H1

LINDE HALF-YEAR FINANCIAL REPORT
JANUARY TO JUNE 2014

Leading.

THE LINDE GROUP

LINDE FINANCIAL HIGHLIGHTS

[H1 – JANUARY TO JUNE 2014]

Linde Financial Highlights		*January to June 2014*	*January to June 2013*	*Change*
Share				
Closing price	€	155.30	143.35	8.3 %
Year high	€	157.30	153.90	2.2 %
Year low	€	139.15	128.60	8.2 %
Market capitalisation (at closing price on 30 June)	€ million	28,835	26,604	8.4 %
Earnings per share – undiluted	€	3.36	3.56	–5.6 %
Number of shares outstanding at the end of the reporting period	000s	185,672	185,587	0.0 %
Group				
Revenue	€ million	8,212	8,207	0.1 %
Operating profit[1]	€ million	1,896	1,966	–3.6 %
Operating margin	%	23.1	24.0	–90 bp[3]
EBIT	€ million	1,073	1,097	–2.2 %
Profit for the period	€ million	680	715	–4.9 %
Number of employees[2]		63,735	62,815	1.5 %
Gases Division				
Revenue	€ million	6,825	7,021	–2.8 %
Operating profit[1]	€ million	1,863	1,915	–2.7 %
Operating margin	%	27.3	27.3	–
Engineering Division				
Revenue	€ million	1,418	1,248	13.6 %
Operating profit[1]	€ million	141	148	–4.7 %
Operating margin	%	9.9	11.9	–200 bp[3]

[1] EBIT adjusted for amortisation of intangible assets and depreciation of tangible assets.
[2] At 30 June 2014/31 December 2013.
[3] Basis points.

LINDE HALF-YEAR FINANCIAL REPORT

[H1 – JANUARY TO JUNE 2014]

JANUARY TO JUNE 2014: LINDE PROVES ITS STABILITY DESPITE UNFAVOURABLE EXCHANGE RATE EFFECTS

- Group revenue: EUR 8.212 bn (2013: EUR 8.207 bn); up 5.6 percent after adjusting for exchange rate effects.
- Group operating profit[1]: EUR 1.896 bn (2013: EUR 1.966 bn); up 1.7 percent after adjusting for exchange rate effects.
- 2014 Group outlook confirmed:
  - After adjusting for exchange rate effects: solid revenue growth, moderate improvement in operating profit.

[1] EBIT adjusted for the amortisation of intangible assets and depreciation of tangible assets.

GROUP INTERIM MANAGEMENT REPORT

General economic environment

The global economy grew at a somewhat faster rate in the first half of 2014 than it did over the whole of 2013. Economic experts are expecting this trend to continue for the rest of the year, although the international forecasting institute The Economist Intelligence Unit Ltd. (EIU)[1] recently revised its projection for global GDP growth slightly down. Economists are now expecting an increase in GDP for the full year 2014 of 2.8 percent (Q1 report: 2.9 percent). World economic output in 2013 rose by 2.2 percent. The EIU is continuing to forecast an increase in global industrial production (IP) of 3.3 percent for the full year 2014 (2013: 1.4 percent).

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

Nevertheless, there are still a number of risks that might affect global economic trends. Factors which might hamper growth include high ongoing government deficits in major economies, the uncertain political situation in some regions of the world and persistently high unemployment in many industrialised countries.

Economists are continuing to expect different rates of growth in different regions of the world in 2014.

Once again, it is anticipated that the greatest economic growth will be in the Asia/Pacific region. The EIU is forecasting an increase in GDP here for the full year 2014 of 5.7 percent, the same figure as it predicted at the end of the first quarter. China is again expected to be the main driver of this trend, with a forecast increase in GDP of 7.3 percent. Economists are also predicting above-average growth for India. Here, the EIU is forecasting that economic output will rise by 6.0 percent. In Australia, the Institute is predicting growth of 3.0 percent. This increase will come primarily from the expansion of the service sector, while a weaker economic environment continues to be forecast for manufacturing industry. It is also anticipated that investment in the mining industry will continue to decline.

The economy will grow at a much slower rate in the EMEA region (Europe, Middle East, Africa) than in the Asia/Pacific segment. For the EMEA region as a whole, economic experts continue to expect an increase in GDP of 1.8 percent in 2014.

The prospects for the eurozone remain the same as those predicted at the end of the first quarter of 2014. Economic output here is still expected to rise by 1.1 percent. The economic climate in Germany has continued to improve. Here, economists are now expecting GDP growth of 2.0 percent (Q1 report: 1.6 percent). Forecasts for Eastern Europe have been revised down in view of the conflict in Ukraine. According to the most recent EIU projections, GDP in this region is expected to increase by only 1.5 percent in 2014 (Q1 report: 2.2 percent). As at the end of the first quarter, the economic experts are predicting robust growth of 4.1 percent in the Middle East and 4.4 percent in Africa for 2014. However, in South Africa, the largest market in the continent for Linde, economic forecasts have recently been revised down.

Current forecasts of economic trends in the Americas region as a whole are less positive than those made at the end of the first quarter. The EIU is now predicting GDP growth here of only 2.2 percent for 2014 (Q1 report: 2.8 percent). Forecasts for both the United States and for South America have been revised down. Given that economic trends in the US in the first quarter of 2014 were significantly weaker than had been forecast, the economic experts are now expecting growth for the full year 2014 here of 2.2 percent (Q1 report: 3.0 percent). In South America, economic output is forecast to rise by 1.7 percent (Q1 report: 1.9 percent).

Business review of The Linde Group

In the first half of 2014, the technology company The Linde Group generated Group revenue of EUR 8.212 bn, virtually the same as the figure achieved in the first half of 2013 of EUR 8.207 bn. Exchange rate effects had a significant adverse impact on growth trends, as in previous quarters. These effects have arisen purely on the translation of various local currencies into the reporting currency (the euro) at the end of the reporting period. In particular, the average exchange rates for the Australian dollar, the US dollar, the South African rand and currencies in the emerging economies fell sharply against the euro when compared with the average rates prevailing in the first half of 2013. After adjusting for these effects (which equate to revenue of EUR 428 m), the increase in revenue in the first half of 2014 was 5.6 percent.

Group operating profit for the six months to 30 June 2014 was EUR 1.896 bn, not quite as high as the figure achieved in the first six months of 2013 of EUR 1.966 bn. Adverse currency fluctuations also need to be considered here. The effect of these distortions was to reduce earnings by EUR 101 m. Without the distortions, Linde would have achieved a 1.7 percent increase in Group operating profit.

The Group operating margin for the first half of 2014 was 23.1 percent (2013: 24.0 percent). It should be noted here that, as expected, the Engineering Division contributed significantly more to Group revenue in the reporting period than was the case in the first half of 2013. The Group's engineering business has a lower margin than its gases operations.

Cost of sales increased during the first six months of 2014 by EUR 178 m to EUR 5.316 bn (2013: EUR 5.138 bn). Gross profit on sales of EUR 2.896 bn (2013: EUR 3.069 bn) and the gross margin of 35.3 percent (2013: 37.4 percent) were both below the figures for the first half of 2013. This was mainly due to the greater contribution to revenue made by the Engineering Division in the first half of 2014.

EBIT in the six months to 30 June 2014 was EUR 1.073 bn (2013: EUR 1.097 bn). The 2014 figure includes, inter alia, income from an operating company in which Linde holds an investment as well as proceeds on the disposal of non-current assets.

The net financial expense in the first six months of 2014 was EUR 179 m (2013: EUR 186 m).

Linde therefore generated a profit before tax in the first half of 2014 of EUR 894 m (2013: EUR 911 m).

The income tax expense was EUR 214 m (2013: EUR 196 m). This gives an income tax rate of 23.9 percent (2013: 21.5 percent). In the prior-year period, various one-off effects had a positive impact on the income tax rate. In the first six months of 2014, Linde's profit for the period (after deducting the tax expense) was EUR 680 m (2013: EUR 715 m).

After adjusting for non-controlling interests, profit for the period attributable to Linde AG shareholders was EUR 624 m (2013: EUR 660 m). This gives earnings per share for the six months ended 30 June 2014 of EUR 3.36 (2013: EUR 3.56).

Gases Division

As a result of unfavourable exchange rate fluctuations, Linde achieved revenue in the Gases Division in the first half of 2014 of EUR 6.825 bn, which was below the figure of EUR 7.021 bn achieved in the first half of 2013. If an adjustment were to be made for these exchange rate effects, Linde would have achieved a 3.2 percent increase in revenue. On a comparable basis (after adjusting in addition for fluctuations in the price of natural gas), Linde would have achieved a 2.7 percent increase in revenue in its gases business. Revenue trends have also, as expected, been adversely affected by price adjustments and by supply contracts in the Healthcare product area being put out again to tender. Revenue in the Gases Division would have increased by 3.7 percent if an adjustment were also made for these factors.

In the first half of 2014, operating profit in the Gases Division fell by 2.7 percent to EUR 1.863 bn (2013: EUR 1.915 bn). Exchange rate fluctuations also had a significant influence here. If these exchange rate movements had not occurred, Linde would have achieved a 2.5 percent increase in operating profit in the Gases Division.

The operating margin in the gases business remained stable during the reporting period at a high level of 27.3 percent, the same figure as in the first half of 2013.

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

EMEA (Europe, Middle East, Africa)

In the EMEA reportable segment, Linde's largest sales market, revenue in the first six months of 2014 of EUR 2.978 bn was slightly below the figure for the prior-year period of EUR 3.046 bn. On a comparable basis, revenue rose slightly, by 0.5 percent. Operating profit increased to EUR 889 m (2013: EUR 876 m). The operating margin in the EMEA segment rose to 29.9 percent (2013: 28.8 percent). Proceeds on the sale of non-current assets also contributed to this increase.

There were positive trends in the on-site business in almost all areas of the EMEA region. Linde achieved above-average growth rates in this business, especially in the UK and in the Middle East. In Continental Europe, on the other hand, business performance in the first half of 2014 was temporarily affected by the stoppage for repairs of a hydrogen plant in Italy.

Against the prevailing background of modest economic growth in the eurozone, revenue in the liquefied gases and cylinder gas business in this region was slightly above the figure achieved in the first half of 2013. Economic performance in Africa was affected by the weaker economic environment in South Africa in the wake of strikes.

In the Healthcare product area, a number of supply contracts relating to homecare operations acquired by Linde from Air Products in April 2012 were put out again to tender. As expected, due to the reorganisation of supply areas associated with this process, revenue in the Healthcare business in the EMEA segment in the first half of 2014 was slightly below the figure for the prior-year period. In accordance with the terms of its purchase agreement with Air Products, Linde is therefore entitled to compensation which will be paid in the third quarter of 2014.

In the on-site business, Linde benefited during the reporting period from the ramp-up of new plants, particularly in Eastern Europe. So, for example, the air separation plants in Kaluga and Dzerzhinsk (both in Russia), constructed for ZAO KNPEMZ and SIBUR respectively, reached their full production capacity. The same applied to the air separation plant in Temirtau, Kazakhstan, which Linde brought on stream in March 2013 to supply ArcelorMittal.

A synthesis gas plant in Ploiesti, Romania, built by Linde for OMV, started production in the second quarter of 2014. From this plant, Linde supplies hydrogen and carbon monoxide to an OMV refinery.

In the second quarter, the Group also brought on stream an air separation plant in Mo i Rana, Norway. From this site, Linde supplies the steel company Celsa and also provides products for the regional market.

Linde is continuing to expand its on-site business in the EMEA region and in the second quarter of 2014 it signed a long-term contract with Finnish oil company Neste Oil for the supply of hydrogen. The agreement includes the construction of a new hydrogen plant for Neste Oil's refinery in Porvoo, Finland. The total investment being made by the two companies is around EUR 100 m. Linde's Engineering Division is responsible for the construction of the plant which is expected to start production in 2016. *SEE ENGINEERING DIVISION, PAGE 6.* With this project, Linde is continuing to strengthen its market position as a hydrogen supplier to the refinery sector.

Back in February 2014, the Group signed a long-term agreement with Nynas AB, one of the world leaders in naphthenic specialty oils (NSPs) and bitumen, to supply hydrogen on site to the Nynas refinery in Hamburg, Germany. The Engineering Division of The Linde Group is to build a new steam reformer for this purpose. Investment in the project by the Gases Division is around EUR 30 m. NSPs are used, for example, for tyre production, transformers, printing ink, industrial rubber and lubricants. The new hydrogen plant is expected to start production in the fourth quarter of 2015 and will be operated by Linde. With a capacity of 400,000 normal cubic metres of hydrogen per day, it will also be able to supply hydrogen to other customers in the port of Hamburg.

During the reporting period, Linde has also made progress in the promising liquefied natural gas (LNG) business. The Group brought on stream, for example, a new LNG refuelling station in Avonmouth near Bristol in the UK. This had been commissioned by British supermarket chain Asda, which has set itself the target of reducing the emissions of its transport fleet by 60 percent by 2015. The new refuelling station will support Asda's 50 dual fuel (LNG and diesel) trucks.

Linde began the construction of a new air separation plant at the Coega site in South Africa in the first quarter of 2014. This plant, which is expected to produce 150 tonnes of liquefied gases per day, will enable the Group to supply industrial gases and medical gases to its customers in the Eastern Cape region. With this project, which involved investment of EUR 20 m, Linde is responding to an increase in demand in this area. It is anticipated that the plant will be completed in the first quarter of 2015.

Asia/Pacific

Business trends in the Asia/Pacific reportable segment were hampered mainly by unfavourable exchange rate effects. In the South Pacific region, the economic environment in manufacturing industry remained weak and investment in the mining industry declined. Both these factors had an adverse impact on growth.

Given these conditions, Linde generated revenue of EUR 1.816 bn in the Asia/Pacific segment in the six months to 30 June 2014, which was 4.3 percent below the figure for the prior-year period of EUR 1.897 bn. In contrast, on a comparable basis revenue increased by 5.4 percent.

Operating profit fell by 4.2 percent to EUR 476 m (2013: EUR 497 m). The operating margin remained the same in the first half of 2014 as in the first half of 2013, at 26.2 percent. Linde has succeeded in maintaining a high level of profitability in this region as well.

Within the Asia/Pacific segment, the most positive trends were to be seen in business operations in the Greater China region. Boosted by volume increases in all product areas, Linde was able to achieve double-digit revenue growth here. As a result of the ramp-up of plants, revenue in the on-site business increased at a particularly fast rate. The following plants, for example, all reached full production capacity in the first quarter of 2014: the plants supplying gases to Samsung Electronics in Suzhou Industrial Park in eastern China, the hydrogen and synthesis gas plant built by Linde for Bayer in Caojing and the hydrogen plant in Jilin Chemical Industrial Park. At Jilin, an integrated chemical site, Linde supplies high-purity hydrogen for the production facilities of several customers including Evonik Industries and Jishen.

Demand in South & East Asia during the reporting period was more modest than that seen in the Greater China region.

In India, two new air separation plants which Linde had brought on stream on the Rourkela site have been working at full production capacity since the first quarter of 2014. From these plants, the Group supplied industrial gases to steel-producer Steel Authority of India (SAIL). In Map Ta Phut in Thailand, a plant for the production of liquefied carbon dioxide started up in the second quarter of 2014. Linde supplies this product to the regional market.

In the South Pacific, business performance in the first half of 2014 continued to be affected by slack demand, as in prior quarters. The economy here remained weak, with the exception of the service sector.

In the second quarter of the current financial year 2014, Linde started work on the construction of a CO_2 processing and liquefaction plant at Marsden Point in New Zealand. CO_2 is a by-product of the refinery, which is operated on this site by oil company Refining NZ. Linde will supply the purified CO_2 mainly to customers in the food industry, the paper industry and the fertiliser industry. Investment in the new plant will be around EUR 30 m. Back at the beginning of the year, Linde brought on stream a new air separation plant in New Zealand on the Glenbrook site. From this plant, Linde provides gases to steel company New Zealand Steel as well as to the regional market. Investment in this project was around EUR 50 m.

Americas

In the Americas reportable segment, Linde generated revenue of EUR 2.095 bn in the first half of 2014. This was not quite as high as the figure for the first half of 2013 of EUR 2.137 bn as a result of unfavourable exchange rates. On a comparable basis, revenue increased by 3.8 percent.

Operating profit dropped by 8.1 percent to EUR 498 m, compared with a figure of EUR 542 m for the first half of 2013. The operating margin fell as a result to 23.8 percent (2013: 25.4 percent).

These figures were influenced by a number of different factors. Government tenders introduced in the healthcare business in North America in the second half of 2013, for example, resulted in reductions in prices, which as expected had an adverse impact on revenue and earnings in this segment. In the run-up to these changes, Linde had already begun to adapt its cost structures. In the course of the first half of 2014, it was increasingly seeing the benefits of this approach.

Higher natural gas prices and inflation in some of the countries of South America also had a negative impact on the operating margin. In addition, it should be noted that during the reporting period the Venezuelan government introduced a new exchange rate system with significant changes in exchange rates. Linde has felt the impact of these exchange rate effects since it started to apply the new system on 1 April 2014 and this is one of the factors which has had an influence on the revenue and operating profit of the Americas segment. If the government's fixed exchange rate of 6.3 bolivars to the US dollar which has applied until now had continued to apply throughout the reporting period, revenue in the Americas reportable segment would have been EUR 27 m higher than the actual figure for the first half of 2014.

One item which had a positive impact on earnings in the Americas segment during the reporting period was income of EUR 26 m received by Linde in the first quarter from an operating company in which it holds an investment.

In North America, Linde achieved growth in the liquefied gases product area in particular. The Group also generated an increase in revenue in the electronic gases market.

Linde is expanding its on-site business with refineries in North America and concluded a new supply contract in the second quarter of 2014 with Lima Refining Company, Lima, Ohio, USA. Under this agreement, Linde will invest in excess of EUR 70 m in the Lima complex, which will include the construction of an additional hydrogen plant and significant upgrades to existing facilities and supporting utility infrastructure, thereby increasing its cluster hydrogen production capacity and operational flexibility. The new plant will be the third plant of this type constructed by Linde in Lima and is expected to come on stream in 2016. Lima Refining is a subsidiary of Husky Energy, one of the largest energy companies in Canada.

In Delta, which is also in Ohio, Linde brought a new nitrogen liquefaction plant on stream in the second quarter of 2014, which will complement the existing air separation plant on the site. The Group is responding to growing demand in the Ohio region and in neighbouring markets of the Midwest. An air separation plant in Lewisville, Texas, USA, also started production in the second quarter. From this plant, Linde supplies industrial gases to regional customers.

In Hammond, Indiana, USA, the Group opened a production plant for specialty gases in the first quarter of 2014. This new production facility, which complements an existing plant for industrial and medical gases, supplies specialty gases to customers in the food, pharmaceutical and biotechnology industries, as well as to laboratories and universities. By expanding the site in Hammond, the Group is reaffirming its strategy, which is to offer the broadest possible range of high-quality products to a wide variety of end customers.

In some countries in South America, the economic situation failed to improve in the first half of 2014. In most of the countries in the region, the economy is characterised by persistent high inflation and low rates of growth. This environment has also hampered Linde's business performance, especially in the liquefied gases and cylinder gas product areas.

During the reporting period, Linde brought on stream an air separation plant in Curitiba in Brazil. From this site, the Group supplies gaseous and liquefied products to customers in a wide variety of industry sectors.

An air separation and pressure swing adsorption plant started production in the second quarter of 2014 in Guayaquil in Ecuador. This plant supplies steel-producer Andec Steel and the regional market with industrial gases.

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 was to be seen in the on-site business (where Linde supplies gases on site to major customers). On a comparable basis, revenue here in the first half of 2014 rose by 4.5 percent to EUR 1.823 bn (2013: EUR 1.744 bn).

In the liquefied gases product area, revenue increased on a comparable basis by 4.3 percent to EUR 1.609 bn (2013: EUR 1.542 bn). On a comparable basis, revenue in the cylinder gas product area of EUR 1.913 bn was 0.6 percent higher than the figure for the first half of 2013 of EUR 1.901 bn. Towards the end of the reporting period in particular, positive trends were to be seen for Linde in its liquefied gases and cylinder gas business.

In the Healthcare product area, Linde generated revenue in the first six months of 2014 of EUR 1.480 bn. This was an increase of 1.5 percent when compared with the figure for the first six months of 2013 of EUR 1.458 bn. Here, supply contracts being put out again to tender hampered business performance. In Europe, the reorganisation of supply areas associated with this process affected the homecare operations acquired by Linde from Air Products in April 2012. In accordance with the terms of its purchase agreement with Air Products, Linde is therefore entitled to compensation which will be paid in the third quarter of 2014. In North America, government tenders introduced in the second half of 2013 led to price reductions in the healthcare market. The growth in Linde's healthcare business in the first half of 2014 would have been 6.0 percent if the events described above had not occurred.

1 GASES DIVISION: REVENUE AND OPERATING PROFIT BY REPORTABLE SEGMENT

	January to June 2014			January to June 2013		
in € million	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	2,978	889	29.9	3,046	876	28.8
Asia/Pacific	1,816	476	26.2	1,897	497	26.2
Americas	2,095	498	23.8	2,137	542	25.4
Consolidation	–64	–	–	–59	–	–
GASES DIVISION	**6,825**	**1,863**	**27.3**	**7,021**	**1,915**	**27.3**

2 GASES DIVISION: REVENUE AND OPERATING PROFIT BY REPORTABLE SEGMENT

	2nd Quarter 2014			2nd Quarter 2013		
in € million	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	1,511	460	30.4	1,549	446	28.8
Asia/Pacific	946	252	26.6	971	257	26.5
Americas	1,035	238	23.0	1,083	270	24.9
Consolidation	–34	–	–	–30	–	–
GASES DIVISION	**3,458**	**950**	**27.5**	**3,573**	**973**	**27.2**

Engineering Division

Revenue and earnings trends in Linde's international plant construction project business reflected the progress made on individual projects. The revenue of the Engineering Division in the first half of 2014 increased by 13.6 percent to EUR 1.418 bn (2013: EUR 1.248 bn), while operating profit of EUR 141 m was not quite as high as the figure for the first half of 2013 of EUR 148 m. This gives an operating margin of 9.9 percent (2013: 11.9 percent), which is well above the industry average and equal to the target of around 10 percent Linde set itself for the current financial year.

The Group was awarded a number of relatively small contracts during the reporting period, especially in the energy and chemical sectors. Order intake in the first half of 2014 was EUR 1.058 bn (2013: EUR 2.808 bn). It should be noted that the exceptionally high figure achieved in the prior-year period included a major contract to build a large ethylene plant for ExxonMobil in Houston, Texas, USA. Linde's partner in this significant project is engineering company Bechtel. Order intake in the first half of 2013 also included a EUR 450 m contract to build six air separation plants on behalf of Reliance Industries Ltd. (RIL) in India.

The most significant new orders in the first half of the current financial year 2014 were for hydrogen plants. Linde is to supply two hydrogen plants for the refinery operator PSC TAIF-NK in Nizhnekamsk, Republic of Tatarstan, Russian Federation. The contract is worth around EUR 120 m. Linde is also building a new hydrogen plant to supply the gas to Finnish oil company Neste Oil on its Porvoo site in Finland. This project forms part of a long-term on-site contract concluded by Linde's Gases Division with Neste Oil in the second quarter of 2014. The two companies are investing a total of around EUR 100 m in the project. *SEE GASES DIVISION, PAGE 3.*

In the growth market for liquefied natural gas (LNG), Linde was able to achieve further success in the reporting period. The Group secured the contract from Arctech Helsinki Shipyard in Finland to supply an LNG fuel gas system for an icebreaker for the Finnish transport agency. From January 2015 onwards, stricter emission standards will apply to many shipping routes in the North Sea and the Baltic. Ship owners and ship operators are required to reduce harmful emissions from their ships. Since 2011, Linde has been operating an LNG terminal in Nynäshamn in Sweden, and in 2012 it also formed a joint venture in Hamburg to establish an LNG infrastructure for shipping in north-western Europe.

Moreover, in the second quarter of 2014, Linde entered into a promising partnership with US company Siluria Technologies, a pioneer in natural gas-based production of fuels and chemicals. The two companies have agreed to work together on continuing to develop ethylene technology. The aim of this cooperation is to produce ethylene directly from natural gas. Against the background of increasing exploitation of shale gas reserves, this process opens up new business opportunities. Ethylene is one of the most important base materials in the chemical industry.

In the first quarter of 2014, Linde signed a framework agreement with oil company Shell for the development of future ethane cracker construction projects. The agreement runs for ten years and can be extended.

Just under 40 percent of the total order intake in the first half of 2014 came from the North America region. Here, new business again included projects for the efficient exploitation of shale gas reserves. During the reporting period, Linde was able to win new orders of around USD 260 m in this market segment. Just over a third of order intake came from Europe and around 19 percent from the Asia/Pacific region.

Around two-thirds of Linde's new orders related to the natural gas plant and hydrogen and synthesis gas plant product areas. The rest of the order intake was spread evenly over the remaining types of plant.

The order backlog in the Engineering Division has remained at a very high level. At 30 June 2014, it stood at EUR 4.110 bn (31 December 2013: EUR 4.504 bn).

3 ENGINEERING DIVISION

	2nd Quarter		January to June	
in € million	2014	2013	2014	2013
Revenue	717	696	1,418	1,248
Order intake	357	1,429	1,058	2,808
Order backlog at 30.06./31.12.	–	–	4,110	4,504
Operating profit	70	82	141	148
Operating margin	9.8 %	11.8 %	9.9 %	11.9 %

E 4 ENGINEERING DIVISION – ORDER INTAKE BY REGION

	January to June			
in € million	2014	in percent	2013	in percent
Asia/Pacific	199	18.8	1,185	42.2
Europe	374	35.4	652	23.2
North America	415	39.2	865	30.8
Middle East	31	2.9	43	1.5
Africa	16	1.5	36	1.3
South America	23	2.2	27	1.0
ENGINEERING DIVISION	**1,058**	**100.0**	**2,808**	**100.0**

E 5 ENGINEERING DIVISION – ORDER INTAKE BY PLANT TYPE

	January to June			
in € million	2014	in percent	2013	in percent
Natural gas plants	374	35.3	633	22.5
Air separation plants	117	11.1	1,020	36.3
Olefin plants	116	11.0	592	21.1
Hydrogen and synthesis gas plants	354	33.5	448	16.0
Other	97	9.1	115	4.1
ENGINEERING DIVISION	**1,058**	**100.0**	**2,808**	**100.0**

E 6 ENGINEERING DIVISION – ORDER INTAKE BY REGION

	2nd Quarter			
in € million	2014	in percent	2013	in percent
Asia/Pacific	88	24.6	319	22.3
Europe	121	33.9	329	23.0
North America	117	32.8	721	50.5
Middle East	23	6.4	14	1.0
Africa	6	1.7	26	1.8
South America	2	0.6	20	1.4
ENGINEERING DIVISION	**357**	**100.0**	**1,429**	**100.0**

E 7 ENGINEERING DIVISION – ORDER INTAKE BY PLANT TYPE

	2nd Quarter			
in € million	2014	in percent	2013	in percent
Natural gas plants	73	20.4	229	16.0
Air separation plants	30	8.4	225	15.7
Olefin plants	50	14.0	579	40.5
Hydrogen and synthesis gas plants	176	49.3	328	23.0
Other	28	7.9	68	4.8
ENGINEERING DIVISION	**357**	**100.0**	**1,429**	**100.0**

Finance

Cash flow from operating activities in the six months to 30 June 2014 was EUR 722 m. It should be noted that during the reporting period Linde made a payment of EUR 300 m for the further external funding of the defined benefit pension plans in Germany. After adjusting for this one-off item, cash flow from operating activities was EUR 1.022 bn, EUR 170 m below the figure for the first six months of 2013 of EUR 1.192 bn. The decline in working capital in the first half of 2014 was EUR 344 m, compared with the decline in working capital in the first half of 2013 of EUR 287 m. This was mainly due to a lower figure for advance payments received from customers in the plant construction business. Income taxes paid rose from EUR 309 m in the first half of 2013 to EUR 342 m in the first half of 2014. One-off effects had a positive impact on the figure for the prior-year period.

During the reporting period, Linde spent a total of EUR 964 m on investments in tangible assets, intangible assets and financial assets (2013: EUR 1.018 bn). Payments made for investments in consolidated companies were EUR 35 m (2013: EUR 84 m).

The purchase and sale of securities gave rise to net payments in the first half of 2014 of EUR 153 m (2013: net proceeds of EUR 231 m). The net cash outflow from investing activities in the first six months of 2014 increased by EUR 197 m to EUR 1.006 bn (2013: EUR 809 m).

Within cash flow from financing activities, deducting loan repayments from proceeds of loans resulted in net loan proceeds in the first half of 2013 of EUR 268 m and net loan proceeds in the first half of 2014 of EUR 981 m. The higher figure for net loan proceeds in 2014 was due not only to the issue of a EUR 300 m bond for the external funding of the pension plans in Germany, but also to the increase in commercial papers. Net interest payments fell from EUR 202 m to EUR 177 m. The net cash inflow from financing activities was EUR 203 m in the first half of 2014, compared with a net cash outflow of EUR 422 m in the first half of 2013.

Total assets at 30 June 2014 were EUR 33.074 bn (31 December 2013: EUR 32.749 bn).

Goodwill increased by EUR 113 m to EUR 10.508 bn at 30 June 2014 (31 December 2013: EUR 10.395 bn). This increase was due mainly to exchange rate effects. The total figure for goodwill also rose by EUR 34 m due to additions as a result of acquisitions made during the reporting period.

Other intangible assets, comprising customer relationships, brand names and sundry intangible assets, fell by EUR 111 m from EUR 3.076 bn at 31 December 2013 to EUR 2.965 bn at 30 June 2014. The main reason for the reduction in the figure was amortisation of EUR 163 m.

Tangible assets are stated at a carrying amount of EUR 11.521 bn at 30 June 2014 (31 December 2013: EUR 11.384 bn). Additions of EUR 796 m are set against depreciation of EUR 659 m.

Included in current assets are securities, which increased by EUR 153 m to EUR 323 m at 30 June 2014, mainly as a result of purchases (31 December 2013: EUR 170 m).

Equity at 30 June 2014 was EUR 13.480 bn, which was slightly below the figure at 31 December 2013 of EUR 13.586 bn. The main reasons for this were as follows. One factor contributing to an increase in the equity figure was the profit for the period of EUR 680 m. The dividend payment of EUR 589 m reduced the equity figure. The negative figure for other comprehensive income of EUR 204 m for the first half of 2014 (partly as a result of changes in actuarial assumptions) also reduced the equity figure. The equity ratio at 30 June 2014 was 40.8 percent (31 December 2013: 41.5 percent).

Provisions for pensions and similar obligations fell by EUR 169 m to EUR 858 m at 30 June 2014 (31 December 2013: EUR 1.027 bn). The funding of the pension plans in Germany led to an increase in plan assets and therefore to a reduction in the pension provision. This was however partially offset by the change in actuarial assumptions.

Net financial debt comprises gross financial debt less short-term securities and cash and cash equivalents. At 30 June 2014, net financial debt was EUR 9.182 bn, which was EUR 953 m higher than the figure at 31 December 2013 of EUR 8.229 bn.

Gross financial debt rose during the reporting period by EUR 1.010 bn to EUR 10.587 bn (31 December 2013: EUR 9.577 bn). This was due first of all to the fact that Linde's commercial paper holdings increased by EUR 672 m to EUR 753 m in the first half of 2014. A second reason was the issue of a EUR 300 m bond which was used for the external funding of the pension plans in Germany. The ten-year bond was placed under the EUR 10 bn Debt Issuance Programme. It has a coupon of 1.875 percent and was issued at 40 basis points over the euro mid-swap rate.

Of the gross financial debt, EUR 1.787 bn (31 December 2013: EUR 1.161 bn) is disclosed as current financial debt. The remaining financial debt of EUR 8.800 bn (31 December 2013: EUR 8.416 bn) – by far the largest proportion – is due in more than one year and is accordingly classified as non-current financial debt.

With short-term securities of EUR 323 m, cash and cash equivalents of EUR 1.082 bn and its EUR 2.5 bn syndicated credit facility, available liquidity for Linde at 30 June 2014 was EUR 2.118 bn (31 December 2013: EUR 2.687 bn). The five-year syndicated credit facility agreed in July 2013 originally had two options to extend the facility, in each case by one year (subject to the agreement of the lenders). During the reporting period, Linde successfully extended the facility until 2019. One option to extend the facility by one year remains.

The dynamic indebtedness factor (net financial debt to operating profit for the last twelve months) was 2.4 at 30 June 2014. As expected, this was higher than the figure of 2.1 at 31 December 2013 due to the dividend payment in May 2014 and the one-off effect of the external funding of the pension plans. After adjusting for this one-off effect, the dynamic indebtedness factor was 2.3. By way of comparison, the dynamic indebtedness factor at 30 June 2013 was also 2.3.

As expected, the Group's gearing (the ratio of net debt to equity) increased in the first half of 2014. At 30 June 2014, it was 68.1 percent (31 December 2013: 60.6 percent).

On 16 June 2014, the international rating agency Moody's increased Linde's credit rating from A3 to A2. The key criteria for the new rating were Linde's stable business model and its good financial structure.

Employees

The number of employees in The Linde Group worldwide at 30 June 2014 was 63,735 (31 December 2013: 63,487). Of this number, 51,946 were employed in the Gases Division and 7,124 in the Engineering Division. The majority of the 4,665 staff in the Other Activities segment are employed by Gist, Linde's logistics service-provider.

8 EMPLOYEES BY REPORTABLE SEGMENT AT THE BALANCE SHEET DATE

	30.06.2014	31.12.2013
Gases Division	51,946	51,536
EMEA	21,630	21,544
Asia/Pacific	12,225	12,122
Americas	18,091	17,870
Engineering Division	7,124	6,997
Other Activities	4,665	4,954
GROUP	**63,735**	**63,487**

Outlook

Group

Although the global economy has grown at a slower rate than expected in the first half of 2014, economic experts are still projecting that growth in 2014 will be somewhat stronger than in 2013. The international forecasting institute The Economist Intelligence Unit Ltd. (EIU) is currently predicting growth in global gross domestic product (GDP) for 2014 of 2.8 percent (Q1 report: 2.9 percent). In 2013, world economic output rose by 2.2 percent. The EIU continues to forecast that global industrial production (IP) will increase by 3.3 percent in 2014, compared with an increase of only 1.4 percent in 2013.

The high level of sovereign debt in major economies is expected to continue to have the greatest impact on macroeconomic trends. The global economy could also be adversely affected by currency fluctuations, the uncertain political situation in some regions of the world or high unemployment in many industrialised countries.

Linde assumes that it will be able to continue to deliver a relatively steady business performance and confirms its outlook for the current year. Based on current economic predictions and after adjusting for exchange rate effects, the Group expects to achieve solid growth in Group revenue in the 2014 financial year compared with the figure achieved in 2013. Linde anticipates that it will achieve a moderate improvement in Group operating profit in the 2014 financial year after adjusting for exchange rate effects. The Group is seeking to achieve a figure of around 10 percent for return on capital employed (reported ROCE) in the 2014 financial year. It should be noted here that a large number of major projects in the on-site business are still in the construction phase and will only make more significant contributions to earnings in the coming years.

Linde will maintain the pursuit of its earnings-based strategy which focuses on sustainable growth. The Group 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. For the 2016 financial year, Linde has set itself the target of achieving Group operating profit of at least EUR 5 bn and a return on capital employed of around 13 percent (reported ROCE) or around 14 percent (adjusted ROCE[1]).

These medium-term targets are based on current economic forecasts, according to which the global economy will grow at a faster rate in the coming years than it did in 2013. They are also founded on the assumption that there will not be any significant shifts in exchange rates compared with those prevailing at 31 December 2012 when the medium-term outlook was formulated. Since then, there have been significant changes in exchange rates which have not been favourable to Linde. If exchange rates over the coming years are as unfavourable as they have been recently, this would reduce Group operating profit in 2016 by around EUR 400 m and might also have an adverse impact on return on capital employed.

[1] Adjusted for the amortisation of fair value adjustments identified in the course of the BOC purchase price allocation.

N.B.: A detailed description of the Group's medium-term targets is given in the section entitled *TARGETS AND STRATEGY OF THE LINDE GROUP* of the 2013 Financial Report. *SEE PAGES 43 TO 45.*

Outlook – Gases Division

Recent economic forecasts indicate that the global gases market will grow at a slightly faster pace in 2014 than was the case in 2013. 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 make a contribution to revenue and earnings in the 2014 financial year and an even more significant contribution to revenue and earnings in subsequent years. The Group is forecasting that its liquefied gases and cylinder gas product areas will perform in line with macroeconomic trends. In the Healthcare product area, stable growth is expected.

Against this background, Linde expects to achieve (after adjusting for exchange rate effects) a moderate increase in revenue and operating profit in the Gases Division in 2014 when compared with the 2013 financial year.

Outlook – Engineering Division

A relatively stable market environment is expected in the international large-scale plant construction business in 2014. Linde is well positioned in the olefin plant, natural gas plant, air separation plant and hydrogen and synthesis gas plant product areas and also has a high order backlog.

Linde expects to achieve solid revenue growth in the Engineering Division in 2014 compared with 2013. The Group anticipates that it will achieve an operating margin in this division of around 10 percent.

Opportunity and risk report

As a group with a global footprint, Linde operates in a dynamic environment in which new market opportunities are constantly emerging. These business opportunities, which were described in detail in the 2013 Financial Report (SEE PAGES 88 TO 90), have not changed significantly in the six months to 30 June 2014.

The risk situation for Linde as described in the 2013 Financial Report (SEE PAGES 90 TO 103) has not changed decisively in the first half of 2014. No risks were identified which might, individually or in total, have an adverse impact on the viability of The Linde Group as a going concern.

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

9 GROUP STATEMENT OF PROFIT OR LOSS

	2nd Quarter		January to June	
in € million	2014	2013	2014	2013
Revenue	4,167	4,222	8,212	8,207
Cost of sales	2,694	2,647	5,316	5,138
GROSS PROFIT	**1,473**	**1,575**	**2,896**	**3,069**
Marketing and selling expenses	597	636	1,187	1,256
Research and development costs	27	24	49	48
Administration expenses	366	352	723	705
Other operating income	97	43	210	110
Other operating expenses	32	34	87	85
Share of profit or loss from associates and joint ventures (at equity)	7	4	13	12
EBIT	**555**	**576**	**1,073**	**1,097**
Financial income	14	18	27	40
Financial expenses	97	116	206	226
PROFIT BEFORE TAX	**472**	**478**	**894**	**911**
Taxes on income	113	103	214	196
PROFIT FOR THE PERIOD	**359**	**375**	**680**	**715**
attributable to Linde AG shareholders	334	342	624	660
attributable to non-controlling interests	25	33	56	55
Earnings per share in € – undiluted	1.80	1.84	3.36	3.56
Earnings per share in € – diluted	1.79	1.84	3.35	3.55

10 GROUP STATEMENT OF COMPREHENSIVE INCOME

in € million	2nd Quarter 2014	2nd Quarter 2013	January to June 2014	January to June 2013
PROFIT FOR THE PERIOD	359	375	680	715
OTHER COMPREHENSIVE INCOME (NET OF TAX)	–93	–594	–204	–404
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	–4	–604	–66	–470
Unrealised gains/losses on available-for-sale financial assets	–	–	–7	–
Unrealised gains/losses on derivative financial instruments	–89	157	–140	101
Currency translation differences	85	–761	81	–571
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	–89	10	–138	66
Remeasurement of defined benefit plans	–89	8	–138	66
Change in effect of the limit on a net defined benefit asset (asset ceiling under IAS 19R.64)	–	2	–	–
TOTAL COMPREHENSIVE INCOME	266	–219	476	311
attributable to Linde AG shareholders	231	–221	426	277
attributable to non-controlling interests	35	2	50	34

11 GROUP STATEMENT OF FINANCIAL POSITION

in € million	30.06.2014	31.12.2013
Assets		
Goodwill	10,508	10,395
Other intangible assets	2,965	3,076
Tangible assets	11,521	11,384
Investments in associates and joint ventures (at equity)	222	214
Other financial assets	85	115
Receivables from finance leases	246	277
Trade receivables	3	8
Other receivables and other assets	664	702
Income tax receivables	4	3
Deferred tax assets	368	342
NON-CURRENT ASSETS	**26,586**	**26,516**
Inventories	1,141	1,088
Receivables from finance leases	58	50
Trade receivables	2,993	2,784
Other receivables and other assets	744	804
Income tax receivables	147	146
Securities	323	170
Cash and cash equivalents	1,082	1,178
Non-current assets classified as held for sale and disposal groups	–	13
CURRENT ASSETS	**6,488**	**6,233**
TOTAL ASSETS	**33,074**	**32,749**

12 GROUP STATEMENT OF FINANCIAL POSITION

in € million	*30.06.2014*	*31.12.2013*
Equity and liabilities		
Capital subscribed	475	475
Capital reserve	6,720	6,712
Revenue reserves	6,454	6,523
Cumulative changes in equity not recognised through the statement of profit or loss	–1,006	–944
TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS	12,643	12,766
Non-controlling interests	837	820
TOTAL EQUITY	13,480	13,586
Provisions for pensions and similar obligations	858	1,027
Other non-current provisions	444	457
Deferred tax liabilities	1,890	1,968
Financial debt	8,800	8,416
Liabilities from finance leases	53	56
Trade payables	2	2
Other non-current liabilities	425	400
NON-CURRENT LIABILITIES	12,472	12,326
Current provisions	823	897
Financial debt	1,787	1,161
Liabilities from finance leases	19	22
Trade payables	2,891	3,100
Other current liabilities	1,062	1,033
Liabilities from income taxes	540	624
CURRENT LIABILITIES	7,122	6,837
TOTAL EQUITY AND LIABILITIES	33,074	32,749

13 GROUP STATEMENT OF CASH FLOWS

in € million	January to June 2014	2013
PROFIT BEFORE TAX	894	911
Adjustments to profit before tax to calculate cash flow from operating activities		
Amortisation of intangible assets/depreciation of tangible assets	823	869
Impairments on financial assets	1	1
Profit/loss on disposal of non-current assets	–42	–12
Net interest	177	191
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	10	13
Share of profit or loss from associates and joint ventures (at equity)	–13	–12
Distributions/dividends received from associates and joint ventures	6	6
Income taxes paid	–342	–309
Changes in assets and liabilities		
Change in inventories	–44	–42
Change in trade receivables	–219	–261
Change in provisions	–119	–188
Change in trade payables	–81	16
External funding/Allocation to plan assets re. defined benefit plans	–300	–
Change in other assets and liabilities	–29	9
CASH FLOW FROM OPERATING ACTIVITIES	722	1,192
Payments for tangible and intangible assets and plants held under leases in accordance with IFRIC 4/IAS 17	–933	–1,000
Payments for investments in consolidated companies	–35	–84
Payments for investments in financial assets	–31	–18
Payments for investments in securities	–156	–175
Proceeds on disposal of securities	3	406
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	58	51
Proceeds on disposal of consolidated companies	–	10
Proceeds on disposal of non-current assets held for sale and disposal groups	41	–
Proceeds on disposal of financial assets	47	1
CASH FLOW FROM INVESTING ACTIVITIES	–1,006	–809

14 GROUP STATEMENT OF CASH FLOWS

	January to June	
in € million	2014	2013
Dividend payments to Linde AG shareholders and non-controlling interests	–589	–525
Cash inflows/outflows for sale/purchase of non-controlling interests	–1	48
Proceeds from issue of employee shares	–	1
Interest received	75	62
Interest paid	–252	–264
Proceeds of loans and capital market debt	1,758	2,373
Cash outflows for the repayment of loans and capital market debt	–777	–2,105
Change in liabilities from finance leases	–11	–12
CASH FLOW FROM FINANCING ACTIVITIES	203	–422
NET CASH INFLOW/OUTFLOW	–81	–39
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	1,178	1,284
Effects of currency translation	–15	–17
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1,082	1,228

15 STATEMENT OF CHANGES IN GROUP EQUITY

in € million	*Capital subscribed*	*Capital reserve*
AT 1 JAN. 2013	**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	–	–
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES	**–**	**–**
AT 30 JUNE 2013	**475**	**6,704**
AT 1 JAN. 2014	**475**	**6,712**
Profit for the period	–	–
Other comprehensive income (net of tax)	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**–**
Dividend payments	–	–
Changes as a result of share option schemes	–	8
Capital increase/decrease	–	–
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY	**–**	**8**
AT 30 JUNE 2014	**475**	**6,720**

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*
–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**
–482	**7,005**	**–1,179**	**14**	**221**	**12,766**	**820**	**13,586**
–	624	–	–	–	624	56	680
–136	–	85	–7	–140	–198	–6	–204
–136	**624**	**85**	**–7**	**–140**	**426**	**50**	**476**
–	–557	–	–	–	–557	–32	–589
–	–	–	–	–	8	–	8
–	–	–	–	–	–	–1	–1
–	**–557**	**–**	**–**	**–**	**–549**	**–33**	**–582**
–618	**7,072**	**–1,094**	**7**	**81**	**12,643**	**837**	**13,480**

16 SEGMENT INFORMATION

	Reportable segments – Gases Division – January to June 2014	2013
in € million, SEE NOTE [9]	2014	2013
Revenue from third parties	6,819	7,017
Revenue from other segments	6	4
TOTAL REVENUE FROM THE REPORTABLE SEGMENTS	**6,825**	**7,021**
OPERATING PROFIT	**1,863**	**1,915**
of which share of profit or loss from associates/joint ventures (at equity)	13	12
Amortisation of intangible assets and depreciation of tangible assets	808	851
of which amortisation of fair value adjustments identified in the course of the BOC purchase price allocation	93	105
of which impairments	1	3
EBIT	**1,055**	**1,064**
Capital expenditure (excluding financial assets)	808	984

in € million, SEE 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
Capital expenditure (excluding financial assets)

	Reportable segments				Reconciliation		Group	
	Engineering Division		Other Activities					
	January to June		January to June		January to June		January to June	
	2014	2013	2014	2013	2014	2013	2014	2013
	1,110	908	283	282	–	–	8,212	8,207
	308	340	1	–	-315	-344	–	–
	1,418	**1,248**	**284**	**282**	**-315**	**-344**	**8,212**	**8,207**
	141	**148**	**26**	**25**	**-134**	**-122**	**1,896**	**1,966**
	–	–	–	–	–	–	13	12
	17	17	16	16	-18	-15	823	869
	3	3	7	7	–	–	103	115
	–	–	–	–	–	–	1	3
	124	**131**	**10**	**9**	**-116**	**-107**	**1,073**	**1,097**
	12	7	4	6	-2	-36	822	961

	Reportable segments							
	Gases Division							
	EMEA		Asia/Pacific		Americas		Total Gases Division	
	January to June		January to June		January to June		January to June	
	2014	2013	2014	2013	2014	2013	2014	2013
	2,975	3,039	1,804	1,888	2,040	2,090	6,819	7,017
	3	7	12	9	55	47	6	4
	2,978	**3,046**	**1,816**	**1,897**	**2,095**	**2,137**	**6,825**	**7,021**
	889	**876**	**476**	**497**	**498**	**542**	**1,863**	**1,915**
	6	6	6	6	1	–	13	12
	319	322	239	251	250	278	808	851
	24	25	51	58	18	22	93	105
	1	2	–	1	–	–	1	3
	570	**554**	**237**	**246**	**248**	**264**	**1,055**	**1,064**
	400	381	206	385	202	218	808	984

ADDITIONAL COMMENTS

[1] General accounting policies

The condensed Group interim financial statements of Linde AG for the six months ended 30 June 2014 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 No. 1606/2002 of the European Parliament and the Council on the application of International Accounting Standards.

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

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

The accounting policies used in the condensed Group interim financial statements are the same as those used to prepare the Group financial statements for the year ended 31 December 2013.

In addition, IAS 34 Interim Financial Reporting has been applied. Since 1 January 2014, the following standards have become effective under the rules of the IASB:

- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets (early adopted in the Group financial statements for the year ended 31 December 2013)
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (early adopted in the Group financial statements for the year ended 31 December 2013)

The following new or revised standards and interpretations have been issued by the IASB and IFRS Interpretations Committee. However, they have not been applied in the condensed Group interim financial statements for the six months ended 30 June 2014 as they are either not yet effective or have not yet been adopted by the European Commission:

- IFRS 15 Revenue from Contracts with Customers (first-time application according to IASB in financial years beginning on or after 1 January 2017)
- IFRS 9 Financial Instruments and Subsequent Amendments (Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 as well as Amendments to IFRS 9/IFRS 7: Mandatory Effective Date and Transition Disclosures)
- Amendments to IAS 19 Employee Benefits: Defined Benefit Plans – Employee Contributions (first-time application according to IASB in financial years beginning on or after 1 July 2014)
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation (first-time application according to IASB in financial years beginning on or after 1 January 2016)
- Improvements to IFRSs (2010–2012), (first-time application according to IASB in financial years beginning on or after 1 July 2014)
- Improvements to IFRSs (2011–2013), (first-time application according to IASB in financial years beginning on or after 1 July 2014)

IFRS 15

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

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

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

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

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

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

IFRS 15 is not expected to have a significant impact on the net assets, financial position and results of operations of The Linde Group.

IFRS 9

The IASB has tentatively decided that the first-time application of IFRS 9 and Subsequent Amendments will be in financial years beginning on or after 1 January 2018.

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).

Value changes for financial assets measured at fair value are recognised in profit or loss, except for those equity instruments for which the entity has elected to report value changes 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 the fair value of the liability that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and the remaining amount of change in the fair value of the liability, which shall be presented in the statement of profit or loss.

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 characteristics of the company. If Linde AG holds a majority of the voting rights in a company, this generally indicates that it exercises control over the company in the absence of any other restrictive contractual agreements. If Linde AG holds the same number of voting rights as another company, this generally indicates joint control, unless other (contractual) rights result in control being exercised by one of the shareholders.

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

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

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

17 CHANGES IN THE BASE OF CONSOLIDATION

	As at 31.12.2013	Additions	Disposals	As at 30.06.2014
CONSOLIDATED SUBSIDIARIES	**538**	**12**	**13**	**537**
of which within Germany	18	–	–	18
of which outside Germany	520	12	13	519
COMPANIES ACCOUNTED FOR USING THE LINE-BY-LINE METHOD	**5**	**–**	**–**	**5**
of which within Germany	–	–	–	–
of which outside Germany	5	–	–	5
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	**36**	**3**	**3**	**36**
of which within Germany	2	1	–	3
of which outside Germany	34	2	3	33
NON-CONSOLIDATED SUBSIDIARIES	**61**	**3**	**5**	**59**
of which within Germany	2	–	–	2
of which outside Germany	59	3	5	57

[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. Linde made no significant acquisitions during the reporting period. Therefore, acquisitions made in the first half of 2014 are described below in aggregate rather than on an individual basis.

In the first six months of 2014, Linde made acquisitions to expand its industrial gases business and in the Healthcare product area in the EMEA and Americas reportable segments. The total purchase price for these acquisitions (including existing shares restated at fair value) was EUR 40 m, of which EUR 29 m was settled in cash. The total purchase price includes deferred purchase price payments. Sometimes separate transactions were agreed with former owners. In the course of successive acquisitions, revenue of EUR 1 m was generated from the measurement of existing shares (EUR 2 m) at fair value and recognised in the share of profit or loss from associates and joint ventures.

In the course of these 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 34 m, including fair value adjustments in the course of purchase price allocations of EUR 10 m. Part of the goodwill (EUR 24 m) is tax-deductible. Receivables acquired, which are all trade receivables, have a fair value of EUR 4 m. The gross value of the receivables is EUR 5 m. The difference between the gross value of the receivables and their fair value is a provision for bad debts.

Since their respective dates of acquisition, the companies acquired have generated revenue of EUR 10 m and profit after tax of EUR 3 m. If the companies acquired had already belonged to the Group as at 1 January 2014, they would have contributed EUR 16 m to Group revenue and EUR 5 m to the Group's profit after tax in the first half of 2014.

18 IMPACT OF ACQUISITIONS ON NET ASSETS OF THE LINDE GROUP

Opening balance at acquisition date	*Fair value*
in € million	
Non-current assets	11
Inventories	2
Other current assets	6
Cash and cash equivalents	1
Equity	6
Liabilities	14

[4] Foreign currency translation

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

The principal exchange rates used are as follows:

19 PRINCIPAL EXCHANGE RATES

Exchange rate € 1 =	ISO code	Mid-rate on balance sheet date 30.06.2014	Mid-rate on balance sheet date 31.12.2013	Average rate January to June 2014	Average rate January to June 2013
Argentina	ARS	11.09178	8.95964	10.72796	6.73071
Australia	AUD	1.45045	1.54138	1.49891	1.29534
Brazil	BRL	2.99221	3.24694	3.14643	2.66967
Canada	CAD	1.45743	1.46024	1.50274	1.33328
China	CNY	8.46157	8.32176	8.45064	8.12413
Czech Republic	CZK	27.45050	27.34217	27.44301	25.68837
Hungary	HUF	309.80532	297.42220	306.84198	296.12447
Malaysia	MYR	4.38185	4.50663	4.47616	4.03734
Norway	NOK	8.35982	8.34149	8.27748	7.52539
Poland	PLN	4.15488	4.15335	4.17456	4.17759
South Africa	ZAR	14.44217	14.42918	14.66368	12.10399
South Korea	KRW	1,380.02700	1,451.19958	1,438.21055	1,449.51539
Sweden	SEK	9.19500	8.85071	8.95400	8.53202
Switzerland	CHF	1.21601	1.22759	1.22145	1.22970
Turkey	TRY	2.90000	2.94955	2.96470	2.38034
UK	GBP	0.80155	0.83017	0.82133	0.85063
USA	USD	1.36400	1.37460	1.37054	1.31272

On 24 March 2014, the government in Venezuela introduced the new auction-based exchange rate system SICAD II, under which currency can be acquired at a rate which is not fixed. The current exchange rate under this system is 52.0 bolivars to the US dollar, significantly higher than the exchange rate fixed by the government which has applied until now of 6.3 bolivars to the US dollar.

Since 1 January 2010, Linde's activities in Venezuela, which is classified as a hyperinflationary economy in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, have been disclosed after adjustment for the effects of inflation. The rate of inflation is calculated using the country's inflation index INPC, which is published at monthly intervals by the Banco Central de Venezuela.

The Linde Group has felt the impact (on its foreign currency translation and on its transactions) of applying the new SICAD II exchange rate from 1 April 2014 and of adjusting for the effects of inflation by using hyperinflationary accounting. Whereas the impact on Linde's foreign currency translation arises solely from the translation of the local currency into the reporting currency (the euro), the impact on Linde's transactions arises from the measurement of business transactions in foreign currency.

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

Assets which were disclosed at 31 December 2013 as non-current assets held for sale were sold as planned during the reporting period. The total figure for these assets of EUR 13 m comprised land with a carrying amount of EUR 3 m in the EMEA segment and land and buildings with a carrying amount of EUR 10 m in the Asia/Pacific segment.

[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.

During the reporting period, Linde transferred an amount of EUR 300 m in respect of the German defined benefit pension plans to the existing Contractual Trust Arrangement (CTA). The funds allocated were obtained by issuing a bond for the same amount. The increase in plan assets led to a reduction in the net interest expense in respect of defined benefit pension obligations in Germany.

At 30 June 2014, 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 a decrease in equity of EUR 138 m (after deferred tax) when compared with the figure at 31 December 2013.

[7] Net financial debt

20 NET FINANCIAL DEBT

	Current		Non-current		Total	
in € million	*30.06.2014*	*31.12.2013*	*30.06.2014*	*31.12.2013*	*30.06.2014*	*31.12.2013*
Financial debt	1,787	1,161	8,800	8,416	10,587	9,577
Less: Securities	323	170	–	–	323	170
Less: Cash and cash equivalents	1,082	1,178	–	–	1,082	1,178
NET FINANCIAL DEBT	**382**	**–187**	**8,800**	**8,416**	**9,182**	**8,229**

In May 2014, Linde Finance B.V. issued a ten-year EUR 300 m bond under the EUR 10 bn Debt Issuance Programme. The money generated by this transaction was used for the external funding of German pension obligations, which had until that point in time been funded internally by the Group in the form of provisions for pensions.

Of the financial debt at 30 June 2014, EUR 3.071 bn (31 December 2013: EUR 2.992 bn) is in a fair value hedging relationship. If there had been no adjustment to the carrying amount as a result of fair value hedging relationships which had been agreed and were outstanding at the end of the reporting period, the financial debt of EUR 10.587 bn (31 December 2013: EUR 9.557 bn) would have been EUR 118 m (31 December 2013: EUR 91 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 183 m (31 December 2013: EUR 228 m) in respect of these agreements has been disclosed in bank loans and overdrafts as part of financial debt and an amount of EUR 12 m (31 December 2013: EUR 0 m) has been disclosed in cash equivalents.

For individual categories of financial assets and financial liabilities in The Linde Group, the carrying amount of the item is generally a reasonable approximation of the fair value of the item. This does not apply to receivables from finance leases or to financial debt. In the case of receivables from finance leases, the fair value is EUR 399 m, while the carrying amount is EUR 304 m. The fair value of the financial debt is EUR 11.078 bn, compared with its carrying amount of EUR 10.587 bn. The fair value of financial instruments is generally determined using quoted market prices. If no quoted market prices are available, the financial instruments are measured using valuation methods customary in the market, based on market parameters specific to that instrument. At the balance sheet date, the figure for investments and securities included assets of EUR 315 m in respect of which the value had been determined by quoted prices in active markets for identical financial instruments (Level 1). The investments and securities category also included financial assets (available-for-sale financial assets) of EUR 37 m for which a fair value cannot be reliably determined. For these assets, there are neither observable market prices, nor sufficient information for a reliable valuation using other valuation methods. There is currently no intention to sell these assets.

For derivative financial instruments, the fair value is determined as follows. Options are measured by external partners using Black-Scholes pricing models. Futures are measured with recourse to the quoted market price in the relevant market. Included in derivatives at the balance sheet date were assets of EUR 387 m and liabilities of EUR 235 m in respect of which the values were determined 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

21 EARNINGS PER SHARE

in € million	January to June 2014	January to June 2013
Profit for the period attributable to Linde AG shareholders	624	660
Shares in thousands		
Weighted average number of shares outstanding	185,598	185,232
Dilution as a result of share option schemes	766	917
Weighted average number of shares outstanding – diluted	186,364	186,149
EARNINGS PER SHARE IN € – UNDILUTED	**3.36**	**3.56**
EARNINGS PER SHARE IN € – DILUTED	**3.35**	**3.55**

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

During the reporting period, in the course of internal restructuring of the business in the Americas reportable segment, the Regional Business Unit (RBU) South America was merged with RBU North America with effect from 1 January 2014. The new Regional Business Unit, RBU Americas, combines the respective regional strengths of the two former RBUs to form an efficient joint organisation and is now even better positioned to respond effectively to customer needs. The operating business in the Gases Division is therefore now divided between seven Regional Business Units. The Gases Division continues to comprise three reportable segments (EMEA, Asia/Pacific and the Americas) which remain unaffected by the organisational change described. The Linde Group continues to comprise five reportable segments in all.

The same principles apply to segment reporting in the half-year financial report as those described in the Group financial statements for the year ended 31 December 2013.

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 63 m (2013: EUR 59 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:

22 RECONCILIATION OF SEGMENT REVENUE AND OF THE SEGMENT RESULT

in € million	January to June 2014	January to June 2013
Revenue		
Total revenue from the reportable segments	8,527	8,551
Consolidation	–315	–344
GROUP REVENUE	**8,212**	**8,207**
Operating profit		
Operating profit from the reportable segments	2,030	2,088
Operating profit from Corporate activities	–119	–109
Amortisation and depreciation	823	869
of which fair value adjustments identified in the course of the BOC purchase price allocation	103	115
of which impairments	1	3
Financial income	27	40
Financial expenses	206	226
Consolidation	–15	–13
PROFIT BEFORE TAX	**894**	**911**

[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 210 TO 227 OF THE 2013 FINANCIAL REPORT.

Services provided by related companies totalled EUR 63 m (2013: EUR 62 m). Revenue from related companies was immaterial in 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.

23 RECEIVABLES FROM AND LIABILITIES TO RELATED PARTIES

	30.06.2014			31.12.2013		
in € million	Non-consolidated subsidiaries	Associates or joint ventures	Total	Non-consolidated subsidiaries	Associates or joint ventures	Total
Receivables from related parties	4	32	36	4	38	42
Liabilities to related parties	–	36	36	1	37	38

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 or appointment agreements or remuneration contracts.

Some members of Linde's Executive and Supervisory Boards hold similar positions in other companies. Linde has normal business relationships with virtually all these companies. The sale and purchase of goods and services takes 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 when compared with the information provided about contingent liabilities and legal proceedings on *PAGE 207 OF THE 2013 FINANCIAL REPORT*. The consolidated figure for other financial commitments arising from investments in tangible and intangible assets (commitments arising from orders) at 30 June 2014 was EUR 404 m (31 December 2013: EUR 353 m).

[12] Reconciliation of key financial figures

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

24 ADJUSTED FINANCIAL FIGURES

	January to June					
	2014			*2013*		
in € million	*As reported*	*Non-GAAP adjustments*	*Adjusted key financial figures*	*As reported*	*Non-GAAP adjustments*	*Adjusted key financial figures*
Revenue	8,212	–	8,212	8,207	–	8,207
Cost of sales	−5,316	20	−5,296	−5,138	24	−5,114
GROSS PROFIT	**2,896**	**20**	**2,916**	**3,069**	**24**	**3,093**
Research and development costs, marketing, selling and administration expenses	−1,959	83	−1,876	−2,009	91	−1,918
Other operating income and expenses	123	–	123	25	–	25
Share of profit or loss from associates and joint ventures (at equity)	13	–	13	12	–	12
EBIT	**1,073**	**103**	**1,176**	**1,097**	**115**	**1,212**
Financial result	−179	–	−179	−186	–	−186
Taxes on income	−214	−28	−242	−196	−37	−233
PROFIT FOR THE YEAR	**680**	**75**	**755**	**715**	**78**	**793**
attributable to Linde AG shareholders	624	75	699	660	78	738
attributable to non-controlling interests	56	–	56	55	–	55
EARNINGS PER SHARE IN € – UNDILUTED	**3.36**	–	**3.77**	**3.56**	–	**3.98**
EARNINGS PER SHARE IN € – DILUTED	**3.35**	–	**3.75**	**3.55**	–	**3.96**

[13] Discretionary decisions and estimates

The preparation of the Linde half-year financial report in accordance with IFRS requires discretionary decisions and estimates for some items which 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 determination of the estimated useful lives of tangible assets and the assessment as to which components of cost may be capitalised,
- the assessment of the need to recognise provisions for doubtful debts,
- the recognition and measurement of pension obligations,
- the recognition and measurement of other provisions,
- the assessment of the stage of completion of long-term construction contracts,
- the assessment of lease transactions,
- the measurement of assets acquired and liabilities assumed on the formation of business combinations,
- the assessment as to whether Linde exercises control, joint control or significant influence over companies in which it holds less than 100 percent of the voting rights.

Any change in the key factors which are applied 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.

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

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

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

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

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

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

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

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

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

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

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

[14] Events after the balance sheet date

No significant events have occurred for The Linde Group since the end of the reporting period on 30 June 2014.

MUNICH, 28 JULY 2014

DR WOLFGANG BÜCHELE
[CHIEF EXECUTIVE OFFICER]

PROFESSOR DR ALDO BELLONI
[MEMBER OF THE EXECUTIVE BOARD]

THOMAS BLADES
[MEMBER OF THE EXECUTIVE BOARD]

GEORG DENOKE
[MEMBER OF THE EXECUTIVE BOARD]

SANJIV LAMBA
[MEMBER OF THE EXECUTIVE BOARD]

REVIEW REPORT

To Linde Aktiengesellschaft, Munich

We have reviewed the condensed interim consolidated financial statements – comprising the Group statement of profit or loss, the Group statement of comprehensive income, the Group statement of financial position, the Group statement of cash flows, the statement of changes in Group equity and selected explanatory notes – together with the Group interim management report of Linde Aktiengesellschaft, Munich, for the period from 1 January to 30 June 2014 that are part of the semi annual financial report according to § 37 w German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the Group interim management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the Group interim management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the Group interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the Group interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

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

MUNICH, 28 JULY 2014

KPMG AG
[WIRTSCHAFTSPRÜFUNGS-GESELLSCHAFT]

BECKER [WIRTSCHAFTS-PRÜFER]	SCHENK [WIRTSCHAFTS-PRÜFER]

RESPONSIBILITY STATEMENT

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

MUNICH, 28 JULY 2014

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FINANCIAL CALENDAR

[1]
INTERIM REPORT
JANUARY TO JUNE 2014
29 July 2014

[2]
AUTUMN PRESS CONFERENCE
2014
30 October 2014
Carl von Linde Haus, Munich
Germany

[3]
INTERIM REPORT
JANUARY TO SEPTEMBER 2014
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Further information about Linde can be obtained from us on request.

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