------------|----------------------|
| Cumulative translation adjustment - net of taxes: | | |
| Americas | \$ (4,090) | \$ (3,357) |
| EMEA | (876) | (136) |
| APAC | (455) | (140) |
| Engineering | (43) | (29) |
| Other | 201 | 282 |
| | (5,263) | (3,380) |
| Derivatives - net of taxes | (21) | (27) |
| Pension / OPEB (net of \$422 million and \$446 million tax benefit in June 30, 2020 and December 31, 2019, respectively) | (1,337) | (1,407) |
| | <u>\$ (6,621)</u> | <u>\$ (4,814)</u> |

12. Revenue Recognition

Revenue is accounted for in accordance with ASC 606. Revenue is recognized as control of goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled to receive in exchange for the goods or services.

Contracts with Customers

Approximately 82% of Linde's consolidated sales are generated from industrial gases and related products in three geographic segments (Americas, APAC, and EMEA) and the remaining 18% is related primarily to the Engineering segment, and to a lesser extent Other (see Note 10 for operating segment details). Linde serves a diverse group of industries including healthcare, petroleum refining, 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 \$368 million at June 30, 2020 and December 31, 2019, respectively. Total contract liabilities are \$2,121 million at June 30, 2020 (current of \$1,693 million and \$428 million within other long-term liabilities in the condensed consolidated balance sheets). Total contract liabilities were \$2,106 million at December 31, 2019 (current contract liabilities of \$1,758 million, classified as deferred income within other current liabilities and \$348 million in other long-term liabilities in the condensed consolidated balance sheets). Revenue recognized for the six months ended June 30, 2020 that was included in the contract liability at December 31, 2019 was \$708 million. Contract assets and liabilities primarily relate to the Linde Engineering business.

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. Contract asset and liability balances and the changes in these balances are not material. 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 income. Additionally, sales returns and allowances are not a normal

practice in the industry and are not significant.

Disaggregated Revenue Information

As described above and in Note 20 to Linde's 2019 Form 10-K, 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 quarter and six months ended June 30, 2020 and June 30, 2019.

| <i>(Millions of dollars)</i> | | Quarter Ended June 30, 2020 | | | | | | |
|------------------------------|-----------------|-----------------------------|-----------------|---------------|---------------|-----------------|--------------|--|
| Sales | Americas | EMEA | APAC | Engineering | Other | Total | % | |
| Merchant | \$ 634 | \$ 415 | \$ 459 | \$ — | \$ 29 | \$ 1,537 | 24 % | |
| On-Site | 559 | 304 | 466 | — | — | 1,329 | 21 % | |
| Packaged Gas | 1,210 | 719 | 362 | — | 6 | 2,297 | 36 % | |
| Other | 14 | 10 | 8 | 810 | 372 | 1,214 | 19 % | |
| Total | \$ 2,417 | \$ 1,448 | \$ 1,295 | \$ 810 | \$ 407 | \$ 6,377 | 100 % | |

| <i>(Millions of dollars)</i> | | Quarter Ended June 30, 2019 | | | | | | |
|------------------------------|-----------------|-----------------------------|-----------------|---------------|---------------|-----------------|--------------|--|
| Sales | Americas | EMEA | APAC | Engineering | Other (a) | Total | % | |
| Merchant | \$ 735 | \$ 476 | \$ 551 | \$ — | \$ 53 | \$ 1,815 | 25 % | |
| On-Site | 699 | 355 | 515 | — | — | 1,569 | 22 % | |
| Packaged Gas | 1,315 | 842 | 380 | — | 6 | 2,543 | 35 % | |
| Other | 30 | — | 42 | 752 | 453 | 1,277 | 18 % | |
| Total | \$ 2,779 | \$ 1,673 | \$ 1,488 | \$ 752 | \$ 512 | \$ 7,204 | 100 % | |

| <i>(Millions of dollars)</i> | | Six months ended June 30, 2020 | | | | | | |
|------------------------------|-----------------|--------------------------------|-----------------|-----------------|---------------|------------------|--------------|--|
| Sales | Americas | EMEA | APAC | Engineering | Other (a) | Total | % | |
| Merchant | \$ 1,360 | \$ 885 | \$ 918 | \$ — | \$ 76 | \$ 3,239 | 25 % | |
| On-Site | 1,209 | 647 | 958 | — | — | 2,814 | 21 % | |
| Packaged Gas | 2,485 | 1,530 | 722 | — | 11 | 4,748 | 36 % | |
| Other | 40 | 19 | 33 | 1,418 | 805 | 2,315 | 18 % | |
| Total | \$ 5,094 | \$ 3,081 | \$ 2,631 | \$ 1,418 | \$ 892 | \$ 13,116 | 100 % | |

| <i>(Millions of dollars)</i> | | Six Months Ended June 30, 2019 | | | | | | |
|------------------------------|-----------------|--------------------------------|-----------------|-----------------|-----------------|------------------|--------------|--|
| Sales | Americas | EMEA | APAC | Engineering | Other (a) | Total | % | |
| Merchant | \$ 1,438 | \$ 903 | \$ 1,048 | \$ — | \$ 84 | \$ 3,473 | 25 % | |
| On-Site | 1,401 | 732 | 1,026 | — | — | 3,159 | 22 % | |
| Packaged Gas | 2,600 | 1,716 | 767 | — | 6 | 5,089 | 36 % | |
| Other | 42 | 4 | 74 | 1,388 | 919 | 2,427 | 17 % | |
| Total | \$ 5,481 | \$ 3,355 | \$ 2,915 | \$ 1,388 | \$ 1,009 | \$ 14,148 | 100 % | |

(a) Other/Other includes \$25 million and \$55 million for the second quarter and six months ended June 30, 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 \$45 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 will be earned in the next five years and the remaining thereafter.

13. Merger-related Divestitures

As described in Note 4 of Linde plc's Annual Report on Form 10-K, as a condition of the European Commission ("EC"), the U.S. Department of Justice ("DOJ"), and other governmental regulatory authorities approval of the merger, Linde plc, Praxair and Linde AG were required to divest several businesses, including the following transactions that were completed in 2019 and 2020:

- In March 2019, Linde completed the sale of the majority of Linde AG's industrial gases business in North America and certain industrial gases business activities of Linde AG's in South America for approximately \$2.9 billion in net cash consideration after purchase price adjustments for certain items relating to assets and liabilities of the sold businesses. In addition, divestitures include approximately \$0.5 billion of proceeds for incremental plant sales within the Americas under other agreements.
- In April 2019, Linde completed the sale of selected assets of Linde Korea with a sale price of \$1.2 billion.
- In July 2019, Linde completed the sale of select assets of Praxair India with a sale price of \$218 million and resulted in a gain of \$164 million recognized in "Net gain on sale of businesses" in the consolidated statement of income.
- In December 2019, Linde completed the sale of select assets of Linde India with a sale price of \$193 million.
- In March 2020, Linde completed the sale of select assets of Linde China with a sale price of \$98 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

Non-GAAP Measures

Throughout MD&A, the company provides adjusted operating results from continuing operations exclusive of certain items such as cost reduction programs and other charges, net gains on sale of businesses, purchase accounting impacts of the Linde AG merger and pension settlement charges. Adjusted amounts are non-GAAP measures which are intended to supplement investors' understanding of the company's financial information by providing measures which investors, financial analysts and management find useful in evaluating the company's operating performance. Items which the company does not believe to be indicative of on-going business performance are excluded from these calculations so that investors can better evaluate and analyze historical and future business trends on a consistent basis. In addition, operating results from continuing operations, excluding these items, is important to management's development of annual and long-term employee incentive compensation plans. Definitions of these non-GAAP measures may not be comparable to similar definitions used by other companies and are not a substitute for similar GAAP measures.

The non-GAAP measures and reconciliations are separately included in a later section in the MD&A titled "Non-GAAP Measures and Reconciliations".

Consolidated Results

The following table provides summary information for the quarter and six months ended June 30, 2020 and 2019. The reported amounts are GAAP amounts from the Consolidated Statement of Operations. The adjusted amounts are intended to supplement investors' understanding of the company's financial information and are not a substitute for GAAP measures:

| | Quarter Ended June 30, | | | Six Months Ended June 30, | | |
|---|------------------------|----------|----------|---------------------------|-----------|----------|
| | 2020 | 2019 | Variance | 2020 | 2019 | Variance |
| <i>(Millions of dollars, except per share data)</i> | | | | | | |
| Sales | \$ 6,377 | \$ 7,204 | (11) % | \$ 13,116 | \$ 14,148 | (7) % |
| Cost of sales, exclusive of depreciation and amortization | \$ 3,619 | \$ 4,280 | (15) % | \$ 7,462 | \$ 8,396 | (11) % |
| As a percent of sales | 56.8 % | 59.4 % | | 56.9 % | 59.3 % | |
| Selling, general and administrative | \$ 760 | \$ 884 | (14) % | \$ 1,621 | \$ 1,763 | (8) % |
| As a percent of sales | 11.9 % | 12.3 % | | 12.4 % | 12.5 % | |
| Depreciation and amortization | \$ 1,124 | \$ 1,195 | (6) % | \$ 2,266 | \$ 2,418 | (6) % |
| Cost reduction programs and other charges (a) | \$ 249 | \$ 141 | 77 % | \$ 380 | \$ 230 | 65 % |
| Other income (expense) - net | \$ — | \$ 10 | (100) % | \$ 15 | \$ 28 | (46) % |
| Operating profit | \$ 591 | \$ 669 | (12) % | \$ 1,324 | \$ 1,278 | 4 % |
| Operating margin | 9.3 % | 9.3 % | | 10.1 % | 9.0 % | |
| Interest expense - net | \$ 18 | \$ 10 | 80 % | \$ 42 | \$ 33 | 27 % |
| Net pension and OPEB cost (benefit), excluding service cost | \$ (45) | \$ (24) | (88) % | \$ (90) | \$ (9) | 900 % |
| Effective tax rate | 26.5 % | 24.7 % | | 24.0 % | 24.6 % | |
| Income from equity investments | \$ 29 | \$ 28 | 4 % | \$ 46 | \$ 62 | (26) % |
| Noncontrolling interests from continuing operations | \$ (25) | \$ (29) | (14) % | \$ (60) | \$ (59) | 2 % |
| Income from continuing operations | \$ 458 | \$ 513 | (11) % | \$ 1,029 | \$ 948 | 9 % |
| Diluted earnings per share from continuing operations | \$ 0.87 | \$ 0.94 | (7) % | \$ 1.93 | \$ 1.73 | 12 % |
| Diluted shares outstanding | 529,054 | 546,488 | (3) % | 532,112 | 547,771 | (3) % |
| Number of employees | 76,662 | 80,254 | (4) % | 76,662 | 80,254 | (4) % |
| Adjusted Amounts (a) | | | | | | |
| Operating profit | \$ 1,317 | \$ 1,319 | — % | \$ 2,669 | \$ 2,541 | 5 % |
| Operating margin | 20.7 % | 18.4 % | | 20.3 % | 18.0 % | |
| Effective tax rate | 24.3 % | 23.8 % | | 24.1 % | 23.7 % | |
| Income from continuing operations | \$ 1,005 | \$ 1,000 | 1 % | \$ 2,014 | \$ 1,927 | 5 % |
| Diluted earnings per share from continuing operations | \$ 1.90 | \$ 1.83 | 4 % | \$ 3.78 | \$ 3.52 | 7 % |
| Other Financial Data (a) | | | | | | |
| EBITDA from continuing operations | \$ 1,744 | \$ 1,892 | (8) % | \$ 3,636 | \$ 3,758 | (3) % |
| As percent of sales | 27.3 % | 26.3 % | | 27.7 % | 26.6 % | |
| Adjusted EBITDA from continuing operations | \$ 2,016 | \$ 2,041 | (1) % | \$ 4,065 | \$ 4,013 | 1 % |
| As percent of sales | 31.6 % | 28.4 % | | 31.0 % | 28.5 % | |

(a) Adjusted amounts and Other Financial Data are non-GAAP performance measures. A reconciliation of reported amounts to adjusted amounts can be found in the "Non-GAAP Reconciliations" sections of this MD&A.

Reported

In the second quarter of 2020, Linde's reported sales were \$6,377 million, 7% below the prior year, excluding currency translation impacts, primarily due to lower volumes due to the global macroeconomic slowdown as a result of the COVID-19 pandemic, partially offset by higher pricing across all geographic segments and new project start-ups, including Engineering. Reported operating profit for the second quarter of 2020 of \$591 million, or 9.3% of sales, was 12% below the prior year primarily due to higher cost reduction programs and other charges, partially offset by lower amortization of the fair value of fixed assets and intangible assets acquired in the merger. The reported effective tax rate ("ETR") was 26.5% in the second quarter 2020 versus 24.7% in the second quarter 2019. Diluted earnings per share from continuing operations ("EPS") was \$0.87, or 7% below reported EPS of \$0.94 in the second quarter of 2019 primarily due to lower income from continuing operations driven by higher cost reduction program charges, partially offset by lower diluted shares outstanding.

Adjusted

In the second quarter of 2020, Linde's sales were \$6,377 million, 7% below the prior year, excluding currency translation impacts, primarily due to lower volumes due to the global macroeconomic slowdown as a result of the COVID-19 pandemic, partially offset by higher price across all geographic segments and new project start-ups, including Engineering. Adjusted operating profit of \$1,317 million, or 20.7% of sales, was flat as compared to 2019 with a 230 basis point increase as a percentage of sales as the impacts of higher price and the cost reduction programs and productivity initiatives offset the impact from lower volumes. The adjusted ETR was 24.3% in the second quarter 2020 versus 23.8% in the 2019 quarter. On an adjusted basis, EPS was \$1.90, 4% above the 2019 adjusted EPS of \$1.83, driven by higher adjusted income from continuing operations and lower diluted shares outstanding.

Outlook

Linde believes that its project backlog is one indicator of future sales growth. The company's sale of gas backlog represents estimated capital expenditures over \$5 million for customer projects, secured by long-term contracts that lead to incremental sales and earnings growth. Linde's sale of gas and sale of equipment backlog of approximately \$8.6 billion provides a strong growth foundation for the next several years. Of this backlog, approximately \$3.6 billion is for sale of gas projects where APAC and Americas represent 69% percent and 23% percent of the backlog, respectively, and the remaining backlog in EMEA. These plants will primarily supply customers in the electronics, chemicals and energy end-markets.

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.

The above outlook should be read in conjunction with the section entitled "Forward-Looking Statements."

Linde provides quarterly updates on operating results, material trends that may affect financial performance, and financial guidance via quarterly earnings releases and investor teleconferences. These updates are available on the company's website, www.linde.com, but are not incorporated herein.

Results of operations

The changes in consolidated sales compared to the prior year are attributable to the following:

| | Quarter Ended June 30, 2020 vs. 2019 | | Six Months Ended June 30, 2020 vs. 2019 | |
|--|--------------------------------------|---|---|---|
| | % Change | | % Change | |
| Factors Contributing to Changes - Sales | | | | |
| Volume | (7) | % | (5) | % |
| Price/Mix | 2 | % | 2 | % |
| Cost pass-through | (1) | % | (1) | % |
| Currency | (4) | % | (3) | % |
| Acquisitions/divestitures | (1) | % | — | % |
| | (11) | % | (7) | % |

Sales

Reported sales decreased \$827 million, or 11%, for the second quarter and decreased \$1,032 million, or 7% for the six months ended June 30, 2020 versus the respective 2019 periods. On an adjusted basis sales decreased \$802 million or 11% for the second quarter and decreased \$977 million or 7% compared to the respective 2019 periods.

On a reported and adjusted basis, sales decreased 11%, for the quarter and 7% for the year-to-date period. Volume decreased sales by 7% in the quarter and 5% year to date 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 sales in the quarter and year-to-date periods. Currency translation decreased sales by 4% in the quarter and 3% year-to-date periods, respectively, 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 sales by 1% in both the quarter and year-to-date periods with minimal impact on operating profit. The impact of merger-related divestitures decreased sales by \$25 million in the quarter and \$55 million in the year-to-date period. These sales have been excluded from the adjusted numbers.

Cost of sales, exclusive of depreciation and amortization

Cost of sales, exclusive of depreciation and amortization decreased \$661 million, or 15%, for the second quarter and decreased \$934 million, or 11% for the six months ended June 30, 2020 primarily due to lower volumes and the impact of productivity initiatives. Cost of sales, exclusive of depreciation and amortization was 56.8% and 56.9% of sales, respectively, for the second quarter and six months ended June 30, 2020 versus 59.4% and 59.3% of sales for the respective 2019 periods. The decrease as a percentage of sales in the quarter and for the six months ended June 30, 2020 was due primarily to lower cost pass-through and the impact of cost reduction programs and productivity initiatives.

Selling, general and administrative expenses

Selling, general and administrative expense ("SG&A") decreased \$124 million, or 14%, for the second quarter and decreased \$142 million, or 8%, for the six months ended June 30, 2020. SG&A was 11.9% of second quarter sales and 12.4% sales for the six months ended June 30, 2020 versus 12.3% and 12.5% for the respective 2019 periods. Currency impacts decreased SG&A by approximately \$30 million in the quarter and \$52 million for the six months ended June 30, 2020. Excluding currency impacts, underlying SG&A decreased driven by the impact of cost reduction programs and productivity initiatives.

Depreciation and amortization

Reported depreciation and amortization expense decreased \$71 million, or 6%, for the second quarter and decreased \$152 million, or 6%, for the six months ended June 30, 2020 primarily due to currency translation impacts and lower amortization of the fair value of fixed assets and intangible assets acquired in the merger.

On an adjusted basis depreciation and amortization decreased \$24 million, or 4%, for the second quarter and decreased \$60 million, or 4%, primarily due to currency translation impacts which decreased depreciation and amortization by approximately \$24 million for the quarter and \$45 million for the six months ended June 30, 2020.

Cost reduction programs and other charges

Linde recorded cost reduction programs and other charges of \$249 million and \$141 million for the second quarter 2020 and 2019, respectively, primarily related to merger and synergy-related costs (see Note 2 to the condensed consolidated financial statements). Cost reduction programs and other charges were \$380 million and \$230 million, respectively, for the six months ended June 30, 2020 and 2019.

On an adjusted basis, these costs have been excluded in both periods.

Operating profit

Reported operating profit decreased \$78 million, or 12%, for the second quarter of 2020 and increased \$46 million, or 4% for the six months ended June 30, 2020. On an adjusted basis operating profit decreased \$2 million for the second quarter and increased \$128 million, or 5%, for the six months ended June 30, 2020.

On a reported basis, operating profit decreased \$78 million, or 12%, for the quarter and increased \$46 million, or 4% for the six months ended June 30, 2020. The decrease in the quarter was primarily due to lower volumes and higher cost reduction programs and other charges partially offset by higher price and lower depreciation and amortization related to the merger. The increase in the year-to-date period was driven by higher price, lower depreciation and amortization related to the merger, and the impact of cost reduction and productivity initiatives partially offset by higher cost reduction programs and other charges. Cost reduction programs and other charges were \$249 million and \$380 million for the second quarter and six months ended June 30, 2020, respectively, versus \$141 million and \$230 million for the respective 2019 periods.

On an adjusted basis, which excludes the impacts of purchase accounting relating to the merger and cost reduction programs and other charges, operating profit decreased \$2 million in the quarter and increased \$128 million, or 5%, for the six months ended June 30, 2020. For the quarter, operating profit was relatively flat as the impact of lower volumes and unfavorable currency impacts were largely offset by higher price and the impacts of cost reduction programs and productivity initiatives. For the year-to-date period, operating profit growth was driven by higher price and the impacts of cost reduction programs and productivity initiatives which were only partially offset by lower volumes, unfavorable currency impacts and cost inflation. A discussion of operating profit by segment is included in the segment discussion that follows.

Interest expense - net

Reported interest expense - net increased \$8 million, or 80%, for the second quarter and increased \$9 million, or 27%, for the six months ended June 30, 2020. On an adjusted basis interest expense increased \$5 million, or 14%, for the second quarter and increased \$1 million, or 1%, for the six months ended June 30, 2020 versus the respective 2019 period.

On a reported basis, interest expense - net increased \$8 million in the quarter and increased \$9 million for the six months ended June 30, 2020.

On an adjusted basis, interest expense - net increased \$5 million for the quarter and increased \$1 million for the six months ended June 30, 2020. The increase in the quarter was driven by lower interest income, partially offset by a lower effective borrowing rate. The increase in the year-to-date period was driven by lower interest income and the impact of unfavorable foreign currency revaluation on an unhedged intercompany loan, partially offset by a lower effective borrowing rate driven by lower long-term debt outstanding and higher levels of commercial paper borrowings at lower interest rates.

Net pension and OPEB cost (benefit), excluding service cost

Reported net pension and OPEB cost (benefit), excluding service cost was a benefit of \$45 million and \$90 million for the quarter and six months ended June 30, 2020, respectively, versus a benefit of \$24 million and \$9 million for the respective 2019 periods. The 2019 quarter and six month periods included charges of \$10 million and \$61 million, respectively, related to plan freezes and pension settlements (see Note 8 to the condensed consolidated financial statements). Excluding the impact of the settlement charge, net pension and OPEB cost (benefit), excluding service cost decreased \$11 million for the quarter and \$20 million for the six months ended June 30, 2020 driven primarily by the benefit of lower interest cost.

Effective tax rate

The reported effective tax rate ("ETR") for the quarter and six months ended June 30, 2020 was 26.5% and 24.0%, respectively, versus 24.7% and 24.6% for the respective 2019 periods. The increase in the ETR for the quarter is primarily due to net tax settlements and lower tax benefits from share option exercises.

On an adjusted basis, the ETR for the quarter and six months ended June 30, 2020 was 24.3% and 24.1%, respectively, versus 23.8% and 23.7% for the respective 2019 periods. The increase in the adjusted ETR in both the quarter and year-to-date periods is primarily due to lower tax benefits from share option exercises.

Income from equity investments

Reported income from equity investments for the second quarter and six months ended June 30, 2020 was \$29 million and \$46 million, respectively, versus \$28 million and \$62 million for the respective 2019 periods. On an adjusted basis, income from equity investments for the second quarter and six months ended June 30, 2020 was \$43 million and \$74 million, respectively, versus \$42 million and \$90 million, in the prior respective periods. Adjusted income from equity investments was relatively flat for the quarter. The decrease for the year-to-date period was driven by unfavorable foreign currency revaluation impacts on an unhedged loan of an investment in EMEA.

Noncontrolling interests from continuing operations

At June 30, 2020, noncontrolling interests from continuing operations consisted primarily of non-controlling shareholders' investments in APAC (primarily China) and surface technologies.

Reported noncontrolling interests from continuing operations decreased \$4 million for the second quarter and increased \$1 million for the six months ended June 30, 2020 versus the respective 2019 periods primarily driven by lower income from continuing operations in the quarter and higher income from continuing operations in the year-to-date period.

Adjusted noncontrolling interests from continuing operations decreased \$7 million for the second quarter and decreased \$2 million for the six months ended June 30, 2020 versus the respective 2019 periods primarily driven by lower income from continuing operations.

Income from continuing operations

Reported income from continuing operations decreased \$55 million, or 11%, for the second quarter primarily due to lower operating profit and a higher effective tax rate and increased \$81 million, or 9%, for the six months ended June 30, 2020 versus the respective 2019 periods, primarily due to higher overall operating profit, net pension and OPEB cost (benefit), excluding service costs, and a lower ETR, partially offset by lower income from equity investments.

On an adjusted basis, which excludes the impacts of purchase accounting and other non-GAAP adjustments, income from continuing operations increased \$5 million, or 1%, for the quarter and increased \$87 million, or 5% for the six months ended June 30, 2020 versus the respective 2019 periods. The increase in the quarter was driven by favorable changes in net pension and OPEB cost (benefit), excluding service costs, partially offset by a higher adjusted ETR. The increase in the year-to-date period was primarily due to higher adjusted operating profit and favorable changes in net pension and OPEB cost (benefit), excluding service costs partially offset by a higher adjusted ETR.

Diluted earnings per share from continuing operations

Reported diluted earnings per share from continuing operations decreased \$0.07, or 7%, for the second quarter and increased \$0.20, or 12% for the six months ended June 30, 2020 versus the comparable 2019 period.

On an adjusted basis, diluted EPS of \$1.90 for the second quarter increased \$0.07, or 4%, and increased \$0.26, or 7% for the six months ended June 30, 2020 versus the respective 2019 periods, primarily due to higher income from continuing operations and lower diluted shares outstanding.

Employees

The number of employees at June 30, 2020 was 76,662, a decrease of 3,592 employees from June 30, 2019 primarily driven by decreases from cost reduction actions and divestitures.

Other Financial Data

EBITDA was \$1,744 million for the second quarter 2020 as compared to \$1,892 million in the respective 2019 period. EBITDA decreased to \$3,636 million for the six months ended June 30, 2020 from \$3,758 million in the respective 2019 period. Adjusted EBITDA from continuing operations decreased to \$2,016 million for the second quarter 2020 from \$2,041 million in the respective 2019 period. Adjusted EBITDA from continuing operations increased to \$4,065 million from \$4,013 million for the six months ended June 30, 2020 as compared to the respective 2019 period primarily due to higher income from continuing operations plus depreciation and amortization versus the prior period.

See the "Non-GAAP Reconciliations" for adjusted amounts sections below for definitions and reconciliations of these adjusted non-GAAP measures to reported GAAP amounts.

Other Comprehensive Income (Loss)

Other comprehensive income for the second quarter and loss for the six months ended June 30, 2020 of \$785 million and \$1,895 million, respectively, resulted primarily from positive currency translation adjustments of \$744 million during the quarter and negative currency translation adjustments of \$1,971 million during the year-to-date period. The translation adjustments reflect the impact of translating local currency foreign subsidiary financial statements to U.S. dollars, and are largely driven by the movement of the U.S. dollar against major currencies including the Euro, British pound and the Chinese yuan. See the "Currency" section of the MD&A for exchange rates used for translation purposes and Note 11 to the condensed consolidated financial statements for a summary of the currency translation adjustment component of accumulated other comprehensive income by segment.

Segment Discussion

The following summary of sales and operating profit by segment provides a basis for the discussion that follows. Linde plc evaluates the performance of its reportable segments based on operating profit, excluding items not indicative of ongoing business trends. The reported amounts are GAAP amounts from the Condensed Consolidated Statement of Operations.

| <i>(Millions of dollars)</i> | Quarter Ended June 30, | | | Six Months Ended June 30, | | |
|--|------------------------|----------|----------|---------------------------|-----------|--------|
| | 2020 | 2019 | Variance | 2020 | 2019 | % |
| SALES | | | | | | |
| Americas | \$ 2,417 | \$ 2,779 | (13) % | \$ 5,094 | \$ 5,481 | (7) % |
| EMEA | 1,448 | 1,673 | (13) % | 3,081 | 3,355 | (8) % |
| APAC | 1,295 | 1,488 | (13) % | 2,631 | 2,915 | (10) % |
| Engineering | 810 | 752 | 8 % | 1,418 | 1,388 | 2 % |
| Other | 407 | 487 | (16) % | 892 | 954 | (7) % |
| Total segment sales | \$ 6,377 | \$ 7,179 | (11) % | \$ 13,116 | \$ 14,093 | (7) % |
| Merger-related divestitures | — | 25 | | | 55 | |
| Total sales | \$ 6,377 | \$ 7,204 | | \$ 13,116 | \$ 14,148 | |
| SEGMENT OPERATING PROFIT | | | | | | |
| Americas | \$ 622 | \$ 646 | (4) % | \$ 1,283 | \$ 1,230 | 4 % |
| EMEA | 303 | 332 | (9) % | 658 | 679 | (3) % |
| APAC | 294 | 304 | (3) % | 575 | 577 | — % |
| Engineering | 138 | 99 | 39 % | 229 | 177 | 29 % |
| Other | (40) | (62) | 35 % | (76) | (122) | 38 % |
| Segment operating profit | \$ 1,317 | \$ 1,319 | — % | \$ 2,669 | \$ 2,541 | 5 % |
| Reconciliation to reported operating profit: | | | | | | |
| Cost reduction programs and other charges (Note 2) | (249) | (141) | | (380) | (230) | |
| Merger-related divestitures | — | 6 | | — | 13 | |
| Purchase accounting impacts - Linde AG | (477) | (515) | | (965) | (1,046) | |
| Total operating profit | \$ 591 | \$ 669 | | \$ 1,324 | \$ 1,278 | |

Americas

| <i>(Millions of dollars)</i> | Quarter Ended June 30, | | | Six Months Ended June 30, | | |
|------------------------------|------------------------|----------|----------|---------------------------|----------|----------|
| | 2020 | 2019 | Variance | 2020 | 2019 | Variance |
| Reported sales | \$ 2,417 | \$ 2,779 | (13) % | \$ 5,094 | \$ 5,481 | (7) % |
| Reported operating profit | \$ 622 | \$ 646 | (4) % | \$ 1,283 | \$ 1,230 | 4 % |
| As a percent of sales | 25.7 % | 23.2 % | | 25.2 % | 22.4 % | |

| | Quarter Ended June 30, 2020 vs. 2019 | | Six Months Ended June 30, 2020 vs. 2019 | |
|--|--------------------------------------|---|---|---|
| | % Change | | % Change | |
| | Sales | | Sales | |
| Factors Contributing to Changes | | | | |
| Volume | (9) | % | (4) | % |
| Price/Mix | 2 | % | 2 | % |
| Cost pass-through | (1) | % | (2) | % |
| Currency | (4) | % | (3) | % |
| Acquisitions/divestitures | (1) | % | — | % |
| | (13) | % | (7) | % |

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 \$362 million, or 13%, for the second quarter and decreased \$387 million, or 7%, for the six months ended June 30, 2020 versus the respective 2019 periods. Higher pricing contributed 2% to sales in the quarter and year-to-date period. Lower volumes, primarily to the manufacturing and metals end markets due to COVID-19, were partially offset by new project start-ups and higher volumes to the healthcare end market. Currency translation decreased sales by 4% in the quarter and 3% year-to-date period primarily driven by the weakening of the Brazilian real, Mexican peso and Canadian dollar against the U.S. Dollar. Cost pass-through decreased sales by 1%, in the quarter and 2% in the year-to-date periods with minimal impact on operating profit.

Operating profit

Operating profit in the Americas segment decreased \$24 million, or 4%, in the second quarter and increased \$53 million, or 4%, for the six months ended June 30, 2020 versus the respective 2019 periods. For the quarter, operating profit decreased due primarily to lower volumes and unfavorable currency impacts which were partially offset by higher pricing and new project start-ups. Higher pricing and the impact of cost reduction and productivity initiatives more than offset the unfavorable impacts of currency translation and cost inflation in the year-to-date period.

EMEA

| (Millions of dollars) | Quarter Ended June 30, | | | Six Months Ended June 30, | | |
|---------------------------|------------------------|----------|----------|---------------------------|----------|----------|
| | 2020 | 2019 | Variance | 2020 | 2019 | Variance |
| Reported sales | \$ 1,448 | \$ 1,673 | (13) % | \$ 3,081 | \$ 3,355 | (8) % |
| Reported operating profit | \$ 303 | \$ 332 | (9) % | \$ 658 | \$ 679 | (3) % |
| As a percent of sales | 20.9 % | 19.8 % | | 21.4 % | 20.2 % | |

| | Quarter Ended June 30, 2020 vs. 2019 | | Six Months Ended June 30, 2020 vs. 2019 | |
|--|--------------------------------------|---|---|---|
| | % Change | | % Change | |
| | Sales | | Sales | |
| Factors Contributing to Changes | | | | |
| Volume | (7) | % | (4) | % |
| Price/Mix | 1 | % | 2 | % |
| Cost pass-through | (1) | % | (1) | % |
| Currency | (5) | % | (4) | % |
| Acquisitions/divestitures | (1) | % | (1) | % |
| | (13) | % | (8) | % |

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 by \$225 million, or 13%, in the second quarter and decreased by \$274 million, or 8%, for the six months ended June 30, 2020 as compared to the respective 2019 period, primarily driven by lower volumes. Volumes decreased 7% in the quarter and 4% in the year-to-date period driven by overall weaker industrial production and the impact of COVID-19 during the quarter. Unfavorable currency translation decreased sales by 5% in the quarter and 4% in the year-to-date periods due to the weakening of the British pound and South African rand against the U.S. Dollar. Higher price increased sales by 1% in the quarter and 2% in the year-to-date period. Cost pass-through decreased sales by 1% in both periods, with minimal impact on operating profit. Sales decreased 1% in the quarter and year-to-date periods related to the divestiture of a non-core business in Scandinavia.

Operating profit

Operating profit for the EMEA segment decreased by \$29 million, or 9%, in the second quarter and decreased \$21 million, or 3%, for the six months ended June 30, 2020 as compared to the respective 2019 periods, driven largely by lower volumes and unfavorable impacts of currency translation, partially offset by higher price and the impact of cost reduction programs.

APAC

| (Millions of dollars) | Quarter Ended June 30, | | | Six Months Ended June 30, | | |
|---------------------------|------------------------|----------|----------|---------------------------|----------|----------|
| | 2020 | 2019 | Variance | 2020 | 2019 | Variance |
| Reported sales | \$ 1,295 | \$ 1,488 | (13) % | \$ 2,631 | \$ 2,915 | (10) % |
| Reported operating profit | \$ 294 | \$ 304 | (3) % | \$ 575 | \$ 577 | — % |
| As a percent of sales | 22.7 % | 20.4 % | | 21.9 % | 19.8 % | |

| | Quarter Ended June 30, 2020 vs. 2019 | Six Months Ended June 30, 2020 vs. 2019 |
|--|--------------------------------------|---|
| | % Change | % Change |
| | Sales | Reported |

Factors Contributing to Changes

| | | |
|---------------------------|--------|--------|
| Volume/Equipment | (9) % | (7) % |
| Price/Mix | 1 % | 2 % |
| Cost pass-through | (1) % | (1) % |
| Currency | (4) % | (4) % |
| Acquisitions/divestitures | — % | — % |
| | (13) % | (10) % |

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

Sales

Sales for the APAC segment decreased \$193 million, or 13%, for the second quarter and decreased \$284 million, or 10% for the six months ended June 30, 2020 versus the respective 2019 periods driven primarily by volumes and unfavorable currency. Volumes decreased 9% in the quarter and 7% in the year-to-date 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 1% to sales in the quarter and 2% in the year-to-date period. Unfavorable currency translation decreased sales by 4% in quarter and year-to-date periods 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 \$10 million, or 3%, in the second quarter and decreased \$2 million, for the six months ended June 30, 2020 versus the respective 2019 periods. Lower volumes were partially offset by higher price and the

impact of cost reduction and productivity initiatives in both periods. Unfavorable currency translation decreased operating profit by 3% for the quarter.

Engineering

| (Millions of dollars) | Quarter Ended June 30, | | | Six Months Ended June 30, | | |
|---------------------------|------------------------|--------|----------|---------------------------|----------|----------|
| | 2020 | 2019 | Variance | 2020 | 2019 | Variance |
| Reported sales | \$ 810 | \$ 752 | 8 % | \$ 1,418 | \$ 1,388 | 2 % |
| Reported operating profit | \$ 138 | \$ 99 | 39 % | \$ 229 | \$ 177 | 29 % |
| As a percent of sales | 17.0 % | 13.2 % | | 16.1 % | 12.8 % | |

| Quarter Ended June 30, 2020 vs. 2019 | Six Months Ended June 30, 2020 vs. 2019 |
|--------------------------------------|---|
| % Change | % Change |
| Sales | Sales |

Factors Contributing to Changes

| | | |
|----------|-------|-------|
| Volume | 10 % | 5 % |
| Currency | (2) % | (3) % |
| | 8 % | 2 % |

Sales

Engineering segment sales increased \$58 million, or 8%, in the second quarter and increased \$30 million, or 2%, for the six months ended June 30, 2020 as compared to the respective 2019 periods driven primarily by volumes and project start-up timing slightly offset by unfavorable currency impacts of 2% in the quarter and 3% in the year-to-date period.

Operating profit

Engineering segment operating profit increased \$39 million, or 39%, in the second quarter and increased \$52 million, or 29%, for the six months ended June 30, 2020 as compared to the respective 2019 periods due primarily to strong project execution and the impact of productivity initiatives.

Other

| (Millions of dollars) | Quarter Ended June 30, | | | Six Months Ended June 30, | | |
|----------------------------------|------------------------|---------|----------|---------------------------|----------|----------|
| | 2020 | 2019 | Variance | 2020 | 2019 | Variance |
| Reported sales | \$ 407 | \$ 487 | (16) % | \$ 892 | \$ 954 | (7) % |
| Reported operating profit (loss) | \$ (40) | \$ (62) | 35 % | \$ (76) | \$ (122) | 38 % |
| As a percent of sales | (9.8)% | (12.7)% | | (8.5)% | (12.8)% | |

| Quarter Ended June 30, 2020 vs. 2019 | Six Months Ended June 30, 2020 vs. 2019 |
|--------------------------------------|---|
| % Change | % Change |
| Sales | Sales |

Factors Contributing to Changes

| | | |
|---------------------------|--------|-------|
| Volume/price | (13) % | (5) % |
| Cost pass-through | (1) % | — % |
| Currency | (2) % | (2) % |
| Acquisitions/divestitures | — % | — % |
| | (16) % | (7) % |

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 \$80 million, or 16%, for the second quarter and decreased \$62 million, or 7%, for the six months ended June 30, 2020 versus the respective 2019 periods, primarily due to lower volumes, partially offset by higher price largely due to helium. Currency translation decreased sales by 2% for the quarter and the year-to-date periods.

Operating profit

Operating profit in Other increased \$22 million, or 35% in the second quarter and increased \$46 million, or 38%, for the six months ended June 30, 2020 versus the respective 2019 periods, due primarily to higher price, the impact of cost reduction and productivity initiatives, partially offset by unfavorable currency translation impacts.

Currency

The results of Linde's non-U.S. operations are translated to the company's reporting currency, the U.S. dollar, from the functional currencies. For most foreign operations, Linde uses the local currency as its functional currency. There is inherent variability and unpredictability in the relationship of these functional currencies to the U.S. dollar and such currency movements may materially impact Linde's results of operations in any given period.

To help understand the reported results, the following is a summary of the significant currencies underlying Linde's consolidated results and the exchange rates used to translate the financial statements (rates of exchange expressed in units of local currency per U.S. dollar):

| Currency | Percentage of YTD 2020 Consolidated Sales | Exchange Rate for Income Statement | | Exchange Rate for Balance Sheet | |
|--------------------|---|---------------------------------------|-------|------------------------------------|----------------------|
| | | Year-To-Date Average | | June 30, 2020 | December 31, 2019 |
| | | 2020 | 2019 | | |
| Euro | 22 % | 0.91 | 0.89 | 0.89 | 0.88 |
| Chinese yuan | 7 % | 7.03 | 6.78 | 7.07 | 6.87 |
| British pound | 6 % | 0.79 | 0.77 | 0.81 | 0.79 |
| Australian dollar | 4 % | 1.52 | 1.42 | 1.45 | 1.42 |
| Brazilian real | 3 % | 4.86 | 3.84 | 5.48 | 3.83 |
| Canadian dollar | 3 % | 1.36 | 1.33 | 1.36 | 1.31 |
| Taiwan dollar | 2 % | 30.01 | 30.97 | 29.56 | 30.99 |
| Korean won | 2 % | 1,206 | 1,146 | 1,203 | 1,155 |
| Mexican peso | 2 % | 21.43 | 19.16 | 22.99 | 19.22 |
| Indian rupee | 2 % | 74.09 | 70.02 | 75.51 | 69.03 |
| South African rand | 1 % | 16.53 | 14.19 | 17.35 | 14.09 |
| Swedish kroner | 1 % | 9.68 | 9.31 | 9.32 | 9.28 |
| Thailand bhat | 1 % | 31.61 | 31.60 | 30.91 | 30.68 |

Liquidity, Capital Resources and Other Financial Data

The following selected cash flow information provides a basis for the discussion that follows:

(Millions of dollars)

| | Six months ended June 30, | |
|---|---------------------------|-------------------|
| | 2020 | 2019 |
| NET CASH PROVIDED BY (USED FOR): | | |
| OPERATING ACTIVITIES | | |
| Net income (including noncontrolling interests) | \$ 1,089 | \$ 1,007 |
| Non-cash charges (credits): | | |
| Add: Depreciation and amortization | 2,266 | 2,418 |
| Add: Amortization of merger-related inventory step-up | — | 10 |
| Add: Deferred income taxes | (261) | (110) |
| Add: Share-based compensation | 75 | 38 |
| Add: Cost reduction programs and other charges, net of payments (a) | 239 | (286) |
| Net income adjusted for non-cash charges | 3,408 | 3,077 |
| Less: Working capital | (204) | (687) |
| Less: Pension contributions | (41) | (43) |
| Other | (52) | (274) |
| Net cash provided by operating activities | <u>\$ 3,111</u> | <u>\$ 2,073</u> |
| INVESTING ACTIVITIES | | |
| Capital expenditures | (1,586) | (1,708) |
| Acquisitions, net of cash acquired | (41) | (140) |
| Divestitures and asset sales | 380 | 4,689 |
| Net cash provided by (used for) investing activities | <u>\$ (1,247)</u> | <u>\$ 2,841</u> |
| FINANCING ACTIVITIES | | |
| Debt increase (decrease) - net | 3,523 | (1,277) |
| Issuances (purchases) of common stock - net | (1,803) | (1,195) |
| Cash dividends - Linde plc shareholders | (1,017) | (951) |
| Noncontrolling interest transactions and other | (148) | (3,222) |
| Net cash provided by (used for) financing activities | <u>\$ 555</u> | <u>\$ (6,645)</u> |
| Effect of exchange rate changes on cash and cash equivalents | \$ (178) | \$ (49) |
| Cash and cash equivalents, end-of-period | \$ 4,941 | \$ 2,702 |

(a) See Note 2 to the condensed consolidated financial statements.

Cash Flow from Operations

Cash provided by operations of \$3,111 million for the six months ended June 30, 2020 increased \$1,038 million, or 50%, versus 2019. The increase was driven by higher net income adjusted for non-cash charges, lower working capital requirements, lower merger and synergy related cash outflows and favorable changes in other long-term assets and liabilities.

Linde estimates that total 2020 required contributions to its pension plans will be in the range of \$50 million to \$80 million, of which \$41 million has been made through June 30, 2020. At a minimum, Linde contributes to its pension plans to comply with local regulatory requirements (e.g., ERISA in the United States). Discretionary contributions in excess of the local minimum requirements are made based on many factors, including long-term projections of the plans' funded status, the economic environment, potential risk of overfunding, pension insurance costs and alternative uses of the cash. Changes to these factors can impact the amount and timing of discretionary contributions from year to year.

Investing

Net cash used for investing of \$1,247 million for the six months ended June 30, 2020 decreased \$4,088 million versus 2019, primarily driven by the proceeds from merger-related divestitures in 2019, partially offset by lower capital expenditures and acquisitions.

Capital expenditures for the six months ended June 30, 2020 were \$1,586 million, \$122 million lower than the prior year.

Acquisitions for the six months ended June 30, 2020 were \$41 million and related primarily to acquisitions in the Americas and APAC. Acquisitions for the six months ended June 30, 2019 were \$140 million and related to acquisitions in the Americas.

Divestitures and asset sales for the six months ended June 30, 2020 and 2019 were \$380 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 Linde Korea (see Note 13 to the condensed consolidated financial statements).

Financing

Cash provided by financing activities was \$555 million for the six months ended June 30, 2020 as compared to cash used for financing activities of \$6,645 million for the six months ended June 30, 2019. Cash provided by debt was \$3,523 million versus cash used for debt of \$1,277 million in 2019 primarily due to the issuance of €1.5 billion bonds and increased commercial paper borrowings. The 2019 quarter and year-to-date periods also include a outflow of approximately \$3.2 billion relating to the cash-merger squeeze-out of the 8% of Linde AG shares completed on April 8, 2019 (see Note 11 to the condensed consolidated financial statements). Net purchases of ordinary shares were \$1,803 million in 2020 versus \$1,195 million in 2019 driven by increased share repurchases under approved share repurchase programs. Cash dividends of \$1,017 million increased \$66 million from 2019 driven primarily a 10% increase in quarterly dividends per share from 87.5 cents per share to 96.3 cents per share.

In May 2020, Linde issued €750 million of 0.250% notes due 2027 and €750 million 0.550% notes due 2032 (see Note 4 to the condensed consolidated financial statements).

The company continues to believe it has sufficient operating flexibility, cash, and funding sources to meet its business needs around the world. The company had \$4.9 billion of cash as of June 30, 2020, and 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 June 30, 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.

Legal Proceedings

See Note 9 to the condensed consolidated financial statements.

NON-GAAP MEASURES AND RECONCILIATIONS
(Millions of dollars, except per share data)
(UNAUDITED)

The following non-GAAP measures are intended to supplement investors' understanding of the company's financial information by providing measures which investors, financial analysts and management use to help evaluate the company's operating performance and liquidity. Items which the company does not believe to be indicative of on-going business trends are excluded from these calculations so that investors can better evaluate and analyze historical and future business trends on a consistent basis. Definitions of these non-GAAP measures may not be comparable to similar definitions used by other companies and are not a substitute for similar GAAP measures.

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|------------------------|----------|---------------------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| Adjusted Sales | | | | |
| Reported Sales | 6,377 | 7,204 | 13,116 | 14,148 |
| Less: Merger-related divestitures (d) | — | (25) | — | (55) |
| Adjusted Sales | 6,377 | 7,179 | 13,116 | 14,093 |
| Adjusted Operating Profit and Operating Margin | | | | |
| Reported operating profit | \$ 591 | \$ 669 | \$ 1,324 | \$ 1,278 |
| Less: Merger-related divestitures (d) | — | (6) | — | (13) |
| Add: Cost reduction programs and other charges | 249 | 141 | 380 | 230 |
| Add: Purchase accounting impacts - Linde AG (c) | 477 | 515 | 965 | 1,046 |
| Total adjustments | 726 | 650 | 1,345 | 1,263 |
| Adjusted operating profit | \$ 1,317 | \$ 1,319 | \$ 2,669 | \$ 2,541 |
| Reported percentage change | (12) % | | 4 % | |
| Adjusted percentage change | — % | | 5 % | |
| Reported sales | \$ 6,377 | \$ 7,204 | \$ 13,116 | \$ 14,148 |
| Adjusted sales (a) | \$ 6,377 | \$ 7,179 | \$ 13,116 | \$ 14,093 |
| Reported operating margin | 9.3 % | 9.3 % | 10.1 % | 9.0 % |
| Adjusted operating margin | 20.7 % | 18.4 % | 20.3 % | 18.0 % |
| Adjusted Depreciation and amortization | | | | |
| Reported depreciation and amortization | \$ 1,124 | \$ 1,195 | \$ 2,266 | \$ 2,418 |
| Less: Purchase accounting impacts - Linde AG (c) | (468) | (515) | (944) | (1,036) |
| Adjusted depreciation and amortization | \$ 656 | \$ 680 | \$ 1,322 | \$ 1,382 |
| Adjusted Net Pension and OPEB Cost (Benefit), Excluding Service Cost | | | | |
| Reported net pension and OPEB cost (benefit), excluding service cost | \$ (45) | \$ (24) | \$ (90) | \$ (9) |
| Add: Pension settlement charges | — | (10) | — | (61) |
| Adjusted Net Pension and OPEB cost (benefit), excluding service costs | \$ (45) | \$ (34) | \$ (90) | \$ (70) |
| Adjusted Interest Expense - Net | | | | |
| Reported interest expense - net | \$ 18 | \$ 10 | \$ 42 | \$ 33 |
| Add: Purchase accounting impacts - Linde AG (c) | 22 | 25 | 44 | 52 |
| Adjusted interest expense - net | \$ 40 | \$ 35 | \$ 86 | \$ 85 |
| Adjusted Income Taxes (a) | | | | |
| Reported income taxes | \$ 164 | \$ 169 | \$ 329 | \$ 309 |
| Add: Purchase accounting impacts - Linde AG (c) | 95 | 119 | 217 | 246 |
| Add: Pension settlement charges | — | 2 | — | 15 |
| Add: Cost reduction programs and other charges | 62 | 26 | 98 | 32 |
| Less: Merger-related divestitures (d) | — | (2) | — | (4) |
| Total adjustments | 157 | 145 | 315 | 289 |
| Adjusted income taxes | \$ 321 | \$ 314 | \$ 644 | \$ 598 |

| | | | | |
|---|----------|----------|----------|----------|
| Adjusted Effective Tax Rate (a) | | | | |
| Reported income before income taxes and equity investments | \$ 618 | \$ 683 | \$ 1,372 | \$ 1,254 |
| Less: Merger-related divestitures (d) | — | (6) | — | (13) |
| Add: Pension settlement charge | — | 10 | — | 61 |
| Add: Purchase accounting impacts - Linde AG (c) | 455 | 490 | 921 | 994 |
| Add: Cost reduction programs and other charges | 249 | 141 | 380 | 230 |
| Total adjustments | 704 | 635 | 1,301 | 1,272 |
| Adjusted income before income taxes and equity investments | \$ 1,322 | \$ 1,318 | \$ 2,673 | \$ 2,526 |
| Income Taxes | | | | |
| Reported Income taxes | \$ 164 | \$ 169 | \$ 329 | \$ 309 |
| Reported effective tax rate | 26.5 % | 24.7 % | 24.0 % | 24.6 % |
| Adjusted Income Taxes | | | | |
| Adjusted income taxes | \$ 321 | \$ 314 | \$ 644 | \$ 598 |
| Adjusted effective tax rate | 24.3 % | 23.8 % | 24.1 % | 23.7 % |
| Income from Equity Investments | | | | |
| Reported income from equity investments | \$ 29 | \$ 28 | \$ 46 | \$ 62 |
| Add: Purchase accounting impacts - Linde AG (c) | 14 | 14 | 28 | 28 |
| Adjusted income from equity investments | \$ 43 | \$ 42 | \$ 74 | \$ 90 |
| Adjusted Noncontrolling Interests from Continuing Operations | | | | |
| Reported noncontrolling interests from continuing operations | \$ (25) | \$ (29) | \$ (60) | \$ (59) |
| Add: Purchase accounting impacts - Linde AG (c) | (14) | (17) | (29) | (32) |
| Total adjustments | (14) | (17) | (29) | (32) |
| Adjusted noncontrolling interests from continuing operations | \$ (39) | \$ (46) | \$ (89) | \$ (91) |
| Adjusted Income from Continuing Operations (b) | | | | |
| Reported income from continuing operations | \$ 458 | \$ 513 | \$ 1,029 | \$ 948 |
| Add: Pension settlement charge | — | 8 | — | 46 |
| Less: Merger-related divestitures (d) | — | (4) | — | (9) |
| Add: Cost reduction programs and other charges | 187 | 115 | 282 | 198 |
| Add: Purchase accounting impacts - Linde AG (c) | 360 | 368 | 703 | 744 |
| Total adjustments | 547 | 487 | 985 | 979 |
| Adjusted income from continuing operations | \$ 1,005 | \$ 1,000 | \$ 2,014 | \$ 1,927 |
| Adjusted Diluted EPS from Continuing Operations (b) | | | | |
| Reported diluted EPS from continuing operations | \$ 0.87 | \$ 0.94 | \$ 1.93 | \$ 1.73 |
| Add: Pension settlement charge | — | 0.01 | — | 0.08 |
| Add: Cost reduction programs and other charges | 0.35 | 0.22 | 0.53 | 0.37 |
| Less: Merger-related divestitures (d) | — | (0.01) | — | (0.02) |
| Add: Purchase accounting impacts - Linde AG (c) | 0.68 | 0.67 | 1.32 | 1.36 |
| Total adjustments | 1.03 | 0.89 | 1.85 | 1.79 |
| Adjusted diluted EPS from continuing operations | \$ 1.90 | \$ 1.83 | \$ 3.78 | \$ 3.52 |
| Adjusted EBITDA and % of Sales | | | | |
| Income from continuing operations | \$ 458 | \$ 513 | \$ 1,029 | \$ 948 |
| Add: Noncontrolling interests related to continuing operations | 25 | 29 | 60 | 59 |
| Add: Net pension and OPEB cost (benefit), excluding service cost | (45) | (24) | (90) | (9) |
| Add: Interest expense | 18 | 10 | 42 | 33 |
| Add: Income taxes | 164 | 169 | 329 | 309 |
| Add: Depreciation and amortization | 1,124 | 1,195 | 2,266 | 2,418 |
| EBITDA from continuing operations | \$ 1,744 | \$ 1,892 | \$ 3,636 | \$ 3,758 |

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| | | | | |
|---|----------|----------|-----------|-----------|
| Less: Merger-related divestitures (d) | — | (6) | — | (13) |
| Add: Cost reduction programs and other charges | 249 | 141 | 380 | 230 |
| Add: Purchase accounting impacts - Linde AG (c) | 23 | 14 | 49 | 38 |
| Total adjustments | 272 | 149 | 429 | 255 |
| Adjusted EBITDA from continuing operations | \$ 2,016 | \$ 2,041 | \$ 4,065 | \$ 4,013 |
| Reported sales | \$ 6,377 | \$ 7,204 | \$ 13,116 | \$ 14,148 |
| Adjusted sales | \$ 6,377 | \$ 7,179 | \$ 13,116 | \$ 14,093 |
| % of sales | | | | |
| EBITDA from continuing operations | 27.3 % | 26.3 % | 27.7 % | 26.6 % |
| Adjusted EBITDA from continuing operations | 31.6 % | 28.4 % | 31.0 % | 28.5 % |

(a) The income tax expense (benefit) on the non-GAAP pre-tax adjustments was determined using the applicable tax rates for the jurisdictions that were utilized in calculating the GAAP income tax expense (benefit) and included both current and deferred income tax amounts.

(b) Net of income taxes which are shown separately in "Adjusted Income Taxes and Effective Tax Rate".

(c) The company believes that its non-GAAP measures excluding Purchase accounting impacts - Linde AG are useful to investors because: (i) the business combination was a merger of equals in an all-stock merger transaction, with no cash consideration, (ii) the company is managed on a geographic basis and the results of certain geographies are more heavily impacted by purchase accounting than others, causing results that are not comparable at the reportable segment level, therefore, the impacts of purchasing accounting adjustments to each segment vary and are not comparable within the company and when compared to other companies in similar regions, (iii) business management is evaluated and variable compensation is determined based on results excluding purchase accounting impacts, and; (iv) it is important to investors and analysts to understand the purchase accounting impacts to the financial statements.

A summary of each of the adjustments made for Purchase accounting impacts - Linde AG are as follows:

Adjusted Operating Profit and Margin: The purchase accounting adjustments for the periods presented relate primarily to depreciation and amortization related to the fair value step up of fixed assets and intangible assets (primarily customer related) acquired in the merger.

Adjusted Interest Expense - Net: Relates to the amortization of the fair value of debt acquired in the merger.

Adjusted Income Taxes and Effective Tax Rate: Relates to the current and deferred income tax impact on the adjustments discussed above. The income tax expense (benefit) on the non-GAAP pre-tax adjustments was determined using the applicable tax rates for the jurisdictions that were utilized in calculating the GAAP income tax expense (benefit) and included both current and deferred income tax amounts.

Adjusted Income from Equity Investments: Represents the amortization of increased fair value on equity investments related to depreciable and amortizable assets.

Adjusted Noncontrolling Interests from Continuing Operations: Represents the noncontrolling interests' ownership portion of the adjustments described above determined on an entity by entity basis.

(d) To adjust for the results of Praxair's merger-related divestitures.

Net Debt and Adjusted Net Debt

Net debt is a financial liquidity measure used by investors, financial analysts and management to evaluate the ability of a company to repay its debt. Purchase accounting impacts have been excluded as they are non-cash and do not have an impact on liquidity.

| | June 30, 2020 | December 31, 2019 |
|--|------------------|----------------------|
| (Millions of dollars) | | |
| Debt | \$ 17,480 | \$ 13,956 |
| Less: cash and cash equivalents | (4,941) | (2,700) |
| Net debt | 12,539 | 11,256 |
| Less: purchase accounting impacts - Linde AG | (150) | (195) |
| Adjusted net debt | \$ 12,389 | \$ 11,061 |

Supplemental Guarantee Information

On June 6, 2020, the company filed a Form S-3 Registration Statement with the SEC ("the Registration Statement").

Linde plc may offer debt securities, preferred shares, depositary shares and ordinary shares under the Registration Statement, and debt securities exchangeable for or convertible into preferred shares, ordinary shares or other debt securities. Debt securities of Linde plc may be guaranteed by Praxair and/or Linde GmbH (previously Linde AG). Linde plc may provide guarantees of debt securities offered by its wholly owned subsidiaries Praxair or Linde Finance under the Registration Statement.

Praxair, Inc. is a wholly owned subsidiary of Linde plc. Praxair may offer debt securities under the Registration Statement. Debt securities of Praxair will be guaranteed by Linde plc, and such guarantees by Linde plc may be guaranteed by Linde

GmbH. Praxair may also provide (i) guarantees of debt securities offered by Linde plc under the Registration Statement and (ii) guarantees of the guarantees provided by Linde plc of debt securities of Linde Finance offered under the Registration Statement.

Linde Finance B.V. is a wholly owned subsidiary of Linde plc. Linde Finance may offer debt securities under the Registration Statement. Linde plc will guarantee debt securities of Linde Finance offered under the Registration Statement. Linde GmbH and Praxair may guarantee Linde plc's obligations under its downstream guarantee.

Linde GmbH is a wholly owned subsidiary of Linde plc. Linde GmbH may provide (i) guarantees of debt securities offered by Linde plc under the Registration Statement and (ii) upstream guarantees of downstream guarantees provided by Linde plc of debt securities of Praxair or Linde Finance offered under the Registration Statement.

In September 2019, Linde plc provided downstream guarantees of all of the pre-business combination Praxair and Linde Finance notes, and Linde GmbH and Praxair, respectively, provided upstream guarantees of Linde plc's downstream guarantees.

For further information about the guarantees of the debt securities registered under the Registration Statement (including the ranking of such guarantees, limitations on enforceability of such guarantees and the circumstances under which such guarantees may be released), see "Description of Debt Securities – Guarantees" and "Description of Debt Securities – Ranking" in the Registration Statement, which subsections are incorporated herein by reference.

The company has elected to comply with Rule 13-01 of SEC Regulation S-X in advance of the effective date of January 4, 2021, as permitted by the Adopting Release.

The following tables present summarized financial information for Linde plc, Praxair, Linde GmbH and Linde Finance on a combined basis, after eliminating intercompany transactions and balances between them and excluding investments in and equity in earnings from non-guarantor subsidiaries.

(Millions of dollars)

| Statement of Income Data | Six Months Ended June 30, 2020 | Three Months Ended March 31, 2020 | Twelve Months Ended December 31, 2019 |
|--|-----------------------------------|--------------------------------------|--|
| Sales | \$ 3,290 | \$ 1,627 | \$ 6,510 |
| Operating profit | 65 | 113 | 592 |
| Net income | 28 | 73 | 2,271 |
| Transactions with non-guarantor subsidiaries | 1,076 | 424 | 3,533 |
| Balance Sheet Data (at period end) | | | |
| Current assets (a) | \$ 3,003 | \$ 2,996 | \$ 2,137 |
| Long-term assets (b) | 18,040 | 18,363 | 20,421 |
| Current liabilities (c) | 9,269 | 9,820 | 6,225 |
| Long-term liabilities (d) | 32,935 | 32,481 | 35,304 |
| (a) From current assets above, amount due from non-guarantor subsidiaries | \$ 774 | \$ 673 | \$ 619 |
| (b) From long-term assets above, amount due from non-guarantor subsidiaries | 5,307 | 5,697 | 7,725 |
| (c) From current liabilities above, amount due to non-guarantor subsidiaries | 900 | 761 | 737 |
| (d) From long-term liabilities above, amount due to non-guarantor subsidiaries | 18,365 | 19,054 | 21,209 |

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to Item 7A. to Part II of Linde's 2019 Annual Report on Form 10-K for discussion.

Item 4. Controls and Procedures

- (a) Based on an evaluation of the effectiveness of Linde's disclosure controls and procedures, which was made under the supervision and with the participation of management, including Linde's principal executive officer and principal financial officer, the principal executive officer and principal financial officer have each concluded that, as of the end of the quarterly period covered by this report, such disclosure controls and procedures are effective in ensuring that information required to be disclosed by Linde in reports that it files under the Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and accumulated and communicated to management including Linde's principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.
- (b) There were no changes in Linde's internal control over financial reporting that occurred during the quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, Linde's internal control over financial reporting.

PART II - OTHER INFORMATION*Linde plc and Subsidiaries***Item 1. Legal Proceedings**

See Note 9 to the condensed consolidated financial statements for a description of current legal proceedings.

Item 1A. Risk Factors

Through the quarterly period covered by this report, there have been no material changes to the risk factors disclosed in Item 1A to Part I of Linde's Annual Report on Form 10-K for the year ended December 31, 2019 and Item 1A to Part II of Linde's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities- Certain information regarding purchases made by or on behalf of the company or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of its ordinary shares during the quarter ended June 30, 2020 is provided below:

| Period | Total Number of Shares Purchased (Thousands) | Average Price Paid Per Share | Total Numbers of Shares Purchased as Part of Publicly Announced Program (1) (Thousands) | Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (2) (Millions) |
|---------------------|---|------------------------------|--|--|
| April 2020 | — | \$ — | — | \$ 1,916 |
| May 2020 | — | \$ — | — | \$ 1,916 |
| June 2020 | — | \$ — | — | \$ 1,916 |
| Second Quarter 2020 | — | \$ — | — | \$ 1,916 |

(1) On January 22, 2019 the company's board of directors approved the repurchase of \$6.0 billion of its ordinary shares ("2019 program") which could take place from time to time on the open market (which could include the use of 10b5-1 trading plans), subject to market and business conditions. The 2019 program has a maximum repurchase amount of 15% of outstanding shares and a stated expiration date of February 1, 2021.

(2) As of June 30, 2020, the company repurchased \$4.1 billion of its ordinary shares pursuant to the 2019 program, leaving an additional \$1.9 billion authorized.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

- 1.1 [Dealer Agreement, dated May 11, 2020, among Linde plc, as Issuer and as Guarantor, Linde Finance B.V., as Issuer, Deutsche Bank Aktiengesellschaft, as Dealer and the other Dealers party thereto \(Filed as Exhibit 1.1 to Linde plc's current report on Form 8-K, dated May 26, 2020, Filing No. 1-38730, and incorporated herein by reference\).](#)
- 4.1 [Final Terms of 0.250% Notes due 2027 of Linde Finance B.V. \(Filed as Exhibit 4.1 to Linde plc's current report on Form 8-K, dated May 26, 2020, Filing No. 1-38730, and incorporated herein by reference\).](#)
- 4.2 [Final Terms of 0.550% Notes due 2032 of Linde Finance B.V. \(Filed as Exhibit 4.2 to Linde plc's current report on Form 8-K, dated May 26, 2020, Filing No. 1-38730, and incorporated herein by reference\).](#)
- 4.3 [Guarantee and Negative Pledge of Linde plc dated May 11, 2020 \(Filed as Exhibit 4.3 to Linde plc's current report on Form 8-K, dated May 26, 2020, Filing No. 1-38730, and incorporated herein by reference\).](#)
- 4.4 [Upstream Guarantee to Linde plc provided by Linde GmbH dated May 11, 2020 \(Filed as Exhibit 4.4 to Linde plc's current report on Form 8-K, dated May 26, 2020, Filing No. 1-38730, and incorporated herein by reference\).](#)
- 4.5 [Upstream Guarantee to Linde plc provided by Praxair, Inc. dated May 11, 2020 \(Filed as Exhibit 4.5 to Linde plc's current report on Form 8-K, dated May 26, 2020, Filing No. 1-38730, and incorporated herein by reference\).](#)
- 4.6 [Fiscal Agency Agreement, dated May 11, 2020, among Linde plc, as Issuer and as Guarantor, Linde Finance B.V., as Issuer, and Deutsche Bank Aktiengesellschaft, as Fiscal Agent and Paying Agent \(Filed as Exhibit 4.6 to Linde plc's current report on Form 8-K, dated May 26, 2020, Filing No. 1-38730, and incorporated herein by reference\).](#)
- 31.01 [Rule 13a-14\(a\) Certification](#)
- 31.02 [Rule 13a-14\(a\) Certification](#)
- 32.01 [Section 1350 Certification \(such certifications are furnished for the information of the Commission and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act\).](#)
- 32.02 [Section 1350 Certification \(such certifications are furnished for the information of the Commission and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act\).](#)
- 101.INS XBRL Instance Document: The XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- 101.LAB XBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Linkbase

SIGNATURE

Linde plc and Subsidiaries

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Linde plc

(Registrant)

Date: July 31, 2020

By: /s/ Kelcey E. Hoyt

Kelcey E. Hoyt
Chief Accounting Officer

RULE 13a-14(a) CERTIFICATIONS

Linde plc and Subsidiaries

EXHIBIT 31.01

I, Stephen F. Angel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Linde plc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 31, 2020

By: /s/ Stephen F. Angel

Stephen F. Angel

Chief Executive Officer

RULE 13a-14(a) CERTIFICATIONS

Linde plc and Subsidiaries

EXHIBIT 31.02

I, Matthew J. White, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Linde plc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 31, 2020

By: /s/ Matthew J. White

Matthew J. White

Chief Financial Officer

SECTION 1350 CERTIFICATION

Linde plc and Subsidiaries

EXHIBIT 32.01

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Linde plc (the “Company”), hereby certifies that the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 31, 2020

By: /s/ Stephen F. Angel

Stephen F. Angel

Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by 18 U.S.C. § 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

SECTION 1350 CERTIFICATION

Linde plc and Subsidiaries

EXHIBIT 32.02

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Linde plc (the “Company”), hereby certifies that the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 31, 2020

By: /s/ Matthew J. White

Matthew J. White

Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by 18 U.S.C. § 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.