

# H1

LINDE HALF-YEAR FINANCIAL REPORT  
JANUARY TO JUNE 2016





# LINDE FINANCIAL HIGHLIGHTS

[H1 – JANUARY TO JUNE 2016]

<i>Linde financial highlights</i>		<i>January to June 2016</i>	<i>January to June 2015</i>	<i>Change</i>
<i>Share</i>				
Closing price	€	125.35	169.90	-26.2%
Year high	€	136.45	193.85	-29.6%
Year low	€	115.85	149.30	-22.4%
Market capitalisation (at closing price on 30 June 2016)	€ million	23,270	31,540	-26.2%
Earnings per share - undiluted	€	3.40	3.12	9.0%
Earnings per share - undiluted (before non-recurring items)	€	3.40	3.65	-6.8%
Number of shares outstanding at the end of the reporting period	000s	185,638	185,638	-
<i>Group</i>				
Revenue	€ million	8,560	9,036	-5.3%
Operating profit <sup>1</sup>	€ million	2,017	2,104	-4.1%
Operating margin	%	23.6	23.3	+30 bp <sup>3</sup>
EBIT	€ million	1,092	1,025	6.5%
Profit for the period	€ million	687	629	9.2%
Number of employees <sup>2</sup>		65,845	64,538	2.0%
<i>Gases Division</i>				
Revenue	€ million	7,327	7,554	-3.0%
Operating profit <sup>1</sup>	€ million	2,054	2,091	-1.8%
Operating margin	%	28.0	27.7	+30 bp <sup>3</sup>
<i>Engineering Division</i>				
Revenue	€ million	1,085	1,351	-19.7%
Operating profit <sup>1</sup>	€ million	89	114	-21.9%
Operating margin	%	8.2	8.4	-20 bp <sup>3</sup>

<sup>1</sup> EBIT (before non-recurring items) adjusted for amortisation of intangible assets and depreciation of tangible assets. For an explanation of the financial performance indicators given in this interim report, SEE PAGES 45 TO 46 of the 2015 Financial Report.

<sup>2</sup> At 30 June 2016/31 December 2015.

<sup>3</sup> Basis points.

# LINDE HALF-YEAR FINANCIAL REPORT

[H1 – JANUARY TO JUNE 2016]

## JANUARY TO JUNE 2016: LINDE EARNINGS IN LINE WITH EXPECTATIONS

- Group revenue of EUR 8.560 bn affected by exchange rate effects
- Group operating profit<sup>1</sup>: EUR 2.017 bn; after adjusting for exchange rate effects similar to figure for first half of 2015
- Operating margin improves further to 23.6 percent
- Group outlook for 2016 confirmed

<sup>1</sup> EBIT (before non-recurring items) adjusted for the amortisation of intangible assets and the depreciation of tangible assets.

# GROUP INTERIM MANAGEMENT REPORT

GROUP INTERIM 1  
MANAGEMENT REPORT  
ADDITIONAL COMMENTS >20

## General economic environment

Economic experts from international economic research and forecasting institute Oxford Economics<sup>1</sup> are expecting global economic trends in the current year to be somewhat weaker than in 2015. The institute is projecting an increase in global gross domestic product (GDP) for the full year 2016 of 2.3 percent. Growth in 2015 was 2.5 percent. Oxford Economics is forecasting an increase in global industrial production (IP) for the full year 2016 of 1.6 percent (2015: 1.6 percent).

Once again, the main factors influencing the global economy are the economies of the emerging nations, especially China but also Brazil and Russia. Growth in the United States remains consumer-driven, while industrial production continues to be weak, despite the situation in the oil and commodity markets having become slightly more stable since the beginning of the year. The result of the British referendum on whether it should remain in the European Union (Brexit) will have hardly any impact on the global economy in 2016 unless there is a global decline in consumer and business confidence which has a short-term impact on consumption and investment. In the medium term, the economic consequences for the UK are not yet foreseeable.

However, in the EMEA region (Europe, Middle East, Africa), economists are expecting an increase of 1.6 percent in economic output, compared with 1.5 percent growth in economic output in 2015. Industrial production is forecast to grow by 1.3 percent (2015: 1.0 percent). There is a great deal of variation in the projected trends for individual regions. The forecasts for Germany and the eurozone might still be relatively cautious, but they are nevertheless slightly above the actual figures for 2015. GDP in the eurozone is projected to rise by 1.7 percent in 2016, compared with an increase in 2015 of 1.6 percent. The forecast for GDP growth in Germany is 1.7 percent, compared with an increase in 2015 of 1.5 percent. In the UK, following the Brexit vote, economists are now projecting moderate GDP growth of 1.8 percent (2015: 2.2 percent). Great uncertainty is attached to the forecasts for the coming years, as these will depend to a significant extent on the progress, prospects and outcome of the negotiations between the United Kingdom and the European Union on the UK's exit from the EU. Relatively

positive trends are also expected in the Middle East, with GDP projected to rise by 1.3 percent. However, the forecast growth there is well below the figure for 2015 of 3.5 percent. In Eastern Europe, a slight increase in GDP of 0.8 percent is expected, compared with a fall in 2015 of 0.6 percent. It is not yet possible to foresee what might be the potential consequences of recent events in Turkey. The forecasts for Russia are much worse. Although the recent recovery in the oil price has brought some relief, economic sanctions are continuing to have an adverse impact on economic trends in the country in the current year. Economic experts are therefore expecting GDP in Russia to fall by 1.0 percent, following a contraction in the economy of 3.7 percent in 2015. In 2016, industrial production is projected to fall by 1.1 percent, compared with a drop of 3.0 percent in 2015. In South Africa, Linde's largest market in Africa, economic output is expected to rise by 0.3 percent, compared with an increase of 1.3 percent in 2015.

As in previous years, the economic experts are expecting the Asia/Pacific region once again to achieve the highest rates of growth. Oxford Economics is forecasting GDP growth in that region for the full year 2016 of 4.1 percent (2015: 4.2 percent). The Chinese economy is projected to grow by 6.5 percent in 2016 (2015: 6.9 percent). Chinese fiscal policy and the construction sector will make a major contribution to growth. It remains to be seen whether this trend will be sustained over the next few years. Industrial production is forecast to rise by 5.5 percent in 2016, compared with IP of 6.0 percent in 2015. In addition to China, India is one of the main growth drivers in this region. GDP in India is projected to increase by 7.5 percent (2015: 7.2 percent). The economic experts are expecting industrial production in India to rise by 3.8 percent, once again exceeding the growth rate set in the previous year. In 2015, IP growth in India was 3.2 percent. In Australia, the forecasting institute is predicting GDP growth of 2.9 percent (2015: 2.5 percent). This increase will come primarily from the expansion of the service sector, which generates around 70 percent of the country's economic output.

In the Americas region as a whole, Oxford Economics is forecasting an increase in economic output in 2016 of 1.3 percent (2015: 1.6 percent). The main driver of this trend is the United States, where GDP growth is projected to be 2.0 percent (2015: 2.4 percent). Reasons given for this growth by the economic experts are an increase in net household income and a stable labour market. However, industrial production is forecast to fall in 2016 by 0.7 percent (2015: 0.3 percent), because energy-related industries such as mining are suffering the effects of low commodity prices. Growth in manufacturing is expected to be just under 1.0 percent. In South America, economists are forecasting that the decline in growth will continue, with a fall of 1.9 percent in GDP in 2016, following a drop of 1.8 percent in 2015. The main reasons for this are the unstable economic and political situation in Brazil, where GDP has fallen by 3.4 percent in 2016 and fell by 3.8 percent in 2015, and the economic crisis and national crisis in Venezuela.

<sup>1</sup> © 2016 Oxford Economics. All rights reserved.

## Business review of The Linde Group

Revenue fell in the first half of 2016 by 5.3 percent to EUR 8.560 bn, when compared with the figure for the first half of 2015 of EUR 9.036 bn. Operating profit was EUR 2.017 bn (2015: EUR 2.104 bn), which was 4.1 percent below the figure for the first six months of 2015. The main factors leading to this decrease were adverse exchange rate effects and the lower contribution made to revenue and earnings by the Engineering Division in line with expectations. The initial impact of price reductions on revenue in the Healthcare business in North America as a result of government tenders was offset by the consolidation for the first time of American HomePatient. After adjusting for exchange rate effects arising solely on the translation of local currencies into the euro, Group revenue was 1.6 percent below the figure for the prior-year period. Group operating profit fell after adjusting for exchange rate effects by 0.5 percent<sup>1</sup>.

The Group operating margin for the first six months of 2016 was 23.6 percent, which was 30 basis points higher than the figure of 23.3 percent for the first six months of 2015. Contributing to this improvement were the efficiency measures introduced in 2015.

Cost of sales decreased by 7.3 percent, a greater percentage decrease than that in revenue. Cost of sales fell to EUR 5.426 bn (2015: EUR 5.851 bn). The gross margin increased as a result to 36.6 percent (2015: 35.2 percent). This was mainly due to the lower contribution to revenue made by the Engineering Division in the first half of 2016 compared with the first half of 2015.

EBIT in the six months to 30 June 2016 was EUR 1.092 bn, which was 6.5 percent above the figure for the first half of 2015 of EUR 1.025 bn. It should be noted here that in 2015 Linde recognised restructuring costs. These costs, which were classified as non-recurring items, related to structural and organisational measures taken to enhance the efficiency of the Group as part of the Customer Focus Initiative.

The net financial expense in the first half of 2016 was EUR 183 m (2015: 198 m). Linde therefore generated a profit before tax of EUR 909 m (2015: EUR 827 m).

The income tax expense was EUR 222 m (2015: EUR 198 m). This gives an income tax rate of 24.4 percent (2015: 23.9 percent). In the first six months of 2016, Linde's profit for the period (after deducting the tax expense) was EUR 687 m (2015: EUR 629 m).

After adjusting for non-controlling interests, profit for the period attributable to Linde AG shareholders was EUR 632 m (2015: EUR 579 m), giving earnings per share of EUR 3.40 (2015: EUR 3.12).

## Gases Division

Linde's revenue in the Gases Division in the first six months of 2016 was EUR 7.327 bn, a decrease of 3.0 percent when compared with the figure for the prior-year period of EUR 7.554 bn. After adjusting for exchange rate effects, revenue in the Gases Division increased by 1.1 percent. On a comparable basis (after also adjusting for changes in the price of natural gas), the growth in revenue was 2.1 percent.

Operating profit was EUR 2.054 bn, which was below the figure for the first half of 2015 of EUR 2.091 bn. Operating profit increased by 1.9 percent after adjusting for exchange rate effects. The operating margin in the first half of 2016 rose to 28.0 percent (2015: 27.7 percent), due partly to lower prices for natural gas.

### *EMEA (Europe, Middle East, Africa)*

In EMEA, Linde's largest sales market, the Group generated revenue of EUR 2.861 bn in the first half of 2016, which was 4.8 percent below the figure for the first half of 2015 of EUR 3.005 bn. On a comparable basis, revenue was at a similar level to that generated in the prior-year period. Operating profit was EUR 889 m, a decrease of 2.8 percent when compared with the figure for the first half of 2015 of EUR 915 m. The operating margin rose to 31.1 percent (2015: 30.4 percent). It should be noted that costs designed to enhance efficiency were recognised during the reporting period in the EMEA segment. These costs were offset by income from changes to pension plans and profits on the disposal of non-current assets.

Different business trends were to be seen in the product areas of the various sub-regions of the EMEA segment. The on-site business was affected in particular by the insolvency of a customer in the UK. This was disclosed in the fourth quarter of 2015. In the Middle East & Eastern Europe and in Northern Europe, Linde was able to achieve revenue growth in this product area. Revenue in the liquefied gases business was similar to that achieved in the prior-year period. The cylinder gas product area saw relatively stable trends.

During the reporting period, Linde brought on stream two air separation plants in Russia. The plants provide its customer SIBUR under a long-term gas supply agreement with up to 28,000 normal cubic metres of oxygen per hour at its Dzerzhinsk site. Total investment in the project was around EUR 70 m. SIBUR is the largest petrochemical group in Russia and Eastern Europe.

In the first half of 2016, Linde also agreed a Letter of Intent (LoI) with Turkish steel-producer Erdemir Group for the formation of a joint venture company to build an air separation plant in Iskenderun in southern Turkey. From 2017, the new plant (which will be the biggest air separation plant operated by a gas producer in Turkey) will supply steelworks run by Erdemir's subsidiary Isdemir with up to 1,700 tonnes of oxygen and nitrogen per day.

In May 2016, Linde announced that it had signed an agreement with alternative energy company Renergen.

<sup>1</sup> To calculate growth in revenue and earnings after adjusting for exchange rate effects and changes in the price of natural gas, prior-year figures have been revised.

The Free State Helium and Natural Gas plant near Welkom in South Africa is expected to commence operations in 2018. Under the terms of the agreement, Renergen will supply Linde with helium and Linde will have the distribution rights. Linde's Engineering Division will provide its high-tech patented extraction technology, a pioneering system to extract the helium and then to purify, compress and store it. Linde's African subsidiary Afrox will operate the plant and market the helium. Along with its helium sources in the United States, Qatar, Australia and Algeria, this new supply agreement reinforces Linde's position as a supplier with access to highly diversified helium sources.

### *Asia/Pacific*

Linde generated revenue in the Asia/Pacific segment in the six months to 30 June 2016 of EUR 1.976 bn, which was 5.3 percent below the figure for the first six months of 2015 of EUR 2.086 bn. On a comparable basis, revenue increased by 1.5 percent. Operating profit was EUR 513 m, 4.6 percent below the figure for the prior-year period of EUR 538 m, while the operating margin rose to 26.0 percent (2015: 25.8 percent).

Revenue growth in the Asia/Pacific segment was achieved above all in the on-site business and the liquefied gases business. In South & East Asia in particular, positive trends were to be seen in all product areas.

In the South Pacific, the prevailing weak economic environment in manufacturing and declining investment in the mining industry had an adverse impact on growth. Appropriate structural and organisational countermeasures have already been implemented as part of the Customer Focus Initiative. These should lead to cost savings and a higher rate of profitability in the region. The expiry of an on-site contract in the second quarter of 2015 also reduced revenue here.

Two large air separation plants built by Linde for Tata Steel Limited, one of the world's biggest steel companies, at its site in the Kalinganagar industrial complex in Odisha, India, were successfully brought on stream during the reporting period. The plants were built by Linde's Engineering Division and involved investment of around EUR 80 m. Linde's Gases Division is now operating the plants under a long-term on-site gas supply contract. Each of the two new air separation plants has a production capacity of 1,200 tonnes of air gases per day and supplies gaseous oxygen, nitrogen and argon to Tata Steel's steelworks. Liquefied gases are also produced for the regional market.

Linde Eastern Oxygen Sdn Bhd (Linde EOX), a subsidiary of Linde Malaysia Sdn Bhd, announced during the reporting period that it was going to build an air separation plant in Tanjung Kidurong. The investment is worth around EUR 7 m. The plant, which is expected to come on stream in 2017, will have a production capacity of 33 tonnes of air gases per day. Together with its existing air separation plant in Kuching, the new plant will make Linde EOX the largest producer of liquefied gases in Eastern Malaysia.

In China, Linde was able to bring two air separation plants on stream as scheduled. Both the air separation plants produce electronic gases for customers in the semiconductor industry. An air separation plant was also brought on stream in Taiwan. This plant supplies gases to the customer TSMC for the production of semiconductors. The investment was worth around EUR 22 m.

### *Americas*

In the Americas segment, revenue increased in the first half of 2016 by 1.0 percent to EUR 2.578 bn (2015: EUR 2.552 bn). On a comparable basis, revenue rose by 5.3 percent. When compared with the prior-year period, operating profit increased by 2.2 percent to EUR 652 m (2015: EUR 638 m). The operating margin rose to 25.3 percent (2015: EUR 25.0 percent). The reorganisation of pension plans had a positive impact here.

In the Healthcare business in North America, the initial impact of the price reductions as a result of government tenders is now being felt. Significant further price cuts have taken effect since 1 July 2016.

During the reporting period, Linde announced that it planned to sell two Lincare subsidiaries in the course of the financial year. These companies deal in medicines and pharmaceutical products and have already been reclassified as disposal groups held for sale. *SEE ALSO NOTE [5] IN THE ADDITIONAL COMMENTS SECTION OF THIS REPORT.* In the second half of 2016, the deconsolidation of these two companies is expected to lead to a reduction in revenue in Linde's Healthcare segment.

The acquisition of the company American HomePatient, Inc., which specialises in respiratory therapies, should help counter the negative impact of the price reductions by increasing the number of patients cared for by Linde. The contribution to revenue made by American HomePatient in the first half of 2016 was EUR 116 m.

Linde also continually adapts its cost structures in this area and pursues a policy of organic growth.

Positive trends were to be seen in the liquefied gases and cylinder gas business in North America, mainly as a result of the market for electronic and specialty gases.

The conditions in the individual countries in South America, especially in Brazil and Venezuela, continued to worsen in the first half of 2016. The economic situation in the region is characterised by high inflation and low growth rates. Although the trends in all the product areas in South America were positive, the growth achieved is from a relatively low base in the prior-year period. Solid trends were to be seen in the Healthcare business.

### Product areas

Boosted by the acquisition of American HomePatient, Linde increased revenue in its Healthcare business in the first half of 2016 on a comparable basis by 8.5 percent to EUR 1.907 bn (2015: EUR 1.758 bn). After adjusting in addition for the contribution to revenue made by American HomePatient, revenue growth in this business was 1.8 percent.

In the on-site product area, revenue fell on a comparable basis by 0.8 percent to EUR 1.804 bn (2015: EUR 1.819 bn). After adjusting for the effects of the expiry of contracts, revenue in this product area was 1.1 percent higher than in the first half of 2015.

Trends in the liquefied gases business were relatively steady. Revenue here increased slightly by 0.5 percent to EUR 1.709 bn (2015: EUR 1.700 bn). In the cylinder gas business, revenue on a comparable basis was EUR 1.907 bn, which was 0.5 percent above the figure for the first six months of 2015 of EUR 1.898 bn.

#### € 1 GASES DIVISION: REVENUE AND OPERATING PROFIT BY SEGMENT

in € million	January to June 2016			January to June 2015		
	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	2,861	889	31.1	3,005	915	30.4
Asia/Pacific	1,976	513	26.0	2,086	538	25.8
Americas	2,578	652	25.3	2,552	638	25.0
Consolidation	-88	-	-	-89	-	-
<b>GASES DIVISION</b>	<b>7,327</b>	<b>2,054</b>	<b>28.0</b>	<b>7,554</b>	<b>2,091</b>	<b>27.7</b>

#### € 2 GASES DIVISION: REVENUE AND OPERATING PROFIT BY SEGMENT

in € million	2nd Quarter 2016			2nd Quarter 2015		
	Revenue	Operating profit	Operating margin in percent	Revenue	Operating profit	Operating margin in percent
EMEA	1,451	459	31.6	1,533	474	30.9
Asia/Pacific	1,007	259	25.7	1,092	286	26.2
Americas	1,294	330	25.5	1,300	323	24.8
Consolidation	-46	-	-	-43	-	-
<b>GASES DIVISION</b>	<b>3,706</b>	<b>1,048</b>	<b>28.3</b>	<b>3,882</b>	<b>1,083</b>	<b>27.9</b>

#### € 3 REVENUE ON A COMPARABLE BASIS BY SEGMENT

in € million	30.06.2016	30.06.2015	Exchange rate effect	Currency-adjusted revenue trend in percent	Effect of natural gas prices	Revenue trend on a comparable basis in percent
Gases Division	7,327	7,554	-310	1.1	-69	2.1
EMEA	2,861	3,005	-113	-1.1	-25	-0.2
Asia/Pacific	1,976	2,086	-120	0.5	-19	1.5
Americas	2,578	2,552	-78	4.2	-25	5.3



## Engineering Division

Revenue in the Engineering Division fell in the first half of 2016 by 19.7 percent to EUR 1.085 bn (2015: EUR 1.351 bn). Operating profit here also dropped to EUR 89 m (2015: EUR 114 m). The operating margin was 8.2 percent (2015: 8.4 percent). This continues to be above the industry average and matched the target of around 8 percent Linde has set itself for the current financial year. The order backlog in the Engineering Division at 30 June 2016 remained solid at EUR 4.095 bn (31 December 2015: EUR 4.541 bn).

Order intake in the six months to 30 June 2016 was EUR 718 m, which was slightly below the figure for the first half of 2015 of EUR 724 m. Due to the persistently low price of oil, slack demand continues to be evident in the plant construction sector.

Around 30 percent of new orders related to air separation plants. Just over half of these are in-house contracts acquired by the Engineering Division in the reporting period from the Gases Division.

Shell has commissioned the Engineering Division to provide procurement and supply services for the construction of an ethylene plant and two polyethylene plants in Pennsylvania, USA. In addition, Linde Engineering will set up equipment such as process furnaces, plate heat exchangers and a PSA (pressure swing adsorption) plant. The total value of the order is around EUR 340 m, of which around EUR 180 m was included in order intake in the first half of 2016. The remaining amount was recognised in 2015.

The Engineering Division has also been commissioned by its customer JSC "Grodno Azot" in Belarus to build two air separation plants, each with a capacity of 9,000 normal cubic metres of oxygen per hour. Linde is responsible for the engineering and the procurement. The value of the contract is around EUR 30 m. The plants are due to be completed in the second quarter of 2018.

### 4 ENGINEERING DIVISION

<i>in € million</i>	<i>2nd Quarter</i>		<i>January to June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Revenue	517	683	1,085	1,351
Order intake	408	444	718	724
Order backlog at 30.06./31.12.	-	-	4,095	4,541
Operating profit	43	57	89	114
Operating margin	8.3%	8.3%	8.2%	8.4%

### 5 ENGINEERING DIVISION: ORDER INTAKE BY PLANT TYPE

<i>in € million</i>	<i>January to June</i>			
	<i>2016</i>	<i>in percent</i>	<i>2015</i>	<i>in percent</i>
Natural gas plants	81	11.3	223	30.8
Air separation plants	199	27.7	79	10.9
Olefin plants	247	34.4	142	19.6
Hydrogen and synthesis gas plants	108	15.0	139	19.2
Other	83	11.6	141	19.5
<b>ENGINEERING DIVISION</b>	<b>718</b>	<b>100.0</b>	<b>724</b>	<b>100.0</b>

### 6 ENGINEERING DIVISION: ORDER INTAKE BY PLANT TYPE

<i>in € million</i>	<i>2nd Quarter</i>			
	<i>2016</i>	<i>in percent</i>	<i>2015</i>	<i>in percent</i>
Natural gas plants	55	13.5	139	31.3
Air separation plants	48	11.8	43	9.7
Olefin plants	209	51.2	104	23.4
Hydrogen and synthesis gas plants	51	12.5	83	18.7
Other	45	11.0	75	16.9
<b>ENGINEERING DIVISION</b>	<b>408</b>	<b>100.0</b>	<b>444</b>	<b>100.0</b>

## Finance

Once again during the reporting period there was a positive trend in cash flow from operating activities. In the first six months of 2016, it increased by 3.2 percent to EUR 1.634 bn (2015: EUR 1.583 bn). The change in working capital was EUR –11 m as a result of the higher figure for advance payments received from plant construction customers (2015: EUR –10.0 m). In addition, income taxes paid fell as a result of tax repayments by EUR 48 m to EUR 191 m (2015: EUR 239 m).

Linde spent a total of EUR 820 m during the reporting period on investments in tangible assets, intangible assets and financial assets, which was below the figure for the first half of 2015 of EUR 901 m. Payments made for investments in consolidated companies rose to EUR 181 m (2015: EUR 98 m), most of which related to the acquisition of US company American HomePatient, Inc. Payments of EUR 1.035 bn were made in the first six months of 2016 to purchase securities for the purpose of short-term investment (2015: EUR 152 m). The net cash outflow from investing activities during the reporting period was EUR 1.936 bn, which was EUR 930 m higher than the net cash outflow from investing activities in the prior-year period of EUR 1.006 bn. At 30 June 2016, free cash flow was EUR –302 m (2015: EUR 577 m).

Within cash flow from financing activities, the amount by which loan proceeds exceeded loan redemptions increased from EUR 444 m to EUR 1.209 bn. The net cash inflow from financing activities in the first half of 2016 was EUR 313 m (2015: net cash outflow of EUR 367 m).

Total assets increased by EUR 277 m, from EUR 35.347 bn at 31 December 2015 to EUR 35.624 bn at 30 June 2016. Almost all the balance sheet items felt the impact of adverse exchange rate effects.

At 30 June 2016, goodwill stood at EUR 11.445 bn, which was EUR 159 m below the figure at 31 December 2015 of EUR 11.604 bn. The decrease in goodwill was mainly due to two opposing factors. Adverse exchange rate effects of EUR 280 m reduced goodwill, while additions as a result of acquisitions led to an increase in goodwill of EUR 154 m.

Other intangible assets, comprising customer relationships, brand names and sundry intangible assets, decreased by EUR 202 m, from EUR 2.760 bn at 31 December 2015 to EUR 2.558 bn at 30 June 2016. Negative exchange rate effects of EUR 99 m and amortisation of EUR 145 m were set against additions of EUR 35 m.

Tangible assets are stated at a carrying amount of EUR 12.392 bn at 30 June 2016 (31 December 2015: EUR 12.782 bn). The decrease of EUR 390 m was partly due to adverse exchange rate effects of EUR 219 m. Depreciation was EUR 778 m, whereas acquisitions and investments resulted in an increase in tangible assets of EUR 721 m.

Group equity at 30 June 2016 was EUR 14.380 bn (31 December 2015: EUR 15.449 bn). The profit for the period increased equity by EUR 687 m. Factors with a negative impact on equity were adverse exchange rate effects of EUR 756 m and the effects of the remeasurement of pension plans

of EUR 468 m. The payment of the dividend for 2015 to Linde AG shareholders of EUR 640 m also reduced equity. The equity ratio at 30 June 2016 was 40.4 percent (31 December 2015: 43.7 percent).

Provisions for pensions and similar obligations rose by EUR 582 m to EUR 1.650 bn at 30 June 2016 (31 December 2015: EUR 1.068 bn). This increase was mainly due to the change in actuarial assumptions. Asset cover for the defined benefit obligation of The Linde Group is 78.6 percent (31 December 2015: 86.4 percent). The reduction in the asset cover is mainly due to the increase in the pension obligation. This is primarily the result of the decrease in discount rates.

Net financial debt comprises gross financial debt less short-term securities and cash and cash equivalents. At 30 June 2016, net financial debt was EUR 7,626 bn (31 December 2015: EUR 7,645 bn). The decrease of EUR 19 m was due to a variety of effects in different directions. Net financial debt increased as a result of the dividend payment of EUR 640 m to Linde AG shareholders, while on the other hand the good figure for cash flow from operating activities and exchange rate effects and valuation effects reduced the figure for net financial debt.

Gross financial debt rose during the reporting period by EUR 1.010 bn to EUR 10.493 bn (31 December 2015: EUR 9.483 bn). In order to prefinance the redemption of two hybrid bonds, Linde issued a 12-year EUR 750 m bond with a coupon of 1 percent as well as commercial papers during the reporting period. The redemption of the existing hybrid bonds relates to a EUR 700 m bond and a GBP 250 m bond. Both bonds are being redeemed at 100 percent of their nominal value. Linde is exercising its right to repay the bonds early on 14 July 2016 which is ten years after they were originally issued. The additional funds were invested in short-term securities. These have therefore increased by EUR 1.035 bn to EUR 1.456 bn (31 December 2015: EUR 421 m). Due to Linde exercising its right to repay the bonds early, the bonds have been reclassified as current financial debt, which rose as a result to EUR 3.583 bn (31 December 2015: EUR 1.023 bn). The remaining financial debt of EUR 6.910 bn (31 December 2015: EUR 8.460 bn) is due in more than one year and is therefore classified as non-current financial debt.

Available liquidity for Linde comprises short-term securities of EUR 1.456 bn, cash and cash equivalents of EUR 1.411 bn and its EUR 2.5 bn syndicated credit facility less current net financial debt. The liquidity available to Linde at 30 June 2016 was therefore EUR 1.784 bn (31 December 2015: EUR 3.315 bn).

The dynamic indebtedness factor (net financial debt to operating profit for the last twelve months) was 1.9 at 30 June 2016, the same as at 31 December 2015. The Group's gearing (the ratio of net debt to equity) changed in the first half of 2016 to 53.0 percent (31 December 2015: 49.5 percent).

Since 1999, the creditworthiness of The Linde Group has been rated by the leading international rating agencies

Moody's and Standard & Poor's (S & P). Both rating agencies have confirmed their long-term ratings for Linde during the reporting period. S & P rates the creditworthiness of The Linde Group at A+, Moody's at A2.

## Outlook

### *Group*

The forecast of global economic trends and the outlook for the industry sector have not changed significantly since the disclosures in the 2015 Financial Report (*SEE OUTLOOK ON PAGES 108 TO 110*). The forecasting institute Oxford Economics continues to expect the global economy to grow at a similarly modest rate in 2016 to that seen in 2015.

Linde confirms its outlook for the current year. In the 2016 financial year, the expected range for Group revenue is between 3 percent below and 4 percent above the revenue generated in 2015, after adjusting for exchange rate effects. As far as Group operating profit in the 2016 financial year is concerned, the expected range is also between 3 percent below and 4 percent above the figure achieved in 2015, after adjusting for exchange rate effects.

In the 2016 financial year, Linde will continue to seek to achieve a return on capital employed (ROCE) of around 9 percent.

### *Outlook – Gases Division*

Contingent on the circumstances described in the 2015 Financial Report and on future economic trends (*SEE OUTLOOK PAGES 108 TO 109*), Linde is seeking to achieve the following targets in the Gases Division in the 2016 financial year. It is aiming to generate revenue after adjusting for exchange rate effects which is at least equal to and may be up to 5 percent higher than the revenue generated in the 2015 financial year. The expected range for operating profit after adjusting for exchange rate effects is between 1 percent below and 6 percent above the operating profit achieved in 2015.

In 2016, the margins achieved in the individual segments (EMEA, Asia/Pacific and Americas) should approximately equate to those achieved in 2015.

### *Outlook – Engineering Division*

Linde continues to assume that it will generate revenue in the Engineering Division in the 2016 financial year of between EUR 2.0 bn and EUR 2.4 bn. It is seeking to achieve an operating margin here of around 8 percent.

## Opportunity and risk report

As a group with a global footprint, Linde operates in a dynamic environment in which new market opportunities are constantly emerging. These business opportunities, which were described in detail in the 2015 Financial Report (*SEE OPPORTUNITY REPORT ON PAGES 91 TO 93*), have not changed significantly in the six months to 30 June 2016.

The risk situation for Linde as described in the 2015 Financial Report (*SEE RISK REPORT ON PAGES 93 TO 107*) has also not changed significantly in the first six months of 2016. No risks were identified which might, individually or in total, have an adverse impact on the viability of The Linde Group as a going concern.

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

## 7 GROUP STATEMENT OF PROFIT OR LOSS

<i>in € million</i>	<i>2nd Quarter</i>		<i>January to June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Revenue	4,298	4,638	8,560	9,036
Cost of sales	2,706	2,999	5,426	5,851
<b>GROSS PROFIT</b>	<b>1,592</b>	<b>1,639</b>	<b>3,134</b>	<b>3,185</b>
Marketing and selling expenses	638	708	1,243	1,367
Research and development costs	29	30	59	58
Administration expenses	433	445	841	840
Other operating income	133	106	240	231
Other operating expenses	68	63	147	131
Share of profit or loss from associates and joint ventures (at equity)	5	3	8	5
<b>EBIT</b>	<b>562</b>	<b>502</b>	<b>1,092</b>	<b>1,025</b>
Financial income	4	10	12	21
Financial expenses	98	110	195	219
<b>PROFIT BEFORE TAX</b>	<b>468</b>	<b>402</b>	<b>909</b>	<b>827</b>
Taxes on income	114	97	222	198
<b>PROFIT FOR THE PERIOD</b>	<b>354</b>	<b>305</b>	<b>687</b>	<b>629</b>
attributable to Linde AG shareholders	326	279	632	579
attributable to non-controlling interests	28	26	55	50
Earnings per share in € - undiluted	1.75	1.50	3.40	3.12
Earnings per share in € - diluted	1.75	1.50	3.40	3.11

8 GROUP STATEMENT OF COMPREHENSIVE INCOME

<i>in € million</i>	<i>2nd Quarter</i>		<i>January to June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
PROFIT FOR THE PERIOD	354	305	687	629
OTHER COMPREHENSIVE INCOME (NET OF TAX)	-130	44	-1,099	969
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	-32	-285	-631	969
Unrealised gains/losses on available-for-sale financial assets	1	-5	1	-6
Unrealised gains/losses on derivative financial instruments	-48	178	124	-401
Currency translation differences	15	-458	-756	1,376
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	-98	329	-468	-
Remeasurement of defined benefit plans	-98	329	-468	-
TOTAL COMPREHENSIVE INCOME	224	349	-412	1,598
attributable to Linde AG shareholders	189	358	-444	1,485
attributable to non-controlling interests	35	-9	32	113

### 9 GROUP STATEMENT OF FINANCIAL POSITION

<i>in € million</i>	30.06.2016	31.12.2015
<b>Assets</b>		
Goodwill	11,445	11,604
Other intangible assets	2,558	2,760
Tangible assets	12,392	12,782
Investments in associates and joint ventures (at equity)	239	242
Other financial assets	53	57
Receivables from finance leases	186	217
Trade receivables	1	2
Other receivables and other assets	358	426
Income tax receivables	11	9
Deferred tax assets	358	327
<b>NON-CURRENT ASSETS</b>	<b>27,601</b>	<b>28,426</b>
Inventories	1,249	1,241
Receivables from finance leases	49	52
Trade receivables	2,763	2,724
Other receivables and other assets	790	778
Income tax receivables	207	277
Securities	1,456	421
Cash and cash equivalents	1,411	1,417
Non-current assets classified as held for sale and disposal groups	98	11
<b>CURRENT ASSETS</b>	<b>8,023</b>	<b>6,921</b>
<b>TOTAL ASSETS</b>	<b>35,624</b>	<b>35,347</b>



10 GROUP STATEMENT OF FINANCIAL POSITION

<i>in € million</i>	30.06.2016	31.12.2015
<b>Equity and liabilities</b>		
Capital subscribed	475	475
Capital reserve	6,740	6,736
Revenue reserves	6,673	7,146
Cumulative changes in equity not recognised through profit or loss	-388	221
<b>TOTAL EQUITY ATTRIBUTABLE TO LINDE AG SHAREHOLDERS</b>	<b>13,500</b>	<b>14,578</b>
Non-controlling interests	880	871
<b>TOTAL EQUITY</b>	<b>14,380</b>	<b>15,449</b>
Provisions for pensions and similar obligations	1,650	1,068
Other non-current provisions	583	530
Deferred tax liabilities	1,593	1,750
Financial debt	6,910	8,460
Liabilities from finance leases	47	55
Trade payables	1	3
Other non-current liabilities	873	847
<b>NON-CURRENT LIABILITIES</b>	<b>11,657</b>	<b>12,713</b>
Current provisions	1,067	1,089
Financial debt	3,583	1,023
Liabilities from finance leases	23	23
Trade payables	3,194	3,223
Other current liabilities	1,168	1,255
Liabilities from income taxes	508	568
Liabilities related to non-current assets classified as held for sale and disposal groups	44	4
<b>CURRENT LIABILITIES</b>	<b>9,587</b>	<b>7,185</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>35,624</b>	<b>35,347</b>

11 GROUP STATEMENT OF CASH FLOWS

<i>in € million</i>	<i>January to June</i>	
	<i>2016</i>	<i>2015</i>
<b>PROFIT BEFORE TAX</b>	<b>909</b>	<b>827</b>
<i>Adjustments to profit before tax to calculate cash flow from operating activities</i>		
Amortisation of intangible assets and depreciation of tangible assets	925	941
Impairments of financial assets	3	1
Profit/loss on disposal of non-current assets	-27	-7
Net interest	167	178
Finance income arising from finance leases in accordance with IFRIC 4/IAS 17	8	10
Share of profit or loss from associates and joint ventures (at equity)	-8	-5
Distributions/dividends received from associates and joint ventures	10	4
Income taxes paid	-191	-239
<i>Changes in assets and liabilities</i>		
Change in inventories	-24	-7
Change in trade receivables	-84	103
Change in provisions	-35	-58
Change in trade payables	97	-196
Change in other assets and liabilities	-116	31
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1,634</b>	<b>1,583</b>
Payments for tangible and intangible assets and plants held under finance leases in accordance with IFRIC 4/IAS 17	-793	-876
Payments for investments in consolidated companies	-181	-98
Payments for investments in financial assets	-27	-25
Payments for investments in securities	-1,238	-603
Proceeds on disposal of securities	203	451
Proceeds on disposal of tangible and intangible assets and amortisation of receivables from finance leases in accordance with IFRIC 4/IAS 17	78	50
Proceeds on disposal of consolidated companies and from purchase price repayment claims	7	-
Proceeds on disposal of non-current assets held for sale and disposal groups	-	12
Proceeds on disposal of financial assets	15	83
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-1,936</b>	<b>-1,006</b>

## 12 GROUP STATEMENT OF CASH FLOWS

<i>in € million</i>	<i>January to June</i>	
	<i>2016</i>	<i>2015</i>
Dividend payments to Linde AG shareholders and non-controlling interests	-684	-615
Cash inflow from capital increase	-	-
Cash inflows/outflows due to changes of non-controlling interests	-	-
Proceeds from issue of employee shares	-	-
Cash outflows for the purchase of own shares	-	-
Interest received	86	79
Interest paid	-288	-262
Proceeds of loans and capital market debt	3,190	1,279
Cash outflows for the repayment of loans and capital market debt	-1,981	-835
Change in liabilities from finance leases	-10	-13
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>313</b>	<b>-367</b>
<b>NET CASH INFLOW/OUTFLOW</b>	<b>11</b>	<b>210</b>
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>1,417</b>	<b>1,137</b>
Effects of currency translation	-16	32
Cash disclosed as non-current assets reclassified as held for sale and disposal groups	-1	-
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>1,411</b>	<b>1,379</b>

13 STATEMENT OF CHANGES IN GROUP EQUITY

<i>in € million</i>	<i>Capital subscribed</i>	<i>Capital reserve</i>
<b>AT 01.01.2015</b>	<b>475</b>	<b>6,730</b>
Profit for the period	-	-
Other comprehensive income (net of tax)	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	-	-
Dividend payments	-	-
Changes as a result of share option schemes	-	8
<b>TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY</b>	-	<b>8</b>
OTHER CHANGES		
<b>AT 30.06.2015</b>	<b>475</b>	<b>6,738</b>
<b>AT 01.01.2016</b>	<b>475</b>	<b>6,736</b>
Profit for the period	-	-
Other comprehensive income (net of tax)	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	-	-
Dividend payments	-	-
Changes as a result of share option schemes	-	4
<b>TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY</b>	-	<b>4</b>
Acquisition/disposal of non-controlling interests	-	-
<b>CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES</b>	-	-
OTHER CHANGES	-	-
<b>AT 30.06.2016</b>	<b>475</b>	<b>6,740</b>

<i>Revenue reserves</i>		<i>Cumulative changes to equity not recognised through the statement of profit or loss</i>				<i>Total equity attributable to Linde AG shareholders</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
<i>Remeasurement of defined benefit plans</i>	<i>Retained earnings</i>	<i>Currency translation differences</i>	<i>Available-for-sale financial assets</i>	<i>Hedging instruments</i>				
-980	7,544	61	5	-429	13,406	861	14,267	
-	579	-	-	-	579	50	629	
-	-	1,312	-5	-401	906	63	969	
-	579	1,312	-5	-401	1,485	113	1,598	
-	-585	-	-	-	-585	-30	-615	
-	-	-	-	-	8	-	8	
-	-585	-	-	-	-577	-30	-607	
-	2	-	-	-	2	-2	-	
-980	7,540	1,373	-	-830	14,316	942	15,258	
-966	8,112	1,127	-1	-905	14,578	871	15,449	
-	632	-	-	-	632	55	687	
-467	-	-734	1	124	-1,076	-23	-1,099	
-467	632	-734	1	124	-444	32	-412	
-	-640	-	-	-	-640	-44	-684	
-	-	-	-	-	4	-	4	
-	-640	-	-	-	-636	-44	-680	
-	-	-	-	-	-	23	23	
-	-	-	-	-	-	23	23	
-	2	-	-	-	2	-2	-	
-1,433	8,106	393	-	-781	13,500	880	14,380	

## 14 SEGMENT INFORMATION

	Segments	
	Gases Division	
	January to June	
<i>in € million, SEE NOTE [7]</i>	2016	2015
Revenue from third parties	7,323	7,549
Revenue from other segments	4	5
<b>TOTAL SEGMENT REVENUE</b>	<b>7,327</b>	<b>7,554</b>
<b>OPERATING PROFIT</b>	<b>2,054</b>	<b>2,091</b>
Restructuring costs (non-recurring item)	-	130
Amortisation of intangible assets and depreciation of tangible assets	914	926
<b>EBIT (EARNINGS BEFORE INTEREST AND TAX)</b>	<b>1,140</b>	<b>1,035</b>
Capital expenditure (excluding financial assets)	690	718

*in € million, SEE NOTE [7]*

Revenue from third parties

Revenue from other segments

**TOTAL SEGMENT REVENUE****OPERATING PROFIT**

Restructuring costs (non-recurring item)

Amortisation of intangible assets and depreciation of tangible assets

**EBIT (EARNINGS BEFORE INTEREST AND TAX)**

Capital expenditure (excluding financial assets)

<i>Segments</i>									
<i>Engineering Division</i>		<i>Other Activities</i>		<i>Reconciliation</i>		<i>Group</i>			
<i>January to June</i>		<i>January to June</i>		<i>January to June</i>		<i>January to June</i>			
<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
941	1,193	296	294	-	-	8,560	9,036		
144	158	6	3	-154	-166	-	-		
1,085	1,351	302	297	-154	-166	8,560	9,036		
89	114	20	22	-146	-123	2,017	2,104		
-	5	-	-	-	3	-	138		
18	19	13	16	-20	-20	925	941		
71	90	7	6	-126	-106	1,092	1,025		
10	10	5	3	-26	58	679	789		

<i>Segments</i>									
<i>Gases Division</i>									
<i>EMEA</i>		<i>Asia/Pacific</i>		<i>Americas</i>		<i>Total Gases Division</i>			
<i>January to June</i>		<i>January to June</i>		<i>January to June</i>		<i>January to June</i>			
<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
2,853	2,997	1,964	2,073	2,506	2,479	7,323	7,549		
8	8	12	13	72	73	4	5		
2,861	3,005	1,976	2,086	2,578	2,552	7,327	7,554		
889	915	513	538	652	638	2,054	2,091		
-	68	-	33	-	29	-	130		
340	342	272	295	302	289	914	926		
549	505	241	210	350	320	1,140	1,035		
299	323	158	158	233	237	690	718		

# ADDITIONAL COMMENTS

GROUP INTERIM MANAGEMENT REPORT	<1
<b>ADDITIONAL COMMENTS</b>	<b>20</b>
REVIEW REPORT	>27

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (first-time application according to IASB in financial years beginning on or after 1 January 2017)
- Amendments to IAS 7: Disclosure Initiative (first-time application according to IASB in financial years beginning on or after 1 January 2017)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (first-time application according to IASB in financial years beginning on or after 1 January 2018)
- Amendments to IFRS 2 Share-based Payment (first-time application according to IASB in financial years beginning on or after 1 January 2018)

## [1] General accounting policies

The condensed Group interim financial statements of Linde AG for the six months ended 30 June 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable to interim financial reporting, as adopted by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and the Council on the application of International Accounting Standards.

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

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

The accounting policies used in the condensed Group interim financial statements are the same as those used to prepare the Group financial statements for the year 31 December 2015. In the first half of 2016, there were also no changes in discretionary decisions and estimates compared with the information disclosed in the 2015 Financial Report.

In addition, IAS 34 Interim Financial Reporting has been applied. Since 1 January 2016, the following standards have become effective:

- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
- Annual Improvements to IFRSs (2012–2014)
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs (2010–2012)

The following standards were issued by the IASB, but have not yet been applied in the condensed Group interim financial statements of The Linde Group for the six months ended 30 June 2016, as the standards are not yet effective:

- IFRS 16 Leases (first-time application according to IASB in financial years beginning on or after 1 January 2019)



## [2] Changes in Group structure

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

### 15 STRUCTURE OF COMPANIES INCLUDED IN THE FINANCIAL STATEMENTS

	As at 31.12.2015	Additions	Disposals	As at 30.06.2016
<b>CONSOLIDATED SUBSIDIARIES</b>	<b>528</b>	<b>40</b>	<b>7</b>	<b>561</b>
of which within Germany	18	-	-	18
of which outside Germany	510	40	7	543
<b>COMPANIES ACCOUNTED FOR USING THE LINE-BY-LINE METHOD</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>5</b>
of which within Germany	-	-	-	-
of which outside Germany	5	-	-	5
<b>COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD</b>	<b>37</b>	<b>3</b>	<b>-</b>	<b>40</b>
of which within Germany	5	1	-	6
of which outside Germany	32	2	-	34
<b>NON-CONSOLIDATED SUBSIDIARIES</b>	<b>50</b>	<b>2</b>	<b>3</b>	<b>49</b>
of which within Germany	-	-	-	-
of which outside Germany	50	2	3	49

During the reporting period, 40.1 percent of the shares in Linde-Huayi (Chongqing) Gases Co., Ltd held within the Group's Asia/Pacific segment were sold to the former minority shareholder. Subsequent to the disposal, Linde has a holding of 19.9 percent and will continue to exercise significant influence as defined in IAS 28. The sale of the shares resulted in a gain on deconsolidation of EUR 25 m at Group level after making the appropriate

consolidation adjustments affecting net income. This amount has been included in other operating income. None of this gain derives from the remeasurement at fair value of the remaining shares at the date when the loss of control occurred.

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

## [3] Acquisitions

An acquisition is deemed to be significant if its total assets after the purchase price allocation (inclusive of goodwill) exceed EUR 50 m. The acquisition during the reporting period of American HomePatient, Inc. was a significant acquisition.

### *American HomePatient, Inc.*

With effect from 1 February 2016, The Linde Group acquired 100 percent of the shares in US company American HomePatient, Inc. As from that date, the business was fully included in the consolidated financial statements of The Linde Group. The company specialises in respiratory therapies to serve the needs of patients with chronic obstructive pulmonary disease (COPD) and sleep apnoea. This acquisition will enable Linde to reinforce its market position in healthcare services and to achieve synergies with its existing business.

The transaction involved a cash payment of around EUR 210 m. After deducting a repayment of financial debt of EUR 24 m and provisions for employee remuneration of EUR 1 m and after taking account of a conditional purchase

price repayment claim with an expected value of EUR 11 m, the acquisition cost as defined by IFRS 3 was EUR 174 m. The conditional purchase price repayment claim is due within two years. The extent of the repayment claim lies between EUR 1 m and EUR 12 m.

In the course of its purchase, Linde acquired non-current assets, as well as inventories and other current assets. The principal elements of the provisional figure for goodwill of EUR 154 m are the expected synergies with Linde's existing Healthcare business and going concern synergies. The purchase price allocation resulted in fair value adjustments of EUR 31 m. These relate to the company brand, customer relationships and tangible assets. None of the goodwill is tax-deductible. Due to the proximity of the acquisition date to the reporting date, the results of the purchase price allocation and the assessment of deferred tax assets arising from tax loss carryforwards are still provisional.

In the course of the transaction, Linde acquired 100 percent of the shares in American HomePatient, Inc. Those non-controlling interests disclosed in the opening balance sheet are the result of pre-consolidated units with shares held by other non-controlling shareholders.

The receivables acquired have a fair value of EUR 33 m and are all trade receivables. The gross value of the receivables is EUR 67 m. The difference between the gross value of the receivables and their fair value is a provision for bad debts.

Since the date of the acquisition, the business acquired has generated revenue of EUR 116 m and a contribution to profit for the period of EUR 1 m. If the business had been consolidated into The Linde Group from 1 January 2016, the

contribution to revenue would have been EUR 139 m and the contribution to profit for the period would have been a loss of EUR 1 m.

#### Other acquisitions

In the first six months of 2016, Linde made acquisitions to expand its industrial gases business in the EMEA segment. The total purchase price for these acquisitions was EUR 1 m, all of which was paid in cash.

### 16 IMPACT OF ACQUISITIONS ON THE NET ASSETS OF THE LINDE GROUP

Opening balance upon initial consolidation in € million	Fair value	
	AHOM	Other
Non-current assets	99	1
Inventories	4	-
Other current assets	36	-
Cash and cash equivalents	7	-
Equity	20	1
Non-controlling interests	10	-
Liabilities	116	-

## [4] Foreign currency translation

Exchange rates for the major currencies used by Linde were as follows:

### 17 PRINCIPAL EXCHANGE RATES

Exchange rate €1=	ISO code	Spot rate on balance sheet date		Average rate January to June	
		30.06.2016	31.12.2015	2016	2015
Australia	AUD	1.49401	1.49183	1.52222	1.42698
China	CNY	7.37916	7.05243	7.30173	6.94431
South Africa	ZAR	16.47316	16.80825	17.19953	13.29316
UK	GBP	0.82655	0.73685	0.77908	0.73221
USA	USD	1.11080	1.08605	1.11691	1.11632

## [5] Non-current assets classified as held for sale and disposal groups

At 30 June 2016, assets of EUR 98 m and liabilities of EUR 44 m (net book value EUR 54 m) were disclosed as non-current disposal groups held for sale. These comprise mainly technical equipment and machinery, financial liabilities, and trade receivables and trade payables. Assets and liabilities with a net book value of EUR 18 m were reclassified

in the EMEA segment. The corresponding figures in the Asia/Pacific and Americas segments were EUR 13 m and EUR 23 m respectively. It is expected that the disposal groups will be sold during the current year. The relevant contracts of sale have already been signed. No impairment losses were recognised in respect of the assets. Included in cumulative changes in equity not recognised through the statement of profit or loss at the balance sheet date is income of EUR 9 m arising from the measurement of assets and liabilities in foreign currency.

## [6] Financial instruments

### € 18 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

in € million	30.06.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investments and securities	1,447			415		
Derivatives with positive fair values		289			316	
Derivatives with negative fair values		684			675	

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 329 m, while the carrying amount is EUR 235 m. The fair value of the financial debt is EUR 11.063 bn, compared with its carrying amount of EUR 10.493 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. The investments and securities category also included financial assets (available-for-sale financial assets) of EUR 18 m (31 December 2015: EUR 15 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.

All other derivative financial instruments are measured by discounting future cash flows using the present value method. The starting parameters for these models should, as far as possible, be the relevant observable market prices and interest rates at the balance sheet date, obtained from recognised external sources.

At the balance sheet date, no assets or liabilities had been recognised for which the values had been determined by valuation techniques with principal inputs not

derived from observable market data (Level 3). During the reporting period, there were no transfers between Levels 1, 2 and 3 of the fair value hierarchy.

## [7] Segment reporting

The same principles apply to segment reporting in the interim report as those described in the Group financial statements for the year ended 31 December 2015.

To arrive at the figure for the Gases Division as a whole from the figures for the segments within the Gases Division, consolidation adjustments of EUR 88 m (2015: EUR 89 m) were deducted from revenue. Therefore, it is not possible to arrive at the figure for the Gases Division as a whole by merely adding together the segments in the Gases Division.

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

### 19 RECONCILIATION OF SEGMENT REVENUE AND OF THE SEGMENT RESULT

<i>in € million</i>	<i>January to June</i>	
	<i>2016</i>	<i>2015</i>
<b>Revenue</b>		
Total segment revenue	8,714	9,202
Consolidation	-154	-166
<b>GROUP REVENUE</b>	<b>8,560</b>	<b>9,036</b>
<b>Operating profit</b>		
Operating profit from segments	2,163	2,227
Operating profit from Corporate activities	-158	-129
Restructuring costs (non-recurring item)	-	138
Amortisation and depreciation	925	941
Financial income	12	21
Financial expenses	195	219
Consolidation	12	6
<b>PROFIT BEFORE TAX</b>	<b>909</b>	<b>827</b>

## [8] Reconciliation of key financial figures

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

There were no non-recurring items in the six months ended 30 June 2016.

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.

### 20 KEY FINANCIAL FIGURES ADJUSTED FOR NON-RECURRING ITEMS

in € million	January to June					
	2016			2015		
	As reported	Non-recurring items	Key financial figures before non-recurring items	As reported	Non-recurring items	Key financial figures before non-recurring items
Revenue	8,560	-	8,560	9,036	-	9,036
Cost of sales	-5,426	-	-5,426	-5,851	22	-5,829
<b>GROSS PROFIT</b>	<b>3,134</b>	-	<b>3,134</b>	<b>3,185</b>	<b>22</b>	<b>3,207</b>
Research and development costs, marketing, selling and administration expenses	-2,143	-	-2,143	-2,265	116	-2,149
Other operating income and expenses	93	-	93	100	-	100
Share of profit or loss from associates and joint ventures (at equity)	8	-	8	5	-	5
<b>EBIT</b>	<b>1,092</b>	-	<b>1,092</b>	<b>1,025</b>	<b>138</b>	<b>1,163</b>
Financial result	-183	-	-183	-198	-	-198
Taxes on income	-222	-	-222	-198	-33	-231
<b>PROFIT FOR THE PERIOD</b>	<b>687</b>	-	<b>687</b>	<b>629</b>	<b>105</b>	<b>734</b>
attributable to Linde AG shareholders	632	-	632	579	99	678
attributable to non-controlling interests	55	-	55	50	6	56
<b>EBIT</b>	<b>1,092</b>	-	<b>1,092</b>	<b>1,025</b>	<b>138</b>	<b>1,163</b>
Amortisation of intangible assets and depreciation of tangible assets	-925	-	-925	-941	-	-941
<b>OPERATING PROFIT</b>	<b>2,017</b>	-	<b>2,017</b>	<b>1,966</b>	<b>138</b>	<b>2,104</b>
<b>EARNINGS PER SHARE IN € – UNDILUTED</b>	<b>3.40</b>	-	<b>3.40</b>	<b>3.12</b>	<b>0.53</b>	<b>3.65</b>
<b>EARNINGS PER SHARE IN € – DILUTED</b>	<b>3.40</b>	-	<b>3.40</b>	<b>3.11</b>	<b>0.53</b>	<b>3.64</b>

## [9] 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 2016.

MUNICH, 27 JULY 2016

DR WOLFGANG BÜCHELE  
[CHIEF EXECUTIVE OFFICER]

DR CHRISTIAN BRUCH  
[MEMBER OF THE EXECUTIVE BOARD]

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[MEMBER OF THE EXECUTIVE BOARD]

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[MEMBER OF THE EXECUTIVE BOARD]

SANJIV LAMBA  
[MEMBER OF THE EXECUTIVE BOARD]

# REVIEW REPORT

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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.

## 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 the Linde Aktiengesellschaft, Munich, for the period from 1 January to 30 June 2016 that are part of the semi annual financial report according to § 37w German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the Group interim management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the Group interim management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the Group interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (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

MUNICH, 27 JULY 2016

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GESELLSCHAFT ]

BECKER  
[ WIRTSCHAFTS -  
PRÜFER ]

V. HEYNITZ  
[ WIRTSCHAFTS -  
PRÜFER ]

# RESPONSIBILITY REPORT

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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, 27 JULY 2016

LINDE AKTIENGESELLSCHAFT  
THE EXECUTIVE BOARD

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# FINANCIAL CALENDAR

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INTERIM REPORT  
JANUARY TO JUNE 2016  
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AUTUMN PRESS CONFERENCE  
2016  
28 October 2016  
Carl von Linde Haus, Munich,  
Germany

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INTERIM REPORT  
JANUARY TO SEPTEMBER 2016  
28 October 2016

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PRESS CONFERENCE ON  
THE ANNUAL RESULTS  
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9 March 2017  
Carl von Linde Haus, Munich,  
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ANNUAL GENERAL MEETING  
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This report is available in both German and English and can be downloaded from our website at [WWW.LINDE.COM](http://WWW.LINDE.COM). Further information about Linde can be obtained from us on request.

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