Half-Year Financial Report 2013

H1

Linde Half-Year Financial Report January – June 2013

LeadIng.

THE LINDE GROUP

LINDE FINANCIAL HIGHLIGHTS

[H1 – JANUARY TO JUNE 2013]

Linde Financial Highlights		*January to June 2013*	*January to June 2012 adjusted* [1]	*Change*
Share				
Closing price	€	143.35	122.65	16.9 %
Year high	€	153.90	136.15	13.0 %
Year low	€	128.60	115.75	11.1 %
Market capitalisation (at closing price on 30 June)	€ million	26,604	21,108	26.0 %
Adjusted earnings per share [2]	€	3.98	3.92	1.5 %
Earnings per share – undiluted	€	3.56	3.42	4.1 %
Number of shares outstanding	(in 000s)	185,587	172,102	7.8 %
Group				
Revenue	€ million	8,207	7,425	10.5 %
Operating profit [3]	€ million	1,966	1,731	13.6 %
Operating margin	in %	24.0	23.3	+70 bp [5]
EBIT	€ million	1,097	1,004	9.3 %
Profit for the period	€ million	715	642	11.4 %
Number of employees [4]		62,815	62,765	0.1 %
Gases Division				
Revenue	€ million	7,021	6,131	14.5 %
Operating profit	€ million	1,915	1,679	14.1 %
Operating margin	in %	27.3	27.4	−10 bp [5]
Engineering Division				
Revenue	€ million	1,248	1,229	1.5 %
Operating profit	€ million	148	151	−2.0 %
Operating margin	in %	11.9	12.3	−40 bp [5]

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.
[2] Adjusted for the effects of the BOC purchase price allocation.
[3] EBITDA including share of profit or loss from associates and joint ventures.
[4] At 30 June 2013 / 31 December 2012.
[5] Basis points.

LINDE HALF-YEAR FINANCIAL REPORT

[H1 – JANUARY TO JUNE 2013]

FIRST HALF OF 2013: LINDE CONTINUES ITS STEADY BUSINESS PERFORMANCE AND CONFIRMS ITS OUTLOOK

¬ Group revenue up 10.5 percent to EUR 8.207 bn

¬ Group operating profit[1] increases by 13.6 percent to EUR 1.966 bn

¬ Group operating margin rises to 24.0 percent (2012: 23.3 percent)

¬ Short-term and medium-term Group outlook confirmed:

  ¬ 2013: Increase in revenue; operating profit of at least EUR 4 bn

  ¬ 2016: Operating profit of at least EUR 5 bn; ROCE[2] of around 14 percent

[1] Operating profit: EBITDA including share of profit or loss from associates and joint ventures.
[2] Return on capital employed adjusted for the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation.

GROUP INTERIM MANAGEMENT REPORT

General economic environment

Moderate growth was to be seen in the global economy in the first half of 2013, similar to the trend seen over the course of 2012. Economic experts are expecting modest growth rates for the rest of the current year. The international forecasting institute The Economist Intelligence Unit Ltd. (EIU) has revised its estimates down when compared with its forecast at the end of the first quarter of 2013. Economists are now predicting an increase of only 2.2 percent in global gross domestic product (GDP) for the full year 2013 (Q1 report: 2.4 percent). This is the same as the GDP growth achieved in 2012. The forecast for global industrial production (IP) has also been revised down. Here, the EIU is now predicting an increase of only 1.9 percent for the full year, compared with the figure achieved in 2012 of 1.2 percent. At the end of the first quarter of 2013, the forecast was for an increase in IP of 2.2 percent.

Major factors hindering economic development still include high levels of sovereign debt in major economies, currency fluctuations, high levels of unemployment in many industrialised countries and political unrest in parts of the Arab world.

Economists continue to assume that over the coming years structural growth in the emerging economies will remain the most important driver of global economic trends. In addition, the global megatrends, energy, the environment and health, should provide the greatest stimuli to investment in the long term.

The experts are expecting that there will continue to be considerable variations in economic trends in different regions of the world in the current year 2013, although lower growth rates are being universally assumed than was the case at the end of the first quarter of 2013.

Economists are still convinced that the fastest rates of growth for the full year 2013 will again be in the Asia/Pacific region. The EIU is forecasting an increase in GDP here of 5.6 percent (Q1 report: 6.2 percent). China is once again expected to be out in front, with a forecast increase in GDP of 7.5 percent (Q1 report: 8.5 percent). Above-average growth is also expected to continue in India. It is anticipated that economic output here will rise by 5.8 percent (Q1 report: 6.5 percent). In Australia, economic experts are forecasting growth of 2.6 percent (Q1 report: 3.0 percent), which should primarily be driven by the service sector.

Significantly weaker trends than those in the Asia/Pacific region are being forecast for the economy in the EMEA region (Europe, Middle East, Africa). Here, the EIU is currently predicting only a slight increase in GDP for the year 2013 of 0.5 percent (Q1 report: 0.7 percent). In the eurozone as a whole, the forecast is now for a decline in economic output of 0.8 percent, compared with the decline of 0.4 percent predicted in the Q1 report. The prospects for Germany have also worsened. Here the EIU is now forecasting a minimal increase in GDP of 0.1 percent (Q1 report: 0.7 percent). The economic outlook for Eastern Europe, the Middle East and Africa on the other hand is relatively stable. Economic growth in the current year should reach 2.0 percent in Eastern Europe (Q1 report: 2.4 percent), 4.0 percent in the Middle East (Q1 report: 4.0 percent) and 4.2 percent in Africa (Q1 report: 4.6 percent).

The growth forecast for the Americas region as a whole in 2013 is currently 2.1 percent, slightly below the figure of 2.3 percent predicted at the end of the first quarter. The economic experts are expecting an increase in GDP in the United States of 2.0 percent (Q1 report: 2.1 percent), while economic output in South America is expected to rise by 3.0 percent (Q1 report: 3.6 percent). However, the estimates being made for Brazil in particular (the largest economy in the region) have been revised down. Here the EIU is now anticipating growth of 2.5 percent for the full year 2013. At the end of the first quarter, economists were still assuming that Brazil would achieve a 3.5 percent increase in gross domestic product.

Change in accounting policies

From 1 January 2013, Linde has applied the new accounting standards IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements. As a result, the method of consolidation for joint ventures has changed. Some of these are now fully consolidated and some are included in the consolidated financial statements on the basis of the share of equity held by Linde. As these standards have been applied with retrospective effect from the date of acquisition or formation of the joint venture and this has an impact on virtually all the items in the statement of financial position and statement of profit or loss, all the prior-year figures in the Group interim report have been adjusted. The application of the new accounting standards resulted in slightly higher figures for revenue and earnings. The impact on the overall financial position, net assets and results of operations of the Group is insignificant.

For further details about the first-time adoption of IFRS 10 and IFRS 11, see NOTE [1] "General accounting policies" on PAGES 22 TO 28 of the Notes to the Group interim financial statements.

Group

In the second quarter of 2013, the technology company The Linde Group continued with the solid business performance it had seen in the first quarter, again achieving increases in Group revenue and Group operating profit in the six months ended 30 June 2013. Although the economy was anything but dynamic, especially in the mature markets, the Group was able to continue to achieve profitable growth. The newly-acquired operations in the Healthcare product area made a particular contribution here.

In the first half of 2013, Group revenue rose by 10.5 percent to EUR 8.207 bn, compared with EUR 7.425 bn in the first half of 2012. Exchange rate effects had an impact on revenue trends. During the reporting period, some currencies (especially those in emerging economies, the British pound and the Australian dollar) lost value against the euro. After adjusting for these exchange rate effects, the increase in revenue was 12.7 percent. US homecare company Lincare, acquired by Linde in August 2012, contributed revenue of EUR 792 m to the growth of the Group.

Linde was able to reinforce its profitability at a high level and increased its Group operating profit by 13.6 percent to EUR 1.966 bn (2012: EUR 1.731 bn). As a result, the Group operating margin rose to 24.0 percent (2012: 23.3 percent).

The high level of profitability is also due to the rigorous implementation of Linde's holistic concept for sustainable process optimisation and productivity gains (High Performance Organisation or HPO). Linde is continuing to apply these efficiency improvement measures.

EBIT rose by 9.3 percent to EUR 1.097 bn (2012: EUR 1.004 bn). It should be noted that amortisation and depreciation increased by EUR 142 m to EUR 869 m (2012: EUR 727 m). This increase was due mainly to the rise in the figure for current amortisation and depreciation as a result of investment. During the reporting period, Linde also recognised an expense of EUR 60 m for the amortisation of fair value adjustments. These were identified in the course of purchase price allocations relating to the acquisition of Lincare and the purchase of Air Products' Continental European homecare business.

The net financial expense in the six months ended 30 June 2013 was EUR 186 m (2012: EUR 169 m). It should be noted that investment income of EUR 9 m was included in the figure for the prior-year period.

Linde therefore generated a profit before tax in the first half of 2013 of EUR 911 m (2012: EUR 835 m).

The income tax expense in the first six months of 2013 was EUR 196 m (2012: EUR 193 m). The release of tax provisions following the completion of a tax audit had a positive impact on the income tax rate, which fell from 23.1 percent for the first half of 2012 to 21.5 percent for the first half of 2013. Linde's profit for the period (after deducting the tax expense) was EUR 715 m in the six months to 30 June 2013, compared with EUR 642 m for the first six months of 2012.

After adjusting for non-controlling interests, profit for the period attributable to Linde AG shareholders was EUR 660 m (2012: EUR 586 m). This gives earnings per share of EUR 3.56 (2012: EUR 3.42). On an adjusted basis, i.e. after adjusting for the effects of the purchase price allocation from the BOC acquisition, earnings per share stood at EUR 3.98 (2012: EUR 3.92).

Gases Division

Linde is one of the leading companies in the international gases industry and is extremely well-positioned, especially in the emerging economies. On the basis of its global footprint and well-balanced spread across different sectors, Linde is able to compensate better for faltering demand in some markets or the weakness of certain currencies than companies which do not have such a broad international base.

Revenue in the Gases Division in the first six months of 2013 grew 14.5 percent to EUR 7.021 bn, compared with EUR 6.131 bn for the prior-year period. During the reporting period, the Lincare business contributed revenue of EUR 792 m to the total revenue of the Gases Division. On a comparable basis (i.e. after adjusting for exchange rate effects, changes in the price of natural gas and the impact on the consolidation of the Lincare acquisition), the increase in revenue was 3.6 percent. Within the Gases Division, Lincare is included in the Americas reportable segment and the Healthcare product area.

The Group's share of revenue from its interests in joint ventures (not included in the revenue of the Division) was EUR 67 m (2012: EUR 62 m).

Linde's Gases Division achieved a 14.1 percent increase in operating profit to EUR 1.915 bn (2012: EUR 1.679 bn). This gives an operating margin of 27.3 percent (2012: 27.4 percent).

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

EMEA

In the EMEA reportable segment (Europe, Middle East, Africa), the Group's largest sales market, Linde achieved revenue growth of 2.4 percent in the first half of 2013 to EUR 3.046 bn (2012: EUR 2.974 bn). On a comparable basis, the growth in revenue here was 4.4 percent. Operating profit improved by 3.8 percent to EUR 876 m (2012: EUR 844 m). The operating margin therefore rose to 28.8 percent (2012: 28.4 percent).

Throughout the EMEA region, the on-site business saw positive trends. In the UK, for example, Linde achieved above-average growth rates in this product area during the reporting period, paving the way for further expansion in its on-site business. In May 2013, the Group signed a long-term on-site agreement with SSI Steel UK to supply the company with gaseous oxygen, nitrogen and argon on its Teesside site. The agreement also covers the expansion of three existing air separation plants and the modernisation of the current pipeline network. Over the next two years, Linde will be investing GBP 25 m in this project.

In Eastern Europe, the start-up of the air separation plant in Temirtau, Kazakhstan, made a significant contribution to the strengthening of the on-site business. In March 2013, Linde was able to bring on stream this large air separation plant, the first of its kind in the country. Further momentum was generated in the region in the second quarter of 2013 with the start of production at an air separation plant in Kaluga, Russia. From this plant, Linde supplies steel-producer ZAO KNPEMZ with industrial gases and also serves the liquefied gases market in the Moscow region.

In addition, Linde entered into a long-term contract in June 2013 for the supply of gases to the company SIBUR on its site in Dzerzhinsk, Russia. The agreement also encompasses the construction and operation of two air separation plants. Investment in the project is around EUR 70 m. SIBUR is the largest petrochemical group in Russia and Eastern Europe.

In a joint venture with JSC KuibyshevAzot, Linde is to provide long-term supplies of ammonia to the chemical company in Togliatti in Russia. Both partners signed an agreement to this effect in May 2013 which involves the construction of a large ammonia plant and an investment of around EUR 275 m. Linde and JSC Kuibyshev each hold 50 percent of the shares in the newly-formed company, Linde Nitrogen Togliatti.

During the reporting period, the general market environment in Eastern Europe (with the exception of Russia) was characterised by a slowdown in economic activity. This had an adverse impact on volume trends in the liquefied gases and cylinder gas business. The economy in the Middle East on the other hand remained robust.

Business in the EMEA region expanded partly as a result of the contribution made by the Continental European homecare operations acquired by Linde from Air Products in April 2012. Other factors helping to reinforce Linde's market position in Europe were its acquisition of French homecare-provider Calea France SAS and its purchase of the remaining shares in former joint venture OCAP. Dutch company OCAP is a specialist provider which supplies recycled carbon dioxide to greenhouses. Both transactions were completed in the first quarter of 2013.

Business trends in the EMEA region were adversely affected by the prevailing unfavourable economic conditions in the eurozone. Demand in the liquefied gases and cylinder gas product area was accordingly modest.

Asia/Pacific

In the Asia/Pacific reportable segment, Linde achieved revenue growth of 2.3 percent in the first half of 2013 to EUR 1.897 bn (2012: EUR 1.855 bn). On a comparable basis, the increase in revenue was 4.4 percent. In particular, growth in the first six months of the year was adversely affected by the weaker economic environment in manufacturing industry and in the mining industry in the South Pacific region. Operating profit in the Asia/Pacific segment was up 2.7 percent to EUR 497 m (2012: EUR 484 m). This resulted in an operating margin of 26.2 percent (2012: 26.1 percent).

Within the segment, the most positive trends were to be seen in the business in the South & East Asia region, where there was double-digit growth. Linde achieved volume increases here in all product areas, especially in the on-site business. The Group benefited in particular here from the ramp-up of an air separation plant to supply Tata Steel in Jamshedpur, India. The plant is the largest of its kind in India. The start of operations at an air separation plant in Sri Lanka also boosted the region's good performance. The plant produces oxygen, nitrogen and argon and is the biggest plant of its type in the country.

As a result of the start-up and ramp-up of new plants and against a background of higher volumes in the cylinder gas product area, Linde also generated further revenue growth in the Greater China region during the reporting period.

The Group has, for example, brought on stream new gas production plants in the Nanjing Industrial Park in Jiangsu province to supply oxygen to its customers Yangtze Petrochemical Company Limited and Dynamic Chemical Company Limited. Linde also supplies liquefied gases to other customers in the region from this site.

Moreover, production started in the second quarter of 2013 at an air separation plant built by Linde on the Guangzhou site to supply cylinder gas and liquefied gases to customers in the region.

Revenue also rose during the reporting period in the Greater China region as a result of Linde taking responsibility in the 2012 financial year for the supply of gases to the chemical company Dahua Group on the Songmu Island site in Dalian. Linde operates two air separation plants here under an on-site contract. Linde is also going to build a new air separation plant in Dalian with a production capacity of 38,000 normal cubic metres of oxygen per hour.

Revenue growth in the Greater China region slowed as a result of the reversal of the purchase of air separation plants which had been transferred to Linde by a steel company.

In contrast to the situation in the South & East Asia and Greater China regions, the market in the South Pacific region was characterised by declining volumes.

Americas

In the Americas reportable segment, Linde generated revenue growth in the first half of 2013 of 58.1 percent to EUR 2.137 bn (2012: EUR 1.352 bn). This significant increase was due above all to the contribution made by US homecare company Lincare. Linde completed its acquisition of this company in August 2012. Lincare operates solely in North America and contributed revenue of EUR 792 m in the first six months of the current year to the total revenue of the Americas reportable segment. On a comparable basis (i.e. after adjusting for exchange rate effects and changes in the price of natural gas and the effect of the Lincare acquisition on the consolidation), the increase in revenue in this segment was 2.3 percent.

Operating profit rose by 54.4 percent to EUR 542 m (2012: EUR 351 m), mainly as a result of the Lincare business. The operating margin was 25.4 percent (2012: 26.0 percent).

In North America, there were positive trends in the electronic gases business, particularly in relation to technical material and equipment. Linde also achieved growth in the on-site business.

In Delta, Ohio, Linde brought on stream a nitrogen liquefaction plant in the second quarter of 2013, thereby expanding its capacity in the Midwest of the United States as planned.

In June 2013, the Group announced that it was going to continue to develop the major petrochemical site La Porte in Texas. Linde will build a large air separation plant there as well as installing a new gasification train for its existing synthesis gas complex. It will also supply related equipment and infrastructure elements. Linde will be investing a total of more than USD 200 m in this project. The new plants are due to come on stream in 2015.

The new plant will be the largest air separation plant operated by Linde in the United States. Together with the new gasification unit, this will comprise the largest complex in the world for the production and subsequent processing of synthesis gas to be based on natural gas. In the Houston area, Linde will therefore have a fully-integrated site for the production of air gases and syngas products. This expansion project will enable Linde to provide an even better service in future to its customers in the petrochemical industry in La Porte. This industry sector is once again a growth market, especially against the background of the increase in the exploitation of shale gas reserves in the United States.

Linde was also able to continue to strengthen its business in South America during the reporting period, above all generating increased revenue in Venezuela and Argentina. Compared with its performance in these countries, growth in business was much more modest for Linde in Brazil, the largest market in South America.

Product areas

As explained in the comments on the reportable segments, each product area contributed to a different extent to the business performance of the Gases Division. The fastest rate of growth achieved by Linde was in the Healthcare product area, following the acquisitions made by the Group in the course of 2012. The Group generated revenue in this product area in the first half of 2013 of EUR 1.529 bn, more than double the figure achieved in the first half of 2012 of EUR 664 m. After adjusting for exchange rate effects and the effect of the Lincare acquisition on the consolidation, revenue growth in the Healthcare business was 7.8 percent.

In the on-site business (where Linde supplies gases on site to major customers), revenue rose on a comparable basis by 5.8 percent to EUR 1.780 bn (2012: EUR 1.682 bn).

In the cylinder gas product area, Linde was able to achieve a slight increase in revenue on a comparable basis in the six months to 30 June 2013 of 0.6 percent to EUR 2.053 bn (2012: EUR 2.040 bn). In the liquefied gases product area, revenue generated was EUR 1.659 bn. On a comparable basis, this was 1.5 percent above the figure for the first six months of 2012 of EUR 1.634 bn.

1 GASES DIVISION: REVENUE AND OPERATING PROFIT BY REPORTABLE SEGMENT

in € million	January to June 2013			January to June 2012 adjusted [1]		
	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	3,046	876	28.8	2,974	844	28.4
Asia/Pacific	1,897	497	26.2	1,855	484	26.1
Americas	2,137	542	25.4	1,352	351	26.0
Consolidation	–59	–	–	–50	–	–
GASES DIVISION	**7,021**	**1,915**	**27.3**	**6,131**	**1,679**	**27.4**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

2 GASES DIVISION: REVENUE AND OPERATING PROFIT BY REPORTABLE SEGMENT

in € million	2nd Quarter 2013			2nd Quarter 2012 adjusted [1]		
	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	1,549	446	28.8	1,514	425	28.1
Asia/Pacific	971	257	26.5	959	250	26.1
Americas	1,083	270	24.9	680	181	26.6
Consolidation	–30	–	–	–26	–	–
GASES DIVISION	**3,573**	**973**	**27.2**	**3,127**	**856**	**27.4**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

Engineering Division

In Linde's Engineering Division, the dynamic trend in orders which characterised the first quarter of 2013 continued in the second quarter. In the period from April to June 2013, Linde was also awarded a number of major projects, especially in the energy and chemical sectors. As a result, there was a significant increase in order intake in the first half of 2013 to EUR 2.808 bn. This was almost twice the figure for new orders in the first half of 2012 of EUR 1.432 bn.

Revenue and earnings reflected the expected progress made on individual plant construction projects. There was a slight rise in revenue in the first half of 2013 of 1.5 percent to EUR 1.248 bn (2012: EUR 1.229 bn). Operating profit for the same period was EUR 148 m (2012: EUR 151 m). The operating margin once again reached a very high level (11.9 percent in the first half of 2013, 12.3 percent in the first half of 2012).

Two of the projects awarded in the second quarter came from Russia. In a joint venture with chemical company JSC KuibyshevAzot, Linde will build and operate a large ammonia plant on the Togliatti site in the Samara region. Investment in this project will total around EUR 275 m. The ultra-modern and highly energy-efficient on-site plant will have a production capacity of 1,340 tonnes of ammonia per day. Completion of the plant is expected in 2016.

Under a long-term on-site agreement, Linde will supply gases to the petrochemical company SIBUR in Dzerzhinsk in the Nizhny Novgorod region. To do so, it will build and operate two new air separation plants. At the same time, Linde is modernising the four existing air separation plants on the site. Investment in this project is around EUR 70 m. The new plants will have a production capacity of around 30,000 normal cubic metres of gaseous oxygen per hour.

These two orders will enable Linde to strengthen its position as a leading gases and engineering company in the growth market of Russia.

In the promising region of Asia, the Group was also able to achieve major successes during the reporting period in its plant construction business. In the first six months of 2013, Linde won a major contract from Reliance Industries Ltd. (RIL) to build six air separation plants for the production of gaseous oxygen at the refinery and petrochemical site of Jamnagar in India. The order, worth around EUR 450 m, is also for the supply of two synthesis gas purification units. RIL requires large quantities of oxygen for its proposed plants in Jamnagar for the gasification of petroleum coke and coal.

Linde will also build six air separation plants for the production of oxygen on behalf of Shenhua Ningxia Coal Industry Group Co. Ltd. and Shenhua Logistics Group Co. Ltd. in Yinchuan in north-western China. The companies signed a contract with Linde to this effect worth around EUR 200 m in the first quarter of 2013. The oxygen is required to extract liquid fuels from coal (Coal-to-Liquid or CTL). This project is currently one of the biggest CTL schemes in the world. The plants are expected to be completed in 2016.

Just over 40 percent of the order intake in the first half of 2013 came from the Asia/Pacific region, while a third of new orders came from North America and around a quarter from Europe. In the growing market for natural gas plants, the Group not only won orders in North America as a result of the increased exploitation of shale gas reserves, but was also awarded the contract for a major project in Europe. The Norwegian company Gassco AS has commissioned Linde to build a natural gas terminal in Emden in northern Germany. The order is worth around EUR 260 m. A contract to this effect was signed in the first quarter of 2013. The new terminal is due for completion towards the end of 2016.

The order intake was spread relatively evenly over the various types of plant in the first half of 2013. Just over a third of new orders related to the air separation plant product area, natural gas plants and olefin plants each accounted for more than 20 percent of new orders, while a further 16 percent related to hydrogen and synthesis gas plants.

Given the very positive trend in order intake, the order backlog in the Engineering Division rose to a record high of EUR 5.189 bn at 30 June 2013 (31 December 2012: EUR 3.700 bn).

3 ENGINEERING DIVISION

	2nd Quarter		January to June	
in € million	*2013*	*2012*	*2013*	*2012*
Revenue	696	628	1,248	1,229
Order intake	1,429	673	2,808	1,432
Order backlog at 30.06./31.12.	–	–	5,189	3,700
Operating profit	82	78	148	151
Operating margin	11.8 %	12.4 %	11.9 %	12.3 %

E 4 ENGINEERING DIVISION – ORDER INTAKE BY REGION

	January to June			
in € million	2013	in percent	2012	in percent
Asia/Pacific	1,185	42.2	408	28.5
Europe	652	23.2	336	23.5
North America	865	30.8	303	21.1
Middle East	43	1.5	315	22.0
Africa	36	1.3	10	0.7
South America	27	1.0	60	4.2
ENGINEERING DIVISION	**2,808**	**100.0**	**1,432**	**100.0**

E 5 ENGINEERING DIVISION – ORDER INTAKE BY PLANT TYPE

	January to June			
in € million	2013	in percent	2012	in percent
Natural gas plants	633	22.5	295	20.6
Air separation plants	1,020	36.3	397	27.7
Olefin plants	592	21.1	252	17.6
Hydrogen and synthesis gas plants	448	16.0	357	24.9
Other	115	4.1	131	9.2
ENGINEERING DIVISION	**2,808**	**100.0**	**1,432**	**100.0**

E 6 ENGINEERING DIVISION – ORDER INTAKE BY REGION

	2nd Quarter			
in € million	2013	in percent	2012	in percent
Asia/Pacific	319	22.3	167	24.8
Europe	329	23.0	222	33.0
North America	721	50.5	201	29.9
Middle East	14	1.0	44	6.5
Africa	26	1.8	4	0.6
South America	20	1.4	35	5.2
ENGINEERING DIVISION	**1,429**	**100.0**	**673**	**100.0**

E 7 ENGINEERING DIVISION – ORDER INTAKE BY PLANT TYPE

	2nd Quarter			
in € million	2013	in percent	2012	in percent
Natural gas plants	229	16.0	138	20.5
Air separation plants	225	15.7	206	30.6
Olefin plants	579	40.5	232	34.5
Hydrogen and synthesis gas plants	328	23.0	24	3.6
Other	68	4.8	73	10.8
ENGINEERING DIVISION	**1,429**	**100.0**	**673**	**100.0**

Finance

Cash flow from operating activities for the first half of 2013 was EUR 1.192 bn, a significant rise of 26.3 percent when compared with the figure for the prior-year period of EUR 944 m. The increase in cash flow was higher than the increase in operating profit, which rose by 13.6 percent to EUR 1.966 bn (2012: EUR 1.731 bn). One of the factors contributing to this improvement was the higher level of advance payments received from customers in the Engineering Division. Income taxes paid, on the other hand, which rose by EUR 67 m (from EUR 242 m in the first half of 2012 to EUR 309 m in the first half of 2013), mainly as a result of the positive earnings trend, had the opposite effect on cash flow from operating activities.

In the first six months of 2013, Linde spent EUR 1.018 bn on investments in tangible assets, intangible assets and financial assets (2012: EUR 806 m), a continuation of its investment strategy geared towards the long term. Payments made for investments were 26.3 percent higher than in the prior-year period. Most of the investment was made in the Gases Division and much of that was deployed in the on-site product area.

Payments made for investments in consolidated companies totalled EUR 84 m, a significantly lower figure than that for the first half of 2012 of EUR 627 m. The high figure in 2012 was due to the purchase price payment to Air Products for the purchase of its Continental European homecare business (at a net purchase price of EUR 604 m). Significant acquisitions during the reporting period were the purchase of the French homecare-provider Calea France SAS and the purchase of the remaining shares in the former joint venture OCAP. The sale of securities resulted in proceeds on disposal in the first half of 2013 of EUR 406 m (2012: EUR 555 m). The net cash outflow from investing activities in the first half of 2013 was EUR 809 m, EUR 13 m lower than the prior-year figure of EUR 822 m.

The net cash outflow from financing activities was EUR 422 m (2012: net cash outflow of EUR 93 m). The principal item affecting this figure was the dividend payment of EUR 525 m. The cash inflows from the disposal of non-controlling interests of EUR 48 m related mainly to the sale of shares in the subsidiary Linde India Limited to minority shareholders, which was necessary to comply with changes in the rules in Indian law governing capital markets.

Total assets fell by EUR 333 m to EUR 33.964 bn at 30 June 2013, mainly as a result of exchange rate effects (31 December 2012: EUR 34.297 bn). Most of the total assets (around 80 percent or EUR 27.147 bn) are non-current assets. Within the figure for non-current assets, the major items are goodwill of EUR 10.716 bn (31 December 2012: EUR 10.826 bn) and tangible assets of EUR 11.353 bn (31 December 2012: EUR 11.173 bn).

Goodwill fell during the reporting period by EUR 110 m. Additions as a result of acquisitions (EUR 116 m) and exchange rate effects each had an opposite impact on the total. Tangible assets rose by EUR 180 m when compared with the prior-year figure, mainly as a result of acquisitions and investments of EUR 1.080 bn. Exchange rate movements during the reporting period and depreciation of EUR 669 m had the effect of reducing the total carrying amount for tangible assets.

Included in current assets are securities, which fell by EUR 233 m to EUR 591 m as a result of sales (31 December 2012: EUR 824 m). Trade receivables, on the other hand, rose by EUR 214 m to EUR 2.867 bn due to the good business performance of the Group (31 December 2012: EUR 2.653 bn).

At 30 June 2013, equity was EUR 13.501 bn, EUR 157 m below the figure at 31 December 2012 of EUR 13.658 bn. The decrease in equity was mainly due to negative exchange rate effects of EUR 571 m (2012: positive exchange rate effects of EUR 401 m) and the dividend payment of EUR 525 m (2012: EUR 450 m). The profit for the period had a positive impact on the equity figure. In the first half of 2013, post-tax profit was EUR 715 m, compared with EUR 642 m in the first half of 2012. The equity ratio at 30 June 2013 of 39.8 percent was the same as the figure at 31 December 2012.

Provisions for pensions and similar obligations decreased slightly, by EUR 28 m to EUR 1.085 bn (31 December 2012: EUR 1.113 bn), principally as a result of the change in actuarial assumptions.

Net financial debt comprises gross financial debt less short-term securities and cash and cash equivalents. At 30 June 2013, net financial debt was EUR 8.963 bn. This is an increase of EUR 490 m when compared to the figure at 31 December 2012.

Gross financial debt increased by EUR 201 m to EUR 10.782 bn (31 December 2012: EUR 10.581 bn). During the reporting period, Linde was able to repay in full the USD acquisition loan it had raised for the purchase of Lincare in July 2012. To do so, Linde AG successfully placed two new bonds in the second quarter of 2013: a ten-year EUR 650 m bond with a coupon of 2.00 percent and a five-year USD 500 m bond with a coupon of 1.50 percent. Both bonds were issued under the EUR 10 bn Debt Issuance Programme.

The dynamic indebtedness factor (net financial debt to operating profit for the last twelve months) was 2.3 at 30 June 2013, the same figure as at 31 December 2012. The Group's gearing (the ratio of net debt to equity) rose to 66.4 percent (31 December 2012: 62.0 percent).

The Linde Group is financed on a long-term basis, as can be seen from the maturity profile of the financial debt. Of the gross financial debt of EUR 10.782 bn (31 December 2012: EUR 10.581 bn), EUR 1.780 bn (31 December 2012: EUR 1.346 bn) is disclosed as current and EUR 9.002 bn (31 December 2012: EUR 9.235 bn) as non-current financial debt.

Gross financial debt repayable within one year is matched by short-term securities of EUR 591 m, cash and cash equivalents of EUR 1.228 bn and a EUR 2.5 bn syndicated credit facility which is not currently drawn down. At 30 June 2013, available liquidity was therefore EUR 2.539 bn (31 December 2012: EUR 3.262 bn).

Employees

The number of employees in The Linde Group worldwide at 30 June 2013 was 62,815 (31 December 2012: 62,765). Of this number, 51,369 were employed in the Gases Division and 6,681 in the Engineering Division. The majority of the 4,765 staff in the Other Activities segment are employed by Gist, Linde's logistics service provider.

8 GROUP – EMPLOYEES BY REPORTABLE SEGMENT

	30.06.2013	31.12.2012 adjusted [1]
Gases Division	51,369	51,405
EMEA	21,537	21,636
Asia/Pacific	11,898	11,809
Americas	17,934	17,960
Engineering Division	6,681	6,564
Other Activities	4,765	4,796
GROUP	**62,815**	**62,765**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

Outlook

Group

Economists have recently revised down their forecast for general economic growth. The international forecasting institute The Economist Intelligence Unit Ltd. (EIU) is now expecting global gross domestic product (GDP) to increase by only 2.2 percent over the course of 2013, the same increase as in 2012. At the end of the first quarter of 2013, the experts had anticipated that growth in GDP of 2.4 percent would be achieved.

The EIU is currently predicting a rise in global industrial production (IP) of 1.9 percent for the current year 2013 (2012: 1.2 percent), having forecast an increase of 2.2 percent at the end of the first quarter.

High levels of sovereign debt in major economies continue to have the greatest impact on macroeconomic development. The global economy could also be adversely affected by high levels of unemployment in many industrialised countries, a potential tailing-off of the economy in China or the ongoing uncertainty surrounding the political situation in some countries in the Arab world.

Based on current economic predictions and prevailing exchange rates, Linde confirms its forecast for the current year. The Group continues to assume that it will achieve a higher level of Group revenue in the 2013 financial year than in 2012 and that it will generate Group operating profit in the current year of at least EUR 4 bn.

Linde anticipates that it will continue to benefit in the coming years from megatrends such as energy, the environment and health and from dynamic growth in the emerging economies, and confirms its medium-term targets. In the 2016 financial year, the Group is still seeking to generate Group operating profit of at least EUR 5 bn. Return on capital employed (ROCE), Linde's key performance indicator, should be around 14 percent in the same year (based on the definition used to date: i.e. adjusted for the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation). Without the adjustment, this corresponds to a reported ROCE figure of 13 percent. The medium-term targets are also based on current economic forecasts, according to which the global economy will continue to grow in the coming years. The outlook is also based on the assumption that there will not be any further significant shifts in exchange rates during the same period.

Linde will also continue to improve its business processes in future and remains committed to the systematic implementation of its holistic concept for sustainable productivity gains (High Performance Organisation or HPO). The Group will continue to apply the measures it has designed to make constant improvements in efficiency and still plans to achieve further reductions in gross costs of between EUR 750 m and EUR 900 m in the years 2013 to 2016.

Outlook – Gases Division

Recent economic forecasts indicate that the rate of growth in the global gases market in 2013 will be similar to the rate seen in 2012. Linde remains committed to its original target in the gases business of outperforming the market and continuing to increase productivity.

In its on-site business, Linde has a healthy project pipeline, which will contribute to increases in revenue and earnings over the remaining part of the 2013 financial year.

The Group expects its liquefied gases and cylinder gas product areas to perform in line with macroeconomic trends.

In the Healthcare product area, Linde is expecting to achieve significant increases in revenue and earnings as a result of the acquisitions it has concluded, especially that of Lincare.

Against this background, Linde continues to expect that revenue generated by the Gases Division in the 2013 financial year will be higher than that achieved in 2012 and that operating profit will increase in the current year.

Outlook – Engineering Division

A relatively stable market environment is expected in the international large-scale plant construction business in the remaining part of 2013. The order backlog in Linde's Engineering Division reached a new record level of almost EUR 5.2 bn at 30 June 2013, creating a good basis for a solid business performance over the next two years. The Group continues to expect to generate the same level of revenue in its plant construction business in the 2013 financial year as in 2012. Linde anticipates that it will achieve an operating margin in the 2013 financial year of at least 10 percent.

Linde is well-positioned in the international market for olefin plants, natural gas plants, air separation plants and hydrogen and synthesis gas plants, and will derive lasting benefit in particular from investment in two structural growth areas: energy and the environment.

Risk report

Uncertainty about future global economic trends continues. In addition to the risk of a drop in revenue volumes if there is another economic slowdown, Linde is also exposed to the risk of the loss of new business and an increase in the risk of bad debts in its operating business due to the increase in the inability of customers to make payments (counterparty risk). The high level of volatility in the financial markets continues to make it difficult to arrive at an accurate assessment of the future net assets, financial position and results of operations of The Linde Group.

The risk situation for Linde as described on *PAGES 80 TO 92 OF THE 2012 FINANCIAL REPORT* has not changed significantly in the six months to 30 June 2013. The total amount which relates to individual risks within the risk fields will not adversely affect the viability of The Linde Group as a going concern. If there is a change in external circumstances, risks which are currently unknown or deemed to be immaterial might have a negative impact on business operations.

Events after the balance sheet date

In July 2013, Linde agreed a new five-year EUR 2.5 bn syndicated credit facility, with two options to extend the facility, in each case by one year. The facility was arranged with 33 German and international financial institutions without any financial covenants and replaces the EUR 2.5 bn facility from 2010 which had not been drawn down. This means that the Group has ensured that it has a solid general liquidity reserve with banks at a much lower cost and over a significantly longer period.

9 GROUP STATEMENT OF PROFIT OR LOSS

in € million	2nd Quarter 2013	2nd Quarter 2012 adjusted [1]	January to June 2013	January to June 2012 adjusted [1]
Revenue	4,222	3,811	8,207	7,425
Cost of sales	2,647	2,396	5,138	4,684
GROSS PROFIT	**1,575**	**1,415**	**3,069**	**2,741**
Marketing and selling expenses	636	554	1,256	1,080
Research and development costs	24	26	48	49
Administration expenses	352	338	705	650
Other operating income	43	55	110	123
Other operating expenses	34	43	85	88
Share of profit or loss from associates and joint ventures (at equity)	4	4	12	7
Financial income	18	33	40	55
Financial expenses	116	106	226	224
PROFIT BEFORE TAX	**478**	**440**	**911**	**835**
Taxes on income	103	107	196	193
PROFIT FOR THE PERIOD	**375**	**333**	**715**	**642**
attributable to Linde AG shareholders	342	304	660	586
attributable to non-controlling interests	33	29	55	56
Earnings per share in € – undiluted	1.84	1.77	3.56	3.42
Earnings per share in € – diluted	1.84	1.75	3.55	3.39

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

10 GROUP STATEMENT OF COMPREHENSIVE INCOME

in € million	2nd Quarter 2013	2nd Quarter 2012 adjusted [1]	January to June 2013	January to June 2012 adjusted [1]
PROFIT FOR THE PERIOD	375	333	715	642
OTHER COMPREHENSIVE INCOME (NET OF TAX)	–594	199	–404	53
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	–604	361	–470	274
Unrealised gains/losses on available-for-sale financial assets	–	–1	–	–4
Unrealised gains/losses on derivative financial instruments	157	–170	101	–123
Currency translation differences	–761	532	–571	401
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	10	–162	66	–221
Remeasurement of defined benefit plans	8	–165	66	–248
Change in effect of the limit on a net defined benefit asset (asset ceiling under IAS 19R.64)	2	3	–	27
TOTAL COMPREHENSIVE INCOME	–219	532	311	695
attributable to Linde AG shareholders	–221	482	277	628
attributable to non-controlling interests	2	50	34	67

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

11 GROUP STATEMENT OF FINANCIAL POSITION

in € million	30.06.2013	31.12.2012 adjusted[1]
Assets		
Goodwill	10,716	10,826
Other intangible assets	3,338	3,643
Tangible assets	11,353	11,173
Investments in associates and joint ventures (at equity)	215	208
Other financial assets	102	121
Receivables from finance leases	318	381
Other receivables and other assets	662	605
Income tax receivables	4	4
Deferred tax assets	439	479
NON-CURRENT ASSETS	27,147	27,440
Inventories	1,130	1,112
Receivables from finance leases	52	59
Trade receivables	2,867	2,653
Other receivables and other assets	765	736
Income tax receivables	184	182
Securities	591	824
Cash and cash equivalents	1,228	1,284
Non-current assets classified as held for sale and disposal groups	–	7
CURRENT ASSETS	6,817	6,857
TOTAL ASSETS	**33,964**	**34,297**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

12 GROUP STATEMENT OF FINANCIAL POSITION

in € million	30.06.2013	31.12.2012 adjusted [1]
Equity and liabilities		
Capital subscribed	475	474
Capital reserve	6,704	6,698
Revenue reserves	5,942	5,706
Cumulative changes in equity not recognised through the statement of profit or loss	–416	33
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	12,705	12,911
Non-controlling interests	796	747
TOTAL EQUITY	13,501	13,658
Provisions for pensions and similar obligations	1,085	1,113
Other non-current provisions	453	496
Deferred tax liabilities	2,146	2,207
Financial debt	9,002	9,235
Liabilities from finance leases	66	56
Trade payables	2	6
Other non-current liabilities	449	497
Liabilities from income taxes	85	85
NON-CURRENT LIABILITIES	13,288	13,695
Other current provisions	1,340	1,571
Financial debt	1,780	1,346
Liabilities from finance leases	22	24
Trade payables	2,770	2,806
Other current liabilities	1,115	1,026
Liabilities from income taxes	148	171
CURRENT LIABILITIES	7,175	6,944
TOTAL EQUITY AND LIABILITIES	33,964	34,297

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

13 GROUP STATEMENT OF CASH FLOWS

in € million	January to June 2013	January to June 2012 adjusted[1]
PROFIT BEFORE TAX	911	835
Adjustments to profit before tax to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	869	727
Impairments on financial assets	1	–
Profit/loss on disposal of non-current assets	−12	−9
Net interest	191	181
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	13	19
Share of profit or loss from associates and joint ventures (at equity)	−12	−7
Distributions/dividends received from associates and joint ventures	6	8
Income taxes paid	−309	−242
Changes in assets and liabilities		
Change in inventories	−42	−82
Change in trade receivables	−261	−193
Change in provisions	−188	−42
Change in trade payables	16	−144
Change in other assets and liabilities	9	−107
CASH FLOW FROM OPERATING ACTIVITIES	1,192	944
Payments for tangible and intangible assets and plants held under leases in accordance with IFRIC 4/IAS 17	−1,000	−766[2]
Payments for investments in consolidated companies	−84	−627
Payments for investments in financial assets	−18	−40
Payments for investments in securities	−175	−2
Proceeds on disposal of securities	406	555
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	51	55
Proceeds on disposal of consolidated companies	10	–
Proceeds on disposal of financial assets	1	3
CASH FLOW FROM INVESTING ACTIVITIES	−809	−822

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.
[2] Adjusted for capitalised borrowing costs.

14 GROUP STATEMENT OF CASH FLOWS

	January to June	
in € million	2013	2012 adjusted[1]
Dividend payments to Linde AG shareholders and non-controlling interests	–525	–450
Cash inflows/outflows for sale/purchase of non-controlling interests	48	–26
Proceeds from issue of employee shares	1	36
Interest received	62	85
Interest paid	–264	–294[2]
Proceeds of loans and capital market debt	2,373	1,842
Cash outflows for the repayment of loans and capital market debt	–2,105	–1,284
Change in liabilities from finance leases	–12	–2
CASH FLOW FROM FINANCING ACTIVITIES	–422	–93
NET CASH INFLOW/OUTFLOW	–39	29
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	1,284	1,061
Effects of currency translation	–17	22
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1,228	1,112

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.
[2] Adjusted for capitalised borrowing costs.

15 STATEMENT OF CHANGES IN GROUP EQUITY

in € million	Capital subscribed	Capital reserve
AT 1 JAN. 2012	**438**	**5,264**
Adjustment due to retrospective application of newly-adopted or revised IFRSs[1]	–	–
AT 1 JAN. 2012 ADJUSTED	**438**	**5,264**
Profit for the period	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	3	43
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	3	43
Addition/divesture of non-controlling interests	–	–
Acquisition/disposal of non-controlling interests	–	–
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	–	–
AT 30 JUNE 2012 ADJUSTED	**441**	**5,307**
AT 1 JAN. 2013	**474**	**6,698**
Adjustment due to retrospective application of newly-adopted or revised IFRSs[1]	–	–
AT 1 JAN. 2013 ADJUSTED	**474**	**6,698**
Profit for the period	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	1	6
Repurchase of own shares	–	–
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	1	6
Addition/divesture of non-controlling interests	–	–
Acquisition/disposal of non-controlling interests	–	–
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	–	–
AT 30 JUNE 2013	**475**	**6,704**

[1] The following new or revised IFRSs were applied retrospectively as at 1 January 2013: IFRS 10, IFRS 11 and IAS 19 (revised 2011). See also Note 1 in the Notes to the Group interim report.

Revenue reserves		*Cumulative changes in equity not recognised through the statement of profit or loss*					
Remeasurement of defined benefit plans	*Retained earnings*	*Currency translation differences*	*Available-for-sale financial assets*	*Derivative financial instruments*	*Total equity attributable to Linde AG shareholders*	*Non-controlling interests*	*Total equity*
-351	6,103	275	4	-129	11,604	540	12,144
12	-186	1	–	–	-173	161	-12
-339	5,917	276	4	-129	11,431	701	12,132
–	586	–	–	–	586	56	642
-219	–	388	-4	-123	42	11	53
-219	586	388	-4	-123	628	67	695
–	-428	–	–	–	-428	-22	-450
–	–	–	–	–	46	–	46
–	-428	–	–	–	-382	-22	-404
–	–	–	–	–	–	9	9
–	-12	–	–	–	-12	–	-12
–	-12	–	–	–	-12	9	-3
-558	6,063	664	–	-252	11,665	755	12,420
-531	6,420	80	–	-47	13,094	564	13,658
16	-199	–	–	–	-183	183	–
-515	6,221	80	–	-47	12,911	747	13,658
–	660	–	–	–	660	55	715
66	–	-550	–	101	-383	-21	-404
66	660	-550	–	101	277	34	311
–	-500	–	–	–	-500	-25	-525
–	–	–	–	–	7	–	7
–	–	–	–	–	–	-1	-1
–	-500	–	–	–	-493	-26	-519
–	10	–	–	–	10	41	51
–	–	–	–	–	–	–	–
–	10	–	–	–	10	41	51
-449	6,391	-470	–	54	12,705	796	13,501

16 SEGMENT INFORMATION

	Reportable segments	
	Gases Division	
	January to June	
in € million, NOTE [9]	2013	2012 adjusted [1]
Revenue from third parties	7,017	6,129
Revenue from other segments	4	2
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS	**7,021**	**6,131**
OPERATING PROFIT	**1,915**	**1,679**
of which share of profit or loss from associates/joint ventures (at equity)	12	7
Amortisation of intangible assets and depreciation of tangible assets	851	703
of which amortisation of fair value adjustments identified in the course of the BOC purchase price allocation	105	122
of which impairments	3	3
EBIT (EARNINGS BEFORE INTEREST AND TAX)	**1,064**	**976**
Capital expenditure (excluding financial assets)	984	760

in € million, NOTE [9]
Revenue from third parties
Revenue from other segments
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS
OPERATING PROFIT
of which share of profit or loss from associates/joint ventures (at equity)
Amortisation of intangible assets and depreciation of tangible assets
of which amortisation of fair value adjustments identified in the course of the BOC purchase price allocation
of which impairments
EBIT (EARNINGS BEFORE INTEREST AND TAX)
Capital expenditure (excluding financial assets)

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

Reportable segments							
Engineering Division		*Other Activities*		*Reconciliation*		*Group*	
January to June		*January to June*		*January to June*		*January to June*	
2013	*2012 adjusted* [1]	*2013*	*2012 adjusted* [1]	*2013*	*2012 adjusted* [1]	*2013*	*2012 adjusted* [1]
908	1,001	282	295	–	–	8,207	7,425
340	228	–	–	–344	–230	–	–
1,248	**1,229**	**282**	**295**	**–344**	**–230**	**8,207**	**7,425**
148	**151**	**25**	**27**	**–122**	**–126**	**1,966**	**1,731**
–	–	–	–	–	–	12	7
17	18	16	17	–15	–11	869	727
3	4	7	7	–	–	115	133
–	–	–	–	–	–	3	3
131	**133**	**9**	**10**	**–107**	**–115**	**1,097**	**1,004**
7	12	6	16	–36	21	961	809

Reportable segments							
Gases Division							
EMEA		*Asia/Pacific*		*Americas*		*Total Gases Division*	
January to June		*January to June*		*January to June*		*January to June*	
2013	*2012 adjusted* [1]	*2013*	*2012 adjusted* [1]	*2013*	*2012 adjusted* [1]	*2013*	*2012 adjusted* [1]
3,039	2,969	1,888	1,849	2,090	1,311	7,017	6,129
7	5	9	6	47	41	4	2
3,046	**2,974**	**1,897**	**1,855**	**2,137**	**1,352**	**7,021**	**6,131**
876	**844**	**497**	**484**	**542**	**351**	**1,915**	**1,679**
6	1	6	5	–	1	12	7
322	300	251	231	278	172	851	703
25	28	58	63	22	31	105	122
2	3	1	–	–	–	3	3
554	**544**	**246**	**253**	**264**	**179**	**1,064**	**976**
381	312	385	313	218	135	984	760

ADDITIONAL COMMENTS

[1] General accounting policies

The condensed Group interim financial statements of Linde AG for the six months ended 30 June 2013 have been drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable to interim financial reporting, as adopted by the European Union pursuant to EU Regulation 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards.

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

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

The same accounting policies have been used in the condensed Group interim financial statements as those used to prepare the Group financial statements for the year ended 31 December 2012. IAS 34 Interim Financial Reporting has also been applied. Since 1 January 2013, the following standards have become effective under the rules of the IASB:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits (revised 2011)
- IAS 28 Investments in Associates and Joint Ventures
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendment to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Improvements to IFRSs 2009 – 2011

IFRS 10, 11 and 12

IFRS 10, IFRS 11 and IFRS 12 will become effective in the European Union from the 2014 financial year. However, early adoption is permitted. The Linde Group has early adopted IFRS 10, IFRS 11 and IFRS 12 from 1 January 2013 in accordance with the rules on application set out by the IASB. The new standards are to be applied retrospectively.

In IFRS 10, the term "control" is redefined. If one entity controls another entity, the parent company shall include the subsidiary in full in its consolidated financial statements. Under the new definition, control is established if the potential parent entity has power over the potential subsidiary (investee) as a result of voting rights or other rights and actual circumstances, is exposed or has rights to positive or negative variable returns from its involvement with the investee, and above all has the ability to use its power over the investee to affect significantly the amount of its returns.

IFRS 11 sets out new rules for accounting for joint arrangements. Under these new rules, a distinction is made between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (the joint operators) have rights to the assets and obligations for the liabilities relating to the arrangement. The rights to the assets and the obligations for the liabilities are recognised in the consolidated financial statements. In a joint venture, on the other hand, the parties that have joint control of the arrangement (the joint venturers) have a right to the net assets of the arrangement. This right is accounted for in the consolidated financial statements using the equity method. The option of proportionate consolidation in the consolidated financial statements, hitherto permitted by IAS 31, is no longer available.

IFRS 12 sets out the disclosure requirements for interests in other entities. This standard requires a much wider range of disclosures than previously required by the rules set out in IAS 27, IAS 28 and IAS 31.

As a result of applying IFRS 10, The Linde Group has adjusted its accounting policies to reflect the revised definition of "control".

Eight companies in Mexico and China, the principal object of which is the construction and operation of gas production plants and which have until now been included as joint ventures, have been fully consolidated for the first time as a result of the advantage held by Linde in terms of know-how. In these cases, the key issue is that the co-shareholders are also often the main customers for the gases produced. Given its advantage in terms of know-how, The Linde Group has assumed responsibility for the operation of the companies' plants. These companies are therefore dependent on Linde technology. This is reflected in the licensing agreements in force and the integration of production into the processes of The Linde Group and/or the interrelationships between the various decision-makers. The operation of the plants is the principal driver of variable returns from the companies and therefore Linde exercises control (as defined by IFRS 10) over these companies.

In addition, two other companies in the United States and in India, which have until now been included as joint ventures, have been fully consolidated for the first time, because Linde exerts increased management authority in those companies. Here, Linde is able to exercise, on the basis of individual contracts, the most extensive decision-making powers over major portions of the operating activities of the entities. On this basis, The Linde Group has the opportunity to determine those activities of the entities which significantly affect the variable returns of the companies and therefore to exercise control (as defined by IFRS 10) over the companies.

As a result of the application of IFRS 11, The Linde Group has revised its accounting policies in respect of the obligation to include certain joint arrangements on a line-by-line basis. Linde accounts on a line-by-line basis in accordance with the rules set out in IFRS 11 for four joint arrangements in the United Arab Emirates and in China where the sole object is to supply one or several shareholders. In the absence of any special rights attaching to individual assets and liabilities, the assets and liabilities are accounted for on the basis of the share of equity held by The Linde Group.

IFRS 13

IFRS 13 sets out in a single IFRS a unified framework for measuring fair value in financial statements prepared in accordance with International Financial Reporting Standards. It will apply in future to all other standards that require or permit fair value measurement. Exemptions to IFRS 13 are allowed only in the case of IAS 17 and IFRS 2, with some rules in these two standards continuing to apply.

Fair value is defined according to IFRS 13 as the exit price: i.e. the price that would be received to sell an asset or paid to transfer a liability. A three-level hierarchy for fair value measurements is being introduced, a system which is familiar from the measurement at fair value of financial assets. The three levels identified in the hierarchy are based on the extent to which observable market prices are available in order to determine fair value. The fair values determined under the new rules may differ from those determined under the old rules.

IFRS 13 becomes effective from the 2013 financial year. This standard is applied prospectively. The Linde Group has concluded bilateral credit support annexes (CSAs) with most of the banks with which financial instruments recognised at fair value are traded, thus minimising the default risk arising from these instruments. The application of IFRS 13 will not therefore have a significant impact on the consolidated financial statements of The Linde Group.

IAS 19

The main changes in IAS 19 (revised 2011) relate to the abolition of recognition and measurement options in respect of defined benefit pension plans. The changes here which are relevant for The Linde Group are the abolition of the expected return on plan assets and the introduction of a rate of return for the plan assets which is the same as the discount rate applied to the corresponding defined benefit obligation. This leads to a net measurement of the net obligation or net asset and to a net interest expense in respect of defined benefit plans. Other changes in IAS 19 (revised 2011) which are relevant to The Linde Group are the recognition in profit or loss of unvested past service cost when it arises and the requirement to make additional disclosures in the Notes to the Group financial statements.

IAS 19 (revised 2011) is effective from the 2013 financial year. The changes are applied retrospectively and have led to a slight decrease in the interest income on plan assets recognised in the financial result. The impact of the revisions to the standard on the current accounting period is immaterial in Group terms.

IAS 1

The amendments to IAS 1 concern items of other comprehensive income which will be reclassified subsequently if certain conditions apply, which should be disclosed separately from those items which will never be reclassified. The presentation in the statement of other comprehensive income has been adjusted accordingly.

The retrospective application of IFRS 10, IFRS 11, IFRS 12 and IAS 19 (revised 2011) resulted in the following adjustments being made to the figures for the prior-year periods disclosed:

17 GROUP STATEMENT OF PROFIT OR LOSS

in € million	2nd Quarter 2012 as reported	2nd Quarter 2012 Adjustment	2nd Quarter 2012 adjusted	30.06.2012 as reported	30.06.2012 Adjustment	30.06.2012 adjusted
Revenue	3,669	142	3,811	7,174	251	7,425
Cost of sales	2,296	100	2,396	4,521	163	4,684
GROSS PROFIT	**1,373**	**42**	**1,415**	**2,653**	**88**	**2,741**
Marketing and selling expenses	549	5	554	1,071	9	1,080
Research and development costs	25	1	26	49	–	49
Administration expenses	333	5	338	641	9	650
Other operating income	54	1	55	114	9	123
Other operating expenses	44	–1	43	76	12	88
Share of profit or loss from associates and joint ventures (at equity)	21	–17	4	43	–36	7
Financial income	85	–52	33	159	–104	55
Financial expenses	156	–50	106	322	–98	224
PROFIT BEFORE TAX	**426**	**14**	**440**	**810**	**25**	**835**
Taxes on income	103	4	107	179	14	193
PROFIT FOR THE PERIOD	**323**	**10**	**333**	**631**	**11**	**642**
attributable to Linde AG shareholders	304	–	304	591	–5	586
attributable to non-controlling interests	19	10	29	40	16	56
Earnings per share in € – undiluted	1.77	0.00	1.77	3.45	–0.03	3.42
Earnings per share in € – diluted	1.76	–0.01	1.75	3.42	–0.03	3.39

18 GROUP STATEMENT OF COMPREHENSIVE INCOME

in € million	2nd Quarter 2012 as reported	2nd Quarter 2012 Adjustment	2nd Quarter 2012 adjusted	30.06.2012 as reported	30.06.2012 Adjustment	30.06.2012 adjusted
PROFIT FOR THE PERIOD	**323**	**10**	**333**	**631**	**11**	**642**
OTHER COMPREHENSIVE INCOME (NET OF TAX)	**200**	**−1**	**199**	**51**	**2**	**53**
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**363**	**−2**	**361**	**275**	**−1**	**274**
Unrealised gains/losses on available-for-sale financial assets	−1	–	−1	−4	–	−4
Unrealised gains/losses on derivative financial instruments	−170	–	−170	−123	–	−123
Currency translation differences	534	−2	532	402	−1	401
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**−163**	**1**	**−162**	**−224**	**3**	**−221**
Remeasurement of defined benefit plans	−166	1	−165	−251	3	−248
Change in effect of the limit on a net defined benefit asset (asset ceiling under IAS 19R.64)	3	–	3	27	–	27
TOTAL COMPREHENSIVE INCOME	**523**	**9**	**532**	**682**	**13**	**695**
attributable to Linde AG shareholders	490	−8	482	633	−5	628
attributable to non-controlling interests	33	17	50	49	18	67

19 GROUP STATEMENT OF FINANCIAL POSITION

in € million	31.12.2012 as reported	31.12.2012 Adjustment	31.12.2012 adjusted
ASSETS			
Goodwill	10,620	206	10,826
Other intangible assets	3,580	63	3,643
Tangible assets	10,188	985	11,173
Investments in associates and joint ventures (at equity)	816	–608	208
Other financial assets	282	–161	121
Receivables from finance leases	244	137	381
Other receivables and other assets	592	13	605
Income tax receivables	4	–	4
Deferred tax assets	469	10	479
NON-CURRENT ASSETS	**26,795**	**645**	**27,440**
Inventories	1,098	14	1,112
Receivables from finance leases	47	12	59
Trade receivables	2,599	54	2,653
Other receivables and other assets	709	27	736
Income tax receivables	181	1	182
Securities	823	1	824
Cash and cash equivalents	1,218	66	1,284
Non-current assets classified as held for sale and disposal groups	7	–	7
CURRENT ASSETS	**6,682**	**175**	**6,857**
TOTAL ASSETS	**33,477**	**820**	**34,297**

20 GROUP STATEMENT OF FINANCIAL POSITION

in € million	31.12.2012 as reported	31.12.2012 Adjustment	31.12.2012 adjusted
EQUITY AND LIABILITIES			
Capital subscribed	474	–	474
Capital reserve	6,698	–	6,698
Revenue reserves	5,889	−183	5,706
Cumulative changes in equity not recognised through the statement of profit or loss	33	–	33
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	**13,094**	**−183**	**12,911**
Non-controlling interests	564	183	747
TOTAL EQUITY	**13,658**	**–**	**13,658**
Provisions for pensions and similar obligations	1,105	8	1,113
Other non-current provisions	471	25	496
Deferred tax liabilities	2,186	21	2,207
Financial debt	8,862	373	9,235
Liabilities from finance leases	56	–	56
Trade payables	6	–	6
Other non-current liabilities	237	260	497
Liabilities from income taxes	85	–	85
NON-CURRENT LIABILITIES	**13,008**	**687**	**13,695**
Other current provisions	1,565	6	1,571
Financial debt	1,262	84	1,346
Liabilities from finance leases	24	–	24
Trade payables	2,790	16	2,806
Other current liabilities	1,003	23	1,026
Liabilities from income taxes	167	4	171
CURRENT LIABILITIES	**6,811**	**133**	**6,944**
TOTAL EQUITY AND LIABILITIES	**33,477**	**820**	**34,297**

21 GROUP STATEMENT OF CASH FLOWS

in € million	30.06.2012 as reported	Adjustment January to June 2012	30.06.2012 adjusted
Cash flow from operating activities	869	75	944
Cash flow from investing activities	–743	–79	–822
Cash flow from financing activities	–106	13	–93
NET CHANGE IN CASH AND CASH EQUIVALENTS	**20**	**9**	**29**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	**1,000**	**61**	**1,061**
Effects of currency translation on cash and cash equivalents	20	2	22
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**1,040**	**72**	**1,112**

The following new or revised standards and interpretations have been issued by the IASB and the IFRS Interpretations Committee. These have not been applied in the condensed Group interim financial statements for the six months ended 30 June 2013, as they are either not yet mandatory or have not yet been adopted by the European Commission:

- IFRS 9 Financial Instruments
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC Interpretation IFRS 21 Levies

IFRS 9

IFRS 9 Financial Instruments has not been applied in the condensed interim consolidated financial statements for the period ended 30 June 2013. According to the rules relating to the application of standards set out by the IASB, IFRS 9 will become effective from the 2015 financial year. The standard has, however, not yet been adopted by the European Union.

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

For financial assets measured at fair value, gains and losses on remeasurement are recognised in profit or loss, except in the case of those equity instruments for which the entity has elected to report gains and losses in other comprehensive income. However, dividend income relating to these financial assets is recognised in profit or loss.

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

Towards the end of 2012, the IASB published an Exposure Draft entitled "Classification and Measurement: Limited Amendments to IFRS 9", which proposes the introduction of a third classification of financial assets. According to the Exposure Draft, this third group should comprise financial instruments which are recognised at fair value but in respect of which the gains and losses are recognised in other comprehensive income. The comment period ended in March 2013. The IASB is still in the process of evaluating the comments it has received on this Exposure Draft.

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

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

[2] Changes in Group structure

The condensed Group interim financial statements comprise Linde AG and all the companies over which Linde AG may exercise control as defined by IFRS 10 or joint control together with other parties as defined by IFRS 11. Companies over which Linde AG may exercise joint control are either included in the consolidated interim financial statements on the basis of the share of equity held by The Linde Group (line-by-line method) or using the equity method, depending on the category to which they belong.

Associated companies over which Linde AG can exercise significant influence as defined by IAS 28 are also accounted for using the equity method.

Non-consolidated subsidiaries, when taken together, are insignificant in Group terms, as regards total assets, revenue and profit or loss for the year. As a result, they are immaterial to the net assets, results of operations and financial position of the Group. They are therefore not included in the interim consolidated financial statements.

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

22 CHANGES IN THE BASE OF CONSOLIDATION

	As at 31.12.2012 adjusted [1]	Additions	Disposals	As at 30.06.2013
CONSOLIDATED SUBSIDIARIES	**542**	**20**	**12**	**550**
of which within Germany	20	–	–	20
of which outside Germany	522	20	12	530
COMPANIES ACCOUNTED FOR USING THE LINE-BY-LINE METHOD	**4**	**–**	**–**	**4**
of which within Germany	–	–	–	–
of which outside Germany	4	–	–	4
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	**39**	**1**	**6**	**34**
of which within Germany	–	–	–	–
of which outside Germany	39	1	6	34
NON-CONSOLIDATED SUBSIDIARIES	**62**	**6**	**2**	**66**
of which within Germany	2	–	–	2
of which outside Germany	60	6	2	64

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

During the reporting period, some shares in the subsidiary Linde India Limited were sold to minority shareholders, which was necessary to comply with changes in the rules in Indian law governing capital markets. Linde thereby reduced its shareholding in the company from 89 percent to 75 percent. The difference of EUR 10 m between the carrying amount of the minority interests and the sale price was offset in revenue reserves.

[3] Acquisitions

An acquisition is deemed to be significant if its total assets after the purchase price allocation (inclusive of goodwill) exceed EUR 50 m. The following significant acquisitions took place during the reporting period:

OCAP

On the acquisition date (7 March 2013), The Linde Group increased its holding in the companies OCAP CO2 v.o.f., B.V. NPM, Bio Facility B.V., Bio Supply C.V. and Bio Supply B.V. (referred to collectively as OCAP) to 100 percent of the shares by buying out its joint venture partner. On 1 March 2013, these companies were fully included for the first time in the consolidated financial statements of The Linde Group with economic effect from the date of acquisition.

The purchase price for the shares acquired was EUR 6 m, which was settled in cash. The impact on earnings of the remeasurement of the original shareholdings in the companies at fair value was EUR 6 m. This has been included in the statement of profit or loss under the heading "Share of profit or loss from associates and joint ventures (at equity)". As a result of the acquisition, The Linde Group obtains full operational control in respect of servicing and supplying OCAP's CO_2 customers in Holland.

The goodwill remaining after the purchase price allocation of EUR 1 m comprises mainly going concern synergies arising from the business acquired. The goodwill is not tax-deductible.

The receivables acquired have a fair value of EUR 3 m and are all trade receivables. The fair value is virtually the same as the gross value of the receivables.

Calea France SAS

On 8 January 2013, The Linde Group acquired 100 percent of the shares in Calea France SAS. From that date, the business was included in full in the consolidated financial statements of The Linde Group. The business acquired generated revenue in the 2012 financial year of around EUR 28 m with about 190 employees. The aim of the acquisition was to continue the expansion of the Group's homecare business in Europe.

After adjusting for certain cash and debt items, the purchase price was EUR 60 m, of which EUR 58 m was paid in cash. In addition, there are current commitments for purchase price payments resulting from the netting of certain cash and debt items. These obligations were recognised at a fair value of EUR 2 m at the acquisition date and this amount was taken into account for the purpose of deriving the acquisition cost.

The goodwill remaining after the purchase price allocation of EUR 46 m comprises mainly expected synergies with the existing homecare business in Europe and going concern synergies arising from the business acquired. The goodwill is not tax-deductible.

The receivables acquired have a fair value of EUR 6 m and are all trade receivables. The gross value of the receivables is EUR 8 m. The difference between the gross value of the receivables and their fair value is a provision for bad debts.

Other acquisitions

In the first half of 2013, The Linde Group made further acquisitions to expand its industrial gases business and in the Healthcare product area in the Asia/Pacific and Americas reportable segments. The total purchase price for these acquisitions (each of which in individual terms was immaterial to the net assets of the Group) was EUR 84 m, of which EUR 36 m was settled in cash. The total purchase price includes contingent purchase price adjustments and deferred purchase price payments. Liabilities arising from contingent purchase price payments amounted to EUR 2 m. These amounts are payable within three years and are dependent on a positive performance in the business acquired.

In the course of other corporate acquisitions, Linde has acquired non-current assets such as customer relationships, cylinders, tanks and vehicles as well as inventories and other current assets. Total goodwill arising was EUR 69 m. Receivables acquired, which are all trade receivables, have a fair value of EUR 4 m. The gross value of the receivables is EUR 6 m. The difference between the gross value of the receivables and their fair value has been recognised as an impairment loss.

23 IMPACT OF ACQUISITIONS ON NET ASSETS OF THE LINDE GROUP

Opening balance at acquisition date	*Fair value*		
in € million	*OCAP*	*Calea*	*Other*
Non-current assets	121	21	15
Inventories	–	1	1
Other current assets	4	8	5
Cash and cash equivalents	14	4	–
Equity (attributable to Linde AG)	9	14	15
Non-controlling interests	–	–	–
Liabilities	130	20	6

The impact of the transactions on the revenue of The Linde Group was as follows:

24 IMPACT OF ACQUISITIONS ON REVENUE OF THE LINDE GROUP

in € million	*Revenue since acquisition date*	*Revenue from 1 January to 30 June 2013* [1]
OCAP	8	12
Calea	14	14
Other	6	24

[1] In determining these amounts, the same fair value adjustments as at the acquisition date were assumed.

The impact of the acquisitions on the profit for the period of The Linde Group in the first six months of 2013 is immaterial in terms of the Group.

[4] Foreign currency translation

The financial statements of companies outside the European Monetary Union are translated in accordance with the functional currency concept. For all companies, items in the balance sheet are translated using the spot rate and items in the statement of profit or loss using the average rate. The principal exchange rates used are as follows:

25 PRINCIPAL EXCHANGE RATES

		Mid-rate on balance sheet date		Average rate January to June	
Exchange rate € 1 =	*ISO code*	*30.06.2013*	*31.12.2012*	*2013*	*2012*
Argentina	ARS	7.01596	6.48740	6.73071	5.69489
Australia	AUD	1.40833	1.26957	1.29534	1.25476
Brazil	BRL	2.86978	2.70330	2.66967	2.40539
Canada	CAD	1.36644	1.30936	1.33328	1.30611
China	CNY	8.01762	8.22182	8.12413	8.20592
Czech Republic	CZK	26.07329	25.08853	25.68837	25.17343
Hungary	HUF	294.83514	291.37212	296.12447	295.73152
Malaysia	MYR	4.13782	4.03549	4.03734	4.00610
Norway	NOK	7.86545	7.34583	7.52539	7.58209
Poland	PLN	4.31492	4.08320	4.17759	4.24705
South Africa	ZAR	12.94959	11.16087	12.10399	10.29120
South Korea	KRW	1,490.61996	1,403.63253	1,449.51539	1,481.01443
Sweden	SEK	8.76166	8.57786	8.53202	8.87624
Switzerland	CHF	1.23476	1.20834	1.22970	1.20516
Turkey	TRY	2.50449	2.35386	2.38034	2.33892
UK	GBP	0.85569	0.81194	0.85063	0.82394
USA	USD	1.30510	1.31965	1.31272	1.29852

[5] Non-current assets held for sale and discontinued operations

Land and buildings in the EMEA operating segment disclosed at 31 December 2012 in Non-current assets held for sale were reclassified in tangible assets in the first quarter of 2013, as the contract of sale was cancelled.

[6] Pension obligations

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

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

At 30 June 2013, there were changes in the assumptions on which the pension obligations were based and in the measurement at fair value of the plan assets, which led to an increase in equity of EUR 66 m (after deferred tax) when compared with the figure at 31 December 2012.

[7] Net financial debt

26 NET FINANCIAL DEBT

in € million	Current		Non-current		Total	
	30.06.2013	31.12.2012 adjusted[1]	30.06.2013	31.12.2012 adjusted[1]	30.06.2013	31.12.2012 adjusted[1]
Financial debt	1,780	1,346	9,002	9,235	10,782	10,581
Less: Securities	591	824	–	–	591	824
Less: Cash and cash equivalents	1,228	1,284	–	–	1,228	1,284
NET FINANCIAL DEBT	**–39**	**–762**	**9,002**	**9,235**	**8,963**	**8,473**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

Within the figure for financial debt, the EUR 400 m subordinated bond issued in July 2003 was reclassified in current financial debt, as Linde has decided to exercise its right to redeem the bond on 3 July 2013.

Of the financial debt at 30 June 2013, EUR 3.505 bn is in a fair value hedging relationship (31 December 2012: EUR 3.274 bn). If there had been no adjustment to the carrying amount as a result of fair value hedging relationships which had been agreed and were outstanding at the end of the reporting period, the financial debt of EUR 10.782 bn (31 December 2012: EUR 10.581 bn) would have been EUR 106 m (31 December 2012: EUR 197 m) lower.

The Linde Group concludes Credit Support Annexes (CSAs) with banks to minimise counterparty risk. Under these agreements, the positive and negative fair values of derivatives held by Linde AG and Linde Finance B.V. are collateralised with cash on a regular basis. These transactions are governed by the rules set out in the master agreement for financial derivative transactions, whereby related rights and obligations to exchange financial collateral do not qualify for offsetting in the balance sheet. An amount of EUR 177 m (31 December 2012: EUR 121 m) in respect of these agreements has been disclosed in bank loans and overdrafts as part of financial debt and an amount of EUR 14 m (31 December 2012: EUR 24 m) has been disclosed in cash equivalents.

27 FINANCIAL ASSETS / LIABILITIES SUBJECT TO OFFSETTING OR ENFORCEABLE MASTER AGREEMENTS FOR FINANCIAL DERIVATIVE TRANSACTIONS

in € million	Gross/net amounts of financial assets/ liabilities presented in the statement of financial position	Financial instruments that qualify for netting	Net amount before collateral	Cash collateral received[1]	Cash collateral pledged[1]	Net amount
30.06.2013						
Derivatives with positive fair values	304	–106	198	–126	4	76
Derivatives with negative fair values	–182	106	–76	–51	10	–117
TOTAL	**122**	**–**	**122**	**–177**	**14**	**–41**
31.12.2012						
Derivatives with positive fair values	301	–130	171	–109	5	67
Derivatives with negative fair values	–195	130	–65	–12	19	–58
TOTAL	**106**	**–**	**106**	**–121**	**24**	**9**

[1] The terms governing CSAs may result in the net fair value position per counterparty being over-secured.

For individual categories of financial assets and financial liabilities in The Linde Group, the carrying amount of the item is generally a reasonable approximation of the fair value of the item. This does not apply to receivables from finance leases or to financial debt. In the case of receivables from finance leases, the fair value is EUR 407 m, while the carrying amount is EUR 370 m. The fair value of the financial debt is EUR 10.903 bn, compared with its carrying amount of EUR 10.782 bn. The carrying amounts of the derivatives are shown in the table above and correspond in each case to the fair value of the derivative. The fair value of financial instruments is generally determined using quoted market prices. If no quoted market prices are available, the financial instruments are measured using valuation methods customary in the market, based on market parameters specific to that instrument. At the balance sheet date, the figure for investments and securities included assets of EUR 579 m in respect of which the value had been determined by quoted prices in active markets for identical financial instruments (Level 1). Included in the investments and securities category are financial assets (available-for-sale financial assets) of EUR 50 m in respect of which a fair value cannot be reliably determined.

For derivative financial instruments, the fair value is determined as follows. Options are measured by external partners using Black-Scholes option pricing models. Futures are measured with recourse to the quoted market price in the relevant market. Included in derivatives at the balance sheet date were assets of EUR 304 m and liabilities of EUR 182 m in respect of which the values were determined by using valuation techniques where the inputs are derived principally from observable market data (Level 2).

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

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

[8] Earnings per share

28 EARNINGS PER SHARE

in € million	January to June 2013	January to June 2012 adjusted [1]
Profit for the period attributable to Linde AG shareholders	660	586
Shares in thousands		
Weighted average number of shares outstanding	185,232	171,248
Dilution as a result of share option schemes	917	1,541
Weighted average number of shares outstanding – diluted	186,149	172,789
EARNINGS PER SHARE IN € – UNDILUTED	**3.56**	**3.42**
EARNINGS PER SHARE IN € – DILUTED	**3.55**	**3.39**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

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

[9] Segment reporting

The same principles apply to segment reporting in the interim report as those described in the Group financial statements for the year ended 31 December 2012. No changes were made to the segment structure during the reporting period.

To arrive at the figure for the Gases Division as a whole from the figures for the reportable segments within the Gases Division, consolidation adjustments of EUR 59 m (2012: EUR 50 m) were deducted from revenue. Therefore, it is not possible to arrive at the figure for the Gases Division as a whole by merely adding together the reportable segments in the Gases Division.

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

29 RECONCILIATION OF SEGMENT REVENUE AND OF THE SEGMENT RESULT

in € million	January to June 2013	January to June 2012 adjusted [1]
Revenue		
Total revenue from the reportable segments	8,551	7,655
Consolidation	−344	−230
GROUP REVENUE	**8,207**	**7,425**
Operating profit		
Operating profit from the reportable segments	2,088	1,857
Operating profit from Corporate activities	−109	−100
Amortisation and depreciation	869	727
of which fair value adjustments identified in the course of the BOC purchase price allocation	115	133
of which impairments	3	3
Financial income	40	55
Financial expenses	226	224
Consolidation	−13	−26
PROFIT BEFORE TAX	**911**	**835**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

[10] Related party transactions

Linde AG is related in the course of its normal business activities to non-consolidated subsidiaries, joint ventures and associates. These companies are disclosed in the list of shareholdings on PAGES 190 TO 207 OF THE 2012 FINANCIAL REPORT. It should be noted that, as a result of the retrospective application of IFRS 10 and IFRS 11, some companies which were measured at 31 December 2012 using the equity method have been fully consolidated since 1 January 2013 or included in the consolidated interim financial statements of The Linde Group on the basis of the share of equity in the company held by the Group.

Revenue from related companies and services provided by related companies were immaterial during the reporting period. Receivables from and liabilities to related companies as a result of related party transactions are disclosed in the table below. The receivables are mainly financial receivables.

30 RECEIVABLES FROM AND LIABILITIES TO RELATED PARTIES

	30.06.2013			31.12.2012 adjusted[1]		
in € million	Non-consolidated subsidiaries	Associates or joint ventures	Total	Non-consolidated subsidiaries	Associates or joint ventures	Total
Receivables from related parties	9	34	43	6	43	49
Liabilities to related parties	2	37	39	1	14	15

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

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

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

[11] Contingent liabilities and other financial commitments

In the normal course of business, The Linde Group or any of its Group companies are involved in current or foreseeable legal or arbitration proceedings. During the reporting period, there have been no significant changes to the situation compared with the information provided on PAGE 187 OF THE 2012 FINANCIAL REPORT. There were other financial commitments arising from investments in tangible assets (commitments arising from orders) at 30 June 2013 of EUR 460 m (31 December 2012: EUR 414 m).

[12] Reconciliation of key financial figures

To provide better comparability, the key financial figures relating to The Linde Group have been adjusted below for the effects of the purchase price allocation in accordance with IFRS 3 on the acquisition of BOC and on acquisitions directly related to the BOC transaction.

31 ADJUSTED FINANCIAL FIGURES

	January to June					
	2013			2012 adjusted [1]		
in € million	As reported	Non-GAAP adjustments	Adjusted key financial figures	As reported	Non-GAAP adjustments	Adjusted key financial figures
Revenue	8,207	–	8,207	7,425	–	7,425
Cost of sales	−5,138	24	−5,114	−4,684	30	−4,654
GROSS PROFIT	**3,069**	**24**	**3,093**	**2,741**	**30**	**2,771**
Research and development costs, marketing, selling and administration expenses	−2,009	91	−1,918	−1,779	103	−1,676
Other operating income and expenses	25	–	25	35	–	35
Share of profit or loss from associates and joint ventures (at equity)	12	–	12	7	–	7
EBIT	**1,097**	**115**	**1,212**	**1,004**	**133**	**1,137**
Financial result	−186	–	−186	−169	–	−169
Taxes on income	−196	−37	−233	−193	−48	−241
PROFIT FOR THE YEAR	**715**	**78**	**793**	**642**	**85**	**727**
attributable to Linde AG shareholders	660	78	738	586	85	671
attributable to non-controlling interests	55	–	55	56	–	56
EARNINGS PER SHARE IN € – UNDILUTED	**3.56**	–	**3.98**	**3.42**	–	**3.92**
EARNINGS PER SHARE IN € – DILUTED	**3.55**	–	**3.96**	**3.39**	–	**3.88**

[1] Adjusted for the effects of the first-time retrospective application of new or revised IFRSs. See also Note 1 in the Notes to the Group interim report.

[13] Discretionary decisions and estimates

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

- the assessment of the need to recognise and the measurement of impairment losses relating to intangible assets, tangible assets and inventories,
- the recognition and measurement of pension obligations,
- the recognition and measurement of other provisions,
- the assessment of the stage of completion of long-term construction contracts,
- the assessment of lease transactions,
- the measurement of assets acquired and liabilities assumed in the course of business combinations.

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

The obligation arising from defined benefit commitments is determined on the basis of actuarial assumptions. Any change in the assumptions would have no effect on earnings, as actuarial gains and losses are recognised directly in equity.

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources to settle the obligation, and on past experience and circumstances known at the balance sheet date. The actual amount utilised may therefore differ from the figure set aside under other provisions.

The assessment of the stage of completion of long-term construction contracts is based on the percentage of completion method, subject to certain conditions being met. The stage of completion of the contract is determined on the basis of the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. For major projects, the calculation and analysis of the stage of completion of the project take into account in particular contract costs incurred by subcontractors. External experts are sometimes used to assist with the calculation of these costs.

Discretionary decisions are required to be made, for example, in assessing whether all the substantial risks and rewards incidental to the ownership of an asset have in fact been transferred to the lessee. To establish whether an embedded finance lease exists in respect of Linde's on-site plants, assumptions need to be made about the allocation of the consideration received from the customer. If the measurement was made on a different basis, this could lead to a different classification of the plants.

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

[14] Events after the balance sheet date

In July 2013, Linde agreed a new five-year EUR 2.5 bn syndicated credit facility, with two options to extend the facility, in each case by one year. The facility was arranged with 33 German and international financial institutions without any financial covenants and replaces the EUR 2.5 bn facility from 2010 which had not been drawn down. This means that the Group has ensured that it has a solid general liquidity reserve with banks at a much lower cost and over a significantly longer period.

No other significant events have occurred for The Linde Group between the end of the reporting period on 30 June 2013 and the publication deadline for these condensed Group interim financial statements on 30 July 2013.

MUNICH, 29 JULY 2013

PROFESSOR DR WOLFGANG REITZLE
[CHIEF EXECUTIVE OFFICER
OF LINDE AG]

PROFESSOR DR ALDO BELLONI
[MEMBER OF THE EXECUTIVE BOARD
OF LINDE AG]

THOMAS BLADES
[MEMBER OF THE EXECUTIVE BOARD
OF LINDE AG]

GEORG DENOKE
[MEMBER OF THE EXECUTIVE BOARD
OF LINDE AG]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD
OF LINDE AG]

REVIEW REPORT

To Linde Aktiengesellschaft, Munich

We have reviewed the condensed interim consolidated financial statements – comprising the Group statement of profit or loss, the Group statement of comprehensive income, the Group statement of financial position, the Group statement of cash flows, the statement of changes in Group equity and selected explanatory notes – together with the Group interim management report of Linde Aktiengesellschaft, Munich, for the period from 1 January to 30 June 2013 that are part of the semi annual financial report according to § 37w of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the Group interim management report based on our review.

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

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

MUNICH, 29 JULY 2013

KPMG AG
[WIRTSCHAFTSPRÜFUNGS-GESELLSCHAFT]

PROFESSOR DR NONNENMACHER
[GERMAN PUBLIC AUDITOR]

SCHENK
[GERMAN PUBLIC AUDITOR]

RESPONSIBILITY STATEMENT

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

MUNICH, 29 JULY 2013

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FINANCIAL CALENDAR

[1]
INTERIM REPORT
JANUARY TO JUNE 2013
30 July 2013

[2]
AUTUMN PRESS CONFERENCE
29 October 2013
Carl von Linde Haus, Munich

[3]
INTERIM REPORT
JANUARY TO SEPTEMBER 2013
29 October 2013

[4]
ANNUAL GENERAL MEETING 2014
20 May 2014, 10 a.m.
International Congress Centre
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This report is available in both German and English and can be downloaded from our website at WWW.LINDE.COM.

Additional copies of the report and further information about Linde can be obtained from us free of charge.

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