

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

FORM 10-Q

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

For the quarterly period ended September 30, 2021

or

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

For the transition period from to

Commission file number 001-38730

LINDE PLC

(Exact name of registrant as specified in its charter)

Ireland
(State or other jurisdiction of incorporation)

10 Riverview Dr.,
Danbury, Connecticut
United States 06810

(203) 837-2000

(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code)

N/A

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

98-1448883

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

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

+44 14 83 242200

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

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

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

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

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

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

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

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

At September 30, 2021, 512,554,731 ordinary shares (€0.001 par value) of the Registrant were outstanding.

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Forward-looking Statements

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

Linde plc assumes no obligation to update or provide revisions to any forward-looking statement in response to changing circumstances. The above listed risks and uncertainties are further described in Item 1A. Risk Factors in Linde plc’s Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on March 1, 2021, which should be reviewed carefully. Please consider Linde plc’s forward-looking statements in light of those risks.

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

	Quarter Ended September 30,	
	2021	2020
Sales	\$ 7,668	\$ 6,855
Cost of sales, exclusive of depreciation and amortization	4,368	3,835
Selling, general and administrative	793	770
Depreciation and amortization	1,163	1,168
Research and development	36	36
Cost reduction programs and other charges	26	48
Other income (expense) - net	10	(29)
Operating Profit	1,292	969
Interest expense - net	8	38
Net pension and OPEB cost (benefit), excluding service cost	(45)	(41)
Income From Continuing Operations Before Income Taxes and Equity Investments	1,329	972
Income taxes on continuing operations	321	265
Income From Continuing Operations Before Equity Investments	1,008	707
Income from equity investments	1	23
Income From Continuing Operations (Including Noncontrolling Interests)	1,009	730
Income from discontinued operations, net of tax	1	1
Net Income (Including Noncontrolling Interests)	1,010	731
Less: noncontrolling interests from continuing operations	(31)	(31)
Net Income – Linde plc	\$ 979	\$ 700
Net Income – Linde plc		
Income from continuing operations	\$ 978	\$ 699
Income from discontinued operations	\$ 1	\$ 1
Per Share Data – Linde plc Shareholders		
Basic earnings per share from continuing operations	\$ 1.90	\$ 1.33
Basic earnings per share from discontinued operations	—	—
Basic earnings per share	\$ 1.90	\$ 1.33
Diluted earnings per share from continuing operations	\$ 1.88	\$ 1.32
Diluted earnings per share from discontinued operations	—	—
Diluted earnings per share	\$ 1.88	\$ 1.32
Weighted Average Shares Outstanding (000's):		
Basic shares outstanding	515,169	525,694
Diluted shares outstanding	520,079	530,415

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

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

	Nine Months Ended September 30,	
	2021	2020
Sales	\$ 22,495	\$ 19,971
Cost of sales, exclusive of depreciation and amortization	12,616	11,297
Selling, general and administrative	2,402	2,391
Depreciation and amortization	3,500	3,434
Research and development	105	114
Cost reduction programs and other charges	222	428
Other income (expense) - net	(3)	(14)
Operating Profit	3,647	2,293
Interest expense - net	46	80
Net pension and OPEB cost (benefit), excluding service cost	(143)	(131)
Income From Continuing Operations Before Income Taxes and Equity Investments	3,744	2,344
Income taxes on continuing operations	923	594
Income From Continuing Operations Before Equity Investments	2,821	1,750
Income from equity investments	81	69
Income From Continuing Operations (Including Noncontrolling Interests)	2,902	1,819
Income from discontinued operations, net of tax	3	3
Net Income (Including Noncontrolling Interests)	2,905	1,822
Less: noncontrolling interests from continuing operations	(105)	(91)
Net Income – Linde plc	\$ 2,800	\$ 1,731
Net Income – Linde plc		
Income from continuing operations	\$ 2,797	\$ 1,728
Income from discontinued operations	\$ 3	\$ 3
Per Share Data – Linde plc Shareholders		
Basic earnings per share from continuing operations	\$ 5.39	\$ 3.28
Basic earnings per share from discontinued operations	0.01	0.01
Basic earnings per share	\$ 5.40	\$ 3.29
Diluted earnings per share from continuing operations	\$ 5.34	\$ 3.25
Diluted earnings per share from discontinued operations	0.01	0.01
Diluted earnings per share	\$ 5.35	\$ 3.26
Weighted Average Shares Outstanding (000's):		
Basic shares outstanding	518,802	527,501
Diluted shares outstanding	523,662	531,724

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

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

	Quarter Ended September 30,	
	2021	2020
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	\$ 1,010	\$ 731
OTHER COMPREHENSIVE INCOME (LOSS)		
Translation adjustments:		
Foreign currency translation adjustments	(823)	696
Reclassification to net income	—	—
Income taxes	4	7
Translation adjustments	(819)	703
Funded status - retirement obligations (Note 8):		
Retirement program remeasurements	52	(49)
Reclassifications to net income	43	28
Income taxes	(28)	(2)
Funded status - retirement obligations	67	(23)
Derivative instruments (Note 5):		
Current unrealized gain (loss)	64	16
Reclassifications to net income	(25)	(5)
Income taxes	(10)	(3)
Derivative instruments	29	8
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(723)	688
COMPREHENSIVE INCOME (LOSS) (INCLUDING NONCONTROLLING INTERESTS)	287	1,419
Less: noncontrolling interests	(18)	(71)
COMPREHENSIVE INCOME (LOSS) - LINDE PLC	\$ 269	\$ 1,348

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

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

	Nine Months Ended September 30,	
	2021	2020
NET INCOME (INCLUDING NONCONTROLLING INTERESTS)	\$ 2,905	\$ 1,822
OTHER COMPREHENSIVE INCOME (LOSS)		
Translation adjustments:		
Foreign currency translation adjustments	(1,068)	(1,299)
Reclassification to net income (Note 13)	(52)	—
Income taxes	(4)	31
Translation adjustments	(1,124)	(1,268)
Funded status - retirement obligations (Note 8):		
Retirement program remeasurements	53	2
Reclassifications to net income	130	71
Income taxes	(53)	(26)
Funded status - retirement obligations	130	47
Derivative instruments (Note 5):		
Current period unrealized gain (loss)	104	(29)
Reclassifications to net income	(30)	45
Income taxes	(18)	(2)
Derivative instruments	56	14
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(938)	(1,207)
COMPREHENSIVE INCOME (LOSS) (INCLUDING NONCONTROLLING INTERESTS)	1,967	615
Less: noncontrolling interests	(95)	(43)
COMPREHENSIVE INCOME (LOSS) - LINDE PLC	\$ 1,872	\$ 572

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

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

	September 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 4,700	\$ 3,754
Accounts receivable - net	4,367	4,167
Contract assets	166	162
Inventories	1,694	1,729
Prepaid and other current assets	1,080	1,112
<i>Total Current Assets</i>	12,007	10,924
Property, plant and equipment - net	26,180	28,711
Goodwill	27,178	28,201
Other intangible assets - net	14,048	16,184
Other long-term assets	4,778	4,209
<i>Total Assets</i>	<u>\$ 84,191</u>	<u>\$ 88,229</u>
Liabilities and equity		
Accounts payable	\$ 3,069	\$ 3,095
Short-term debt	2,895	3,251
Current portion of long-term debt	2,293	751
Contract liabilities	2,213	1,769
Other current liabilities	4,288	4,874
<i>Total Current Liabilities</i>	14,758	13,740
Long-term debt	11,539	12,152
Other long-term liabilities	12,157	12,755
<i>Total Liabilities</i>	38,454	38,647
Redeemable noncontrolling interests	13	13
Linde plc Shareholders' Equity:		
Ordinary shares, €0.001 par value, authorized 1,750,000,000 shares, 2021 issued: 552,012,862 ordinary shares; 2020 issued: 552,012,862 ordinary shares	1	1
Additional paid-in capital	40,220	40,202
Retained earnings	18,240	17,178
Accumulated other comprehensive income (loss) (Note 11)	(5,618)	(4,690)
Less: Treasury shares, at cost (2021 – 39,458,131 shares and 2020 – 28,718,333 shares)	(8,520)	(5,374)
<i>Total Linde plc Shareholders' Equity</i>	44,323	47,317
Noncontrolling interests	1,401	2,252
<i>Total Equity</i>	45,724	49,569
<i>Total Liabilities and Equity</i>	<u>\$ 84,191</u>	<u>\$ 88,229</u>

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

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

	Nine Months Ended September 30,	
	2021	2020
Increase (Decrease) in Cash and Cash Equivalents		
Operations		
Net income - Linde plc	\$ 2,800	\$ 1,731
Less: Income from discontinued operations, net of tax and noncontrolling interests	(3)	(3)
Add: Noncontrolling interests from continuing operations	105	91
Income from continuing operations (including noncontrolling interests)	2,902	1,819
Adjustments to reconcile net income to net cash provided by operating activities:		
Cost reduction programs and other charges, net of payments	83	240
Depreciation and amortization	3,500	3,434
Deferred income taxes	(184)	(299)
Share-based compensation	95	104
Working capital:		
Accounts receivable	(539)	(76)
Inventory	(77)	(101)
Prepaid and other current assets	(25)	1
Payables and accruals	131	(12)
Contract assets and liabilities, net	530	89
Pension contributions	(32)	(76)
Long-term assets, liabilities and other	108	(128)
Net cash provided by operating activities	6,492	4,995
Investing		
Capital expenditures	(2,247)	(2,373)
Acquisitions, net of cash acquired	(31)	(41)
Divestitures and asset sales, net of cash divested	147	435
Net cash provided by (used for) investing activities	(2,131)	(1,979)
Financing		
Short-term debt borrowings (repayments) - net	369	2,154
Long-term debt borrowings	2,260	2,763
Long-term debt repayments	(821)	(1,582)
Issuances of ordinary shares	39	41
Purchases of ordinary shares	(3,251)	(2,030)
Cash dividends - Linde plc shareholders	(1,648)	(1,523)
Noncontrolling interest transactions and other	(319)	(201)
Net cash provided by (used for) financing activities	(3,371)	(378)
Effect of exchange rate changes on cash and cash equivalents	(44)	(139)
Change in cash and cash equivalents	946	2,499
Cash and cash equivalents, beginning-of-period	3,754	2,700
Cash and cash equivalents, end-of-period	\$ 4,700	\$ 5,199

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

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1. Summary of Significant Accounting Policies

Presentation of Condensed Consolidated Financial Statements - In the opinion of Linde management, the accompanying condensed consolidated financial statements include all adjustments necessary for a fair presentation of the results for the interim periods presented and such adjustments are of a normal recurring nature. The accompanying condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements of Linde plc and subsidiaries in Linde's 2020 Annual Report on Form 10-K. There have been no material changes to the company's significant accounting policies during 2021.

Accounting Standards Implemented in 2021

- **Income Taxes - Simplifying the Accounting for Income Taxes** - In December 2019, the FASB issued guidance which simplifies the accounting for income taxes by removing several exceptions in the current standard and adds guidance to reduce complexity in certain areas, such as requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date, evaluating whether a step-up in tax basis of goodwill relates to a business combination or a separate transaction and allocating taxes to members of a consolidated group. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The adoption of this standard did not materially impact the company's consolidated financial statements.
- **Reference Rate Reform** - In March 2020 with amendments in 2021, the FASB issued guidance related to reference rate reform which provides practical expedients and exceptions for applying GAAP to contract modifications, hedging relationships and other transactions that the reference London Interbank Offered Rate ("LIBOR") and other interbank offered rates. This update is applicable to our contracts and hedging relationships that reference LIBOR and other interbank offered rates. The amendments may be applied to impacted contracts and hedges prospectively through December 31, 2022. The application of this guidance did not materially impact the company's consolidated financial statements.

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

2. Cost Reduction Programs and Other Charges

2021 Charges

Cost reduction programs and other charges were \$26 million and \$222 million for the quarter and nine months ended September 30, 2021, respectively (\$58 million and \$228 million, after tax). The following table summarizes the activities related to the company's cost reduction charges for the quarter and nine months ended September 30, 2021:

(millions of dollars)	Quarter Ended September 30, 2021				
	Severance costs	Other cost reduction charges	Total cost reduction program related charges	Merger-related and other charges	Total
Americas	\$ 1	\$ —	\$ 1	\$ (4)	\$ (3)
EMEA	15	2	17	—	17
APAC	—	—	—	—	—
Engineering	—	—	—	—	—
Other	4	7	11	1	12
Total	\$ 20	\$ 9	\$ 29	\$ (3)	\$ 26

(millions of dollars)	Nine Months Ended September 30, 2021				
	Severance costs	Other cost reduction charges	Total cost reduction program related charges	Merger-related and other charges	Total
Americas	\$ 4	\$ 2	\$ 6	\$ (4)	\$ 2
EMEA	197	23	220	—	220
APAC	7	2	9	(53)	(44)
Engineering	7	6	13	—	13
Other	13	16	29	2	31
Total	\$ 228	\$ 49	\$ 277	\$ (55)	\$ 222

Cost Reduction Programs

Total cost reduction program related charges were \$29 million for the quarter and \$277 million for the nine months ended September 30, 2021 (\$25 million and \$209 million, after tax).

Severance costs

Severance costs were \$20 million and \$228 million for the quarter and nine months ended September 30, 2021. As of September 30, 2021, approximately half of the actions have been taken, with remaining actions planned to be completed by the first quarter of 2022.

Other cost reduction charges

Other cost reduction charges of \$9 million and \$49 million for the quarter and nine months ended September 30, 2021, respectively, are primarily charges related to the execution of the company's synergistic actions including location consolidations and business rationalization projects, process harmonization, and associated non-recurring costs.

Merger-related Costs and Other Charges

Merger-related costs and other charges were benefits of \$3 million and \$55 million for the quarter and nine months ended September 30, 2021, respectively (charges of \$33 million and \$19 million, after tax). The year-to-date pre-tax benefit was primarily due to a \$52 million gain triggered by a joint venture deconsolidation in the APAC segment in the first quarter (see Note 13). After-tax charges also include the impact of the below items.

The nine months ended September 30, 2021 include a net income tax charge of \$38 million, primarily related to (i) \$81 million of expense due to the revaluation of a net deferred tax liability resulting from a tax rate increase in the United Kingdom enacted in the second quarter, and (ii) a tax settlement benefit of \$33 million.

The quarter and nine months ended September 30, 2021 also include an impairment charge of \$35 million (\$35 million, after tax) related to a joint venture in the APAC segment. The charge is shown within income from equity investments on the consolidated statements of income.

Cash Requirements

The total cash requirements of the cost reduction program and other charges during the nine months ended September 30, 2021 are estimated to be approximately \$236 million and are expected to be paid through 2023. Total cost reduction programs and other charges, net of payments in the condensed consolidated statements of cash flows for the nine months ended September 30, 2021 also reflects the impact of cash payments of liabilities accrued as of December 31, 2020.

The following table summarizes the activities related to the company's cost reduction related charges for the nine months ended September 30, 2021:

<i>(millions of dollars)</i>	Severance costs	Other cost reduction charges	Total cost reduction program related charges	Merger-related and other charges	Total
Balance, December 31, 2020	\$ 283	\$ 22	\$ 305	\$ 64	\$ 369
2021 Cost Reduction Programs and Other Charges	228	49	277	(55)	222
Less: Cash payments	(113)	(9)	(122)	(17)	(139)
Less: Non-cash charges / benefits	—	(21)	(21)	54	33
Foreign currency translation and other	(14)	(5)	(19)	—	(19)
Balance, September 30, 2021	<u>\$ 384</u>	<u>\$ 36</u>	<u>\$ 420</u>	<u>\$ 46</u>	<u>\$ 466</u>

2020 Charges

Cost reduction programs and other charges were \$48 million and \$428 million for the quarter and nine months ended September 30, 2020, respectively (\$36 million and \$318 million, after tax).

Total cost reduction program related charges were \$39 million and \$330 million (\$29 million and \$236 million, after tax), for the quarter and nine months ended September 30, 2020, respectively, which consisted primarily of severance charges of \$31 million and \$281 million. Merger-related and other charges were \$9 million and \$98 million for the quarter and nine months ended September 30, 2020 (\$7 million and \$82 million, after tax).

Classification in the condensed consolidated financial statements

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

3. Supplemental Information

Receivables

Linde applies loss rates that are lifetime expected credit losses at initial recognition of the receivables. These expected loss rates are based on an analysis of the actual historical default rates for each business, taking regional circumstances into account. If necessary, these historical default rates are adjusted to reflect the impact of current changes in the macroeconomic environment using forward-looking information. The loss rates are also evaluated based on the expectations of the responsible management team regarding the collectability of the receivables. Gross trade receivables aged less than one year were \$4,358 million and \$4,169 million at September 30, 2021 and December 31, 2020 respectively and gross receivables aged greater than one year were \$308 million and \$358 million at September 30, 2021 and December 31, 2020, respectively. Other receivables were \$124 million and \$111 million at September 30, 2021 and December 31, 2020, respectively. Receivables aged greater than one year are generally fully reserved unless specific circumstances warrant exceptions, such as those backed by federal governments.

Accounts receivable net of reserves were \$4,367 million at September 30, 2021 and \$4,167 million at December 31, 2020. Allowances for expected credit losses were \$423 million at September 30, 2021 and \$471 million at December 31, 2020. Provisions for expected credit losses were \$101 million and \$136 million for the nine months ended September 30, 2021 and 2020, respectively. The allowance activity in the nine months ended September 30, 2021 and 2020 related to write-offs of uncollectible amounts, net of recoveries and currency movements is not material.

Inventories

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

<i>(Millions of dollars)</i>	September 30, 2021	December 31, 2020
Inventories		
Raw materials and supplies	\$ 391	\$ 411
Work in process	357	337
Finished goods	946	981
Total inventories	<u>\$ 1,694</u>	<u>\$ 1,729</u>

4. Debt

The following is a summary of Linde's outstanding debt at September 30, 2021 and December 31, 2020:

(Millions of dollars)	September 30, 2021	December 31, 2020
SHORT-TERM		
Commercial paper	\$ 2,022	\$ 2,527
Other borrowings (primarily non U.S.)	873	724
Total short-term debt	2,895	3,251
LONG-TERM (a)		
<i>(U.S. dollar denominated unless otherwise noted)</i>		
3.875% Euro denominated notes due 2021 (c)	—	748
0.250% Euro denominated notes due 2022 (b)	1,160	1,226
2.45% Notes due 2022	600	599
2.20% Notes due 2022	500	499
2.70% Notes due 2023	499	499
2.00% Euro denominated notes due 2023 (b)	777	832
5.875% GBP denominated notes due 2023 (b)	436	460
1.20% Euro denominated notes due 2024	636	671
1.875% Euro denominated notes due 2024 (b)	364	389
2.65% Notes due 2025	399	398
1.625% Euro denominated notes due 2025	575	607
0.00% Euro denominated notes due 2026 (d)	814	—
3.20% Notes due 2026	725	725
3.434% Notes due 2026	197	196
1.652% Euro denominated notes due 2027	95	100
0.250% Euro denominated notes due 2027	867	914
1.00% Euro denominated notes due 2028 (b)	902	966
1.10% Notes due 2030	696	696
1.90% Euro denominated notes due 2030	121	127
0.550% Euro denominated notes due 2032	862	909
0.375% Euro denominated notes due 2033 (d)	575	—
3.55% Notes due 2042	664	664
2.00% Notes due 2050	296	296
1.00% Euro denominated notes due 2051 (d)	803	—
Non U.S. borrowings	259	372
Other	10	10
	13,832	12,903
Less: current portion of long-term debt	(2,293)	(751)
Total long-term debt	11,539	12,152
Total debt	\$ 16,727	\$ 16,154

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

(b) September 30, 2021 and December 31, 2020 included a cumulative \$52 million and \$79 million adjustment to carrying value, respectively, related to hedge accounting of interest rate swaps. Refer to Note 5.

(c) In June 2021, the company repaid €600 million of 3.875% note that became due.

(d) In September 2021, Linde issued €700 million of 0.000% notes due 2026, €500 million of 0.375% notes due 2033, and €700 million of 1.000% notes due 2051.

The company maintains a \$5 billion unsecured revolving credit agreement with a syndicate of banking institutions that expires March 26, 2024. There are no financial maintenance covenants contained within the credit agreement. No borrowings were outstanding under the credit agreement as of September 30, 2021.

5. Financial Instruments

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

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

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

Counterparties to Linde's derivatives are major banking institutions with credit ratings of investment grade or better. The company has Credit Support Annexes ("CSAs") in place with its principal counterparties to minimize potential default risk and to mitigate counterparty risk. Under the CSAs, the fair values of derivatives for the purpose of interest rate and currency management are collateralized with cash on a regular basis. As of September 30, 2021, the impact of such collateral posting arrangements on the fair value of derivatives was insignificant. Management believes the risk of incurring losses on derivative contracts related to credit risk is remote and any losses would be immaterial.

The following table is a summary of the notional amount and fair value of derivatives outstanding at September 30, 2021 and December 31, 2020 for consolidated subsidiaries:

	Notional Amounts		Fair Value			
	September 30, 2021	December 31, 2020	Assets (a)		Liabilities (a)	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
<i>(Millions of dollars)</i>						
Derivatives Not Designated as Hedging Instruments:						
<i>Currency contracts:</i>						
Balance sheet items	\$ 4,136	\$ 6,470	\$ 19	\$ 72	\$ 29	\$ 48
Forecasted transactions	520	823	7	16	8	12
Cross-currency swaps	165	260	21	24	4	7
<i>Commodity contracts</i>	N/A	N/A	6	1	—	—
Total	\$ 4,821	\$ 7,553	\$ 53	\$ 113	\$ 41	\$ 67
Derivatives Designated as Hedging Instruments:						
<i>Currency contracts:</i>						
Forecasted transactions	322	355	7	20	2	14
<i>Commodity contracts</i>	N/A	N/A	56	3	—	—
<i>Interest rate swaps</i>	1,273	1,923	31	64	—	—
Total Hedges	\$ 1,595	\$ 2,278	\$ 94	\$ 87	\$ 2	\$ 14
Total Derivatives	\$ 6,416	\$ 9,831	\$ 147	\$ 200	\$ 43	\$ 81

(a) September 30, 2021 and December 31, 2020 included current assets of \$76 million and \$110 million which are recorded in prepaid and other current assets; long-term assets of \$71 million and \$90 million which are recorded in other long-term assets; current liabilities of \$37 million and \$70 million which are recorded in other current liabilities; and long-term liabilities of \$6 million and \$11 million which are recorded in other long-term liabilities.

Balance Sheet Items

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

Forecasted Transactions

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

Cross-Currency Swaps

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

Commodity Contracts

Commodity contracts are entered into to manage the exposure to fluctuations in commodity prices, which arise in the normal course of business from its procurement transactions. To reduce the extent of this risk, Linde enters into a limited number of electricity, natural gas, and propane gas derivatives. For forecasted transactions that are designated as cash flow hedges, fair value adjustments are recorded to accumulated other comprehensive income ("AOCI") with deferred amounts reclassified to earnings over the same time period as the income statement impact of the associated purchase.

Net Investment Hedge

As of September 30, 2021, Linde has €4.1 billion (\$4.7 billion) Euro-denominated notes and intercompany loans that are designated as hedges of the net investment positions in foreign operations. Since hedge inception, the deferred gain recorded within the cumulative translation adjustment component of AOCI in the condensed consolidated balance sheets and the consolidated statements of comprehensive income is \$57 million (deferred loss of \$1 million recorded during the quarter and a deferred gain of \$57 million recorded for the nine months ended September 30, 2021).

As of September 30, 2021, exchange rate movements relating to previously designated hedges that remain in AOCI is a loss of \$42 million. These movements will remain in AOCI, until appropriate, such as upon sale or liquidation of the related foreign operations at which time amounts will be reclassified to the consolidated statement of income.

Interest Rate Swaps

Linde uses interest rate swaps to hedge the exposure to changes in the fair value of financial assets and financial liabilities as a result of interest rate changes. These interest rate swaps effectively convert fixed-rate interest exposures to variable rates; fair value adjustments are recognized in earnings along with an equally offsetting charge/benefit to earnings for the changes in the fair value of the underlying financial asset or financial liability. The notional value of outstanding interest rate swaps of Linde with maturity dates from 2022 through 2028 was \$1,273 million at September 30, 2021 and \$1,923 million at December 31, 2020 (See Note 4).

Terminated Treasury Rate Locks

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

Derivatives' Impact on Consolidated Statements of Income

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

(Millions of dollars)	Amount of Pre-Tax Gain (Loss) Recognized in Earnings *			
	Quarter Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Derivatives Not Designated as Hedging Instruments				
Currency contracts:				
Balance sheet items				
Debt-related	\$ (13)	\$ (74)	\$ 16	\$ (213)
Other balance sheet items	2	3	9	(48)
Total	\$ (11)	\$ (71)	\$ 25	\$ (261)

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

The amounts of gain or loss recognized in AOCI and reclassified to the consolidated statement of income was immaterial for the quarter and nine months ended September 30, 2021 and 2020, respectively. Net losses expected to be reclassified to earnings during the next twelve months are also not material.

6. Fair Value Disclosures

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

(Millions of dollars)	Fair Value Measurements Using					
	Level 1		Level 2		Level 3	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Assets						
Derivative assets	\$ —	\$ —	\$ 147	\$ 200	\$ —	\$ —
Investments and securities*	24	21	—	—	27	47
Total	\$ 24	\$ 21	\$ 147	\$ 200	\$ 27	\$ 47
Liabilities						
Derivative liabilities	\$ —	\$ —	\$ 43	\$ 81	\$ —	\$ —

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

Level 1 investments and securities are marketable securities traded on an exchange. Level 2 investments are based on market prices obtained from independent brokers or determined using quantitative models that use as their basis readily observable market parameters that are actively quoted and can be validated through external sources, including third-party pricing services, brokers and market transactions. Level 3 investments and securities consist of a venture fund. For the valuation, Linde uses the net asset value received as part of the fund's quarterly reporting, which for the most part is not based on quoted prices in active markets. In order to reflect current market conditions, Linde proportionally adjusts these by observable market data (stock exchange prices) or current transaction prices.

Changes in level 3 investments and securities were immaterial.

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

The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues. Long-term debt is categorized within either Level 1 or Level 2 of the fair value hierarchy depending on the trading volume of the issues and whether or not they are actively quoted in the market as opposed to traded through over-the-counter transactions. At September 30, 2021, the estimated fair value of Linde's long-term debt portfolio was \$14,097 million versus a carrying value of \$13,832 million. At December 31, 2020, the estimated fair value of Linde's long-term debt portfolio was \$13,611 million versus a carrying value of \$12,903 million. Differences between the carrying value and the fair value are attributable to fluctuations in interest rates subsequent to when the debt was issued and relative to stated coupon rates.

7. Earnings Per Share – Linde plc Shareholders

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator (Millions of dollars)				
Income from continuing operations	\$ 978	\$ 699	\$ 2,797	\$ 1,728
Income from discontinued operations	1	1	3	3
Net Income – Linde plc	<u>\$ 979</u>	<u>\$ 700</u>	<u>\$ 2,800</u>	<u>\$ 1,731</u>
Denominator (Thousands of shares)				
Weighted average shares outstanding	514,770	525,339	518,418	527,177
Shares earned and issuable under compensation plans	399	355	384	324
Weighted average shares used in basic earnings per share	<u>515,169</u>	<u>525,694</u>	<u>518,802</u>	<u>527,501</u>
Effect of dilutive securities				
Stock options and awards	4,910	4,721	4,860	4,223
Weighted average shares used in diluted earnings per share	<u>520,079</u>	<u>530,415</u>	<u>523,662</u>	<u>531,724</u>
Basic earnings per share from continuing operations	\$ 1.90	\$ 1.33	\$ 5.39	\$ 3.28
Basic earnings per share from discontinued operations	—	—	0.01	0.01
Basic Earnings Per Share	<u>\$ 1.90</u>	<u>\$ 1.33</u>	<u>\$ 5.40</u>	<u>\$ 3.29</u>
Diluted earnings per share from continuing operations	\$ 1.88	\$ 1.32	\$ 5.34	\$ 3.25
Diluted earnings per share from discontinued operations	—	—	0.01	0.01
Diluted Earnings Per Share	<u>\$ 1.88</u>	<u>\$ 1.32</u>	<u>\$ 5.35</u>	<u>\$ 3.26</u>

There were no antidilutive shares for any period presented.

8. Retirement Programs

The components of net pension and postretirement benefits other than pensions ("OPEB") costs for the quarter and nine months ended September 30, 2021 and 2020 are shown below:

(Millions of dollars)	Quarter Ended September 30,				Nine Months Ended September 30,			
	Pensions		OPEB		Pensions		OPEB	
	2021	2020	2021	2020	2021	2020	2021	2020
Amount recognized in Operating Profit								
Service cost	\$ 39	\$ 38	\$ —	\$ 1	\$ 117	\$ 111	\$ 1	\$ 2
Amount recognized in Net pension and OPEB cost (benefit), excluding service cost								
Interest cost	39	52	2	1	115	154	3	4
Expected return on plan assets	(129)	(122)	—	—	(391)	(360)	—	—
Net amortization and deferral	41	22	(2)	—	130	67	(4)	(2)
Settlement charge (a)	4	6	—	—	4	6	—	—
	(45)	(42)	—	1	(142)	(133)	(1)	2
Net periodic benefit cost (benefit)	\$ (6)	\$ (4)	\$ —	\$ 2	\$ (25)	\$ (22)	\$ —	\$ 4

(a) In the third quarters of 2021 and 2020, Linde recorded pension settlement charges of \$4 million and \$6 million (\$3 million and \$5 million, after tax), respectively, related to lump sum benefit payments made from a U.S. non-qualified plan.

Linde estimates that 2021 required contributions to its pension plans will be in the range of \$40 million to \$50 million, of which \$32 million have been made through September 30, 2021.

9. Commitments and Contingencies

Contingent Liabilities

Linde is subject to various lawsuits and government investigations that arise from time to time in the ordinary course of business. These actions are based upon alleged environmental, tax, antitrust and personal injury claims, among others. Linde has strong defenses in these cases and intends to defend itself vigorously. It is possible that the company may incur losses in connection with some of these actions in excess of accrued liabilities. Management does not anticipate that in the aggregate such losses would have a material adverse effect on the company's consolidated financial position or liquidity; however, it is possible that the final outcomes could have a significant impact on the company's reported results of operations in any given period (see Note 17 to the consolidated financial statements of Linde's 2020 Annual Report on Form 10-K).

Significant matters are:

- During 2009, the Brazilian government published Law 11941/2009 instituting a new voluntary amnesty program ("Refis Program") which allowed Brazilian companies to settle certain federal tax disputes at reduced amounts. During 2009, the company decided that it was economically beneficial to settle many of its outstanding federal tax disputes and such disputes were enrolled in the Refis Program, subject to final calculation and review by the Brazilian federal government. The company recorded estimated liabilities based on the terms of the Refis Program. Since 2009, Linde has been unable to reach final agreement on the calculations and initiated litigation against the government in an attempt to resolve certain items. Open issues relate to the following matters: (i) application of cash deposits and net operating loss carryforwards to satisfy obligations and (ii) the amount of tax reductions available under the Refis Program. It is difficult to estimate the timing of resolution of legal matters in Brazil.
- At September 30, 2021 the most significant non-income and income tax claims in Brazil, after enrollment in the Refis Program, relate to state VAT tax matters and a federal income tax matter where the taxing authorities are challenging the tax rate that should be applied to income generated by a subsidiary company. The total estimated exposure relating to such claims, including interest and penalties, as appropriate, is approximately \$205 million. Linde has not recorded any liabilities related to such claims based on management judgments, after considering judgments and opinions of outside counsel. Because litigation in Brazil historically takes many years to resolve, it is very difficult to estimate the timing of resolution of these matters; however, it is possible that certain of these matters may be resolved within the near term. The company is vigorously defending against the proceedings.

- On September 1, 2010, CADE (Brazilian Administrative Council for Economic Defense) announced alleged anticompetitive activity on the part of five industrial gas companies in Brazil and imposed fines. Originally, CADE imposed a civil fine of R\$2.2 billion Brazilian reais (\$404 million) on White Martins, the Brazil-based subsidiary of Praxair, Inc. The fine was reduced to R\$1.7 billion Brazilian reais (\$312 million) due to a calculation error made by CADE. The fine against White Martins was overturned by the Ninth Federal Court of Brasilia. CADE appealed this decision, and the Federal Court of Appeals rejected CADE's appeal and confirmed the decision of the Ninth Federal Court of Brasilia. CADE has filed an appeal with the Superior Court of Justice and a decision is pending.
Similarly, on September 1, 2010, CADE imposed a civil fine of R\$237 million Brazilian reais (\$44 million) on Linde Gases Ltda., the former Brazil-based subsidiary of Linde AG, which was divested to MG Industries GmbH on March 1, 2019 and with respect to which Linde provided a contractual indemnity. The fine was reduced to R\$188 million Brazilian reais (\$35 million) due to a calculation error made by CADE. The fine against Linde Gases Ltda. was overturned by the Seventh Federal Court in Brasilia. CADE appealed this decision, and the Federal Court of Appeals rejected CADE's appeal and confirmed the decision of the Seventh Federal Court of Brasilia. CADE filed an appeal with the Superior Court of Justice, and a final decision is pending.
Linde has strong defenses and is confident that it will prevail on appeal and have the fines overturned. Linde strongly believes that the allegations of anticompetitive activity against our current and former Brazilian subsidiaries are not supported by valid and sufficient evidence. Linde believes that this decision will not stand up to judicial review and deems the possibility of cash outflows to be extremely unlikely. As a result, no reserves have been recorded as management does not believe that a loss from this case is probable.
- On and after April 23, 2019 former shareholders of Linde AG filed appraisal proceedings at the District Court (*Landgericht*) Munich I (Germany), seeking an increase of the cash consideration paid in connection with the previously completed cash merger squeeze-out of all of Linde AG's minority shareholders for €189.46 per share. Any such increase would apply to all 14,763,113 Linde AG shares that were outstanding on April 8, 2019, when the cash merger squeeze-out was completed. The period for plaintiffs to file claims expired on July 9, 2019. The company believes the consideration paid was fair and that the claims lack merit, and no reserve has been established. We cannot estimate the timing of resolution.

10. Segments

For a description of Linde plc's operating segments, refer to Note 18 to the consolidated financial statements on Linde plc's 2020 Annual Report on Form 10-K.

The table below presents sales and operating profit information about reportable segments and Other for the quarters and nine months ended September 30, 2021 and 2020.

(Millions of dollars)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
SALES ^(a)				
Americas	\$ 3,091	\$ 2,641	\$ 8,951	\$ 7,735
EMEA	1,911	1,622	5,585	4,703
APAC	1,564	1,484	4,544	4,115
Engineering	601	678	1,921	2,096
Other	501	430	1,494	1,322
Total sales	\$ 7,668	\$ 6,855	\$ 22,495	\$ 19,971

(Millions of dollars)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
SEGMENT OPERATING PROFIT				
Americas	\$ 859	\$ 742	\$ 2,525	\$ 2,025
EMEA	476	370	1,414	1,028
APAC	382	337	1,122	912
Engineering	106	106	323	335
Other	(13)	(40)	(49)	(116)
Segment operating profit	1,810	1,515	5,335	4,184
Cost reduction programs and other charges (Note 2)	(26)	(48)	(222)	(428)
Purchase accounting impacts - Linde AG	(492)	(498)	(1,466)	(1,463)
Total operating profit	<u>\$ 1,292</u>	<u>\$ 969</u>	<u>\$ 3,647</u>	<u>\$ 2,293</u>

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

11. Equity

Equity

A summary of the changes in total equity for the quarter and nine months ended September 30, 2021 and 2020 is provided below:

(Millions of dollars)	Quarter Ended September 30,					
	2021			2020		
	Linde plc Shareholders' Equity	Noncontrolling Interests	Total Equity	Linde plc Shareholders' Equity	Noncontrolling Interests	Total Equity
Activity						
Balance, beginning of period	\$ 45,777	\$ 1,438	\$ 47,215	\$ 45,537	\$ 2,387	\$ 47,924
Net income (a)	979	31	1,010	700	31	731
Other comprehensive income (loss)	(710)	(13)	(723)	648	40	688
Noncontrolling interests:						
Additions (reductions)	—	(15)	(15)	—	11	11
Dividends and other capital changes	—	(40)	(40)	—	(65)	(65)
Dividends to Linde plc ordinary share holders (\$1.060 per share in 2021 and \$0.963 per share in 2020)	(546)	—	(546)	(506)	—	(506)
Issuances of ordinary shares:						
For employee savings and incentive plans	(1)	—	(1)	(20)	—	(20)
Purchases of ordinary shares	(1,208)	—	(1,208)	(213)	—	(213)
Share-based compensation	32	—	32	29	—	29
Balance, end of period	\$ 44,323	\$ 1,401	\$ 45,724	\$ 46,175	\$ 2,404	\$ 48,579

(Millions of dollars)	Nine Months Ended September 30,					
	2021			2020		
	Linde plc Shareholders' Equity	Noncontrolling Interests	Total Equity	Linde plc Shareholders' Equity	Noncontrolling Interests	Total Equity
Activity						
Balance, beginning of period	\$ 47,317	\$ 2,252	\$ 49,569	\$ 49,074	\$ 2,448	\$ 51,522
Net income (a)	2,800	105	2,905	1,731	91	1,822
Other comprehensive income (loss)	(928)	(10)	(938)	(1,159)	(48)	(1,207)
Noncontrolling interests:						
Additions (reductions) (b)	—	(861)	(861)	—	26	26
Dividends and other capital changes	—	(85)	(85)	—	(113)	(113)
Dividends to Linde plc ordinary share holders (\$3.180 per share in 2021 and \$2.889 per share in 2020)	(1,648)	—	(1,648)	(1,523)	—	(1,523)
Issuances of ordinary shares:						
For employee savings and incentive plans	(12)	—	(12)	(28)	—	(28)
Purchases of ordinary shares	(3,301)	—	(3,301)	(2,024)	—	(2,024)
Share-based compensation	95	—	95	104	—	104
Balance, end of period	\$ 44,323	\$ 1,401	\$ 45,724	\$ 46,175	\$ 2,404	\$ 48,579

(a) Net income for noncontrolling interests excludes net income related to redeemable noncontrolling interests which is not significant for the quarters and nine months ended September 30, 2021 and 2020 and which is not part of total equity.

(b) Additions (reductions) for noncontrolling interests as of the nine months ended September 30, 2021, includes the impact from the deconsolidation of a joint venture with operations in APAC (see Note 13).

The components of AOCI are as follows:

	September 30, 2021	December 31, 2020
<i>(Millions of dollars)</i>		
Cumulative translation adjustment - net of taxes:		
Americas	\$ (3,958)	\$ (3,788)
EMEA	382	1,020
APAC	77	616
Engineering	104	354
Other	(537)	(1,020)
	(3,932)	(2,818)
Derivatives - net of taxes	60	4
Pension / OPEB (net of \$507 million and \$560 million tax benefit in September 30, 2021 and December 31, 2020, respectively)	(1,746)	(1,876)
	<u>\$ (5,618)</u>	<u>\$ (4,690)</u>

12. Revenue Recognition

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

Contracts with Customers

Linde serves a diverse group of industries including healthcare, petroleum refining, energy, manufacturing, food, beverage carbonation, fiber-optics, steel making, aerospace, chemicals and water treatment.

Industrial Gases

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

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

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

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

Merchant. Merchant deliveries generally are made from Linde's plants by tanker trucks to storage containers at the customer's site. Due to the relatively high distribution cost, merchant oxygen and nitrogen generally have a relatively small distribution

radius from the plants at which they are produced. Merchant argon, hydrogen and helium can be shipped much longer distances. The customer agreements used in the merchant business are usually three-to seven-year supply agreements based on the requirements of the customer. These contracts generally do not contain minimum purchase requirements or volume commitments.

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

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

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

Linde Engineering

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

Contract Assets and Liabilities

Contract assets and liabilities result from differences in timing of revenue recognition and customer invoicing. Contract assets primarily relate to sale of equipment contracts for which revenue is recognized over time. The balance represents unbilled revenue which occurs when revenue recognized under the measure of progress exceeds amounts invoiced to customers. Customer invoices may be based on the passage of time, the achievement of certain contractual milestones or a combination of both criteria. Contract liabilities include advance payments or right to consideration prior to performance under the contract. Contract liabilities are recognized as revenue as performance obligations are satisfied under contract terms. Linde has contract assets of \$166 million and \$162 million at September 30, 2021 and December 31, 2020, respectively. Total contract liabilities are \$2,944 million at September 30, 2021 (current of \$2,213 million and \$731 million within other long-term liabilities in the condensed consolidated balance sheets). Total contract liabilities were \$2,301 million at December 31, 2020 (current contract liabilities of \$1,769 million and \$532 million in other long-term liabilities in the condensed consolidated balance sheets). Revenue recognized for the nine months ended September 30, 2021 that was included in the contract liability at December 31, 2020 was \$1,017 million. Contract assets and liabilities primarily relate to the Linde Engineering business.

Payment Terms and Other

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

Disaggregated Revenue Information

As described above and in Note 18 to Linde's 2020 Form 10-K, the company manages its industrial gases business on a geographic basis, while the Engineering and Other businesses are generally managed on a global basis. Furthermore, the company believes that reporting sales by distribution method by reportable geographic segment best illustrates the nature,

timing, type of customer, and contract terms for its revenues, including terms and pricing.

The following tables show sales by distribution method at the consolidated level and for each reportable segment and Other for the quarter and nine months ended September 30, 2021 and September 30, 2020.

(Millions of dollars)

		Quarter Ended September 30, 2021					
Sales		Americas	EMEA	APAC	Engineering	Other	Total
Merchant	\$	849	\$ 559	\$ 563	\$ —	\$ 38	2,009
On-Site		836	462	578	—	—	1,876
Packaged Gas		1,385	880	394	—	7	2,666
Other		21	10	29	601	456	1,117
Total	\$	3,091	\$ 1,911	\$ 1,564	\$ 601	\$ 501	7,668

(Millions of dollars)

		Quarter Ended September 30, 2020					
Sales		Americas	EMEA	APAC	Engineering	Other	Total
Merchant	\$	739	\$ 472	\$ 526	\$ —	\$ 34	1,771
On-Site		622	334	528	—	—	1,484
Packaged Gas		1,265	799	413	—	5	2,482
Other		15	17	17	678	391	1,118
Total	\$	2,641	\$ 1,622	\$ 1,484	\$ 678	\$ 430	6,855

(Millions of dollars)

		Nine Months Ended September 30, 2021					
Sales		Americas	EMEA	APAC	Engineering	Other (a)	Total
Merchant	\$	2,441	\$ 1,646	\$ 1,598	\$ —	\$ 133	5,818
On-Site		2,299	1,250	1,712	—	—	5,261
Packaged Gas		4,086	2,652	1,147	—	19	7,904
Other		125	37	87	1,921	1,342	3,512
Total	\$	8,951	\$ 5,585	\$ 4,544	\$ 1,921	\$ 1,494	22,495

(Millions of dollars)

		Nine Months Ended September 30, 2020					
Sales		Americas	EMEA	APAC	Engineering	Other (a)	Total
Merchant	\$	2,099	\$ 1,357	\$ 1,444	\$ —	\$ 110	5,010
On-Site		1,831	981	1,486	—	—	4,298
Packaged Gas		3,750	2,329	1,135	—	16	7,230
Other		55	36	50	2,096	1,196	3,433
Total	\$	7,735	\$ 4,703	\$ 4,115	\$ 2,096	\$ 1,322	19,971

Remaining Performance Obligations

As described above, Linde's contracts with on-site customers are under long-term supply arrangements which generally require the customer to purchase their requirements from Linde and also have minimum purchase requirements. The company estimates the consideration related to minimum purchase requirements is approximately \$54 billion. This amount excludes all sales above minimum purchase requirements, which can be significant depending on customer needs. In the future, actual amounts will be different due to impacts from several factors, many of which are beyond the company's control including, but not limited to, timing of newly signed, terminated and renewed contracts, inflationary price escalations, currency exchange rates, and pass-through costs related to natural gas and electricity. The actual duration of long-term supply contracts ranges up to twenty years. The company estimates that approximately half of the revenue related to minimum purchase requirements will be earned in the next five years and the remaining thereafter.

13. Divestitures

Effective January 1, 2021, Linde deconsolidated a joint venture with operations in APAC, due to the expiration of certain contractual rights that the parties mutually agreed not to renew. From the effective date, the joint venture is reflected as an equity investment on Linde's consolidated balance sheet with the corresponding results reflected in income from equity investments on the consolidated statement of income.

The fair value of the joint venture at January 1, 2021 was determined using a discounted cash flow model and approximated the carrying amount of its net assets. The net carrying value of \$852 million was mainly comprised of assets of approximately \$1.9 billion (primarily Other intangibles and Property plant and equipment - net), net of liabilities of approximately \$1.0 billion. Upon deconsolidation an equity investment was recorded representing Linde's share of the joint venture's net assets. The deconsolidation resulted in a gain of \$52 million recorded within cost reduction programs and other charges (see Note 2) related to the release of the CTA balance recorded within AOCI. The company did not receive any consideration, cash or otherwise, as part of the deconsolidation.

The joint venture contributed sales of approximately \$600 million in 2020. Future earnings per share will not be affected as the ownership percent remains the same.

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

Non-GAAP Measures

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

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

Consolidated Results

The following table provides summary information for the quarters and nine months ended September 30, 2021 and 2020. The reported amounts are GAAP amounts from the Consolidated Statements of Income. The adjusted amounts are intended to supplement investors' understanding of the company's financial information and are not a substitute for GAAP measures:

(Millions of dollars, except per share data)	Quarter Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Sales	\$ 7,668	\$ 6,855	12 %	\$ 22,495	\$ 19,971	13 %
Cost of sales, exclusive of depreciation and amortization	\$ 4,368	\$ 3,835	14 %	\$ 12,616	\$ 11,297	12 %
As a percent of sales	57.0 %	55.9 %		56.1 %	56.6 %	
Selling, general and administrative	\$ 793	\$ 770	3 %	\$ 2,402	\$ 2,391	— %
As a percent of sales	10.3 %	11.2 %		10.7 %	12.0 %	
Depreciation and amortization	\$ 1,163	\$ 1,168	— %	\$ 3,500	\$ 3,434	2 %
Cost reduction programs and other charges (b)	\$ 26	\$ 48	(46) %	\$ 222	\$ 428	(48) %
Other income (expense) - net	\$ 10	\$ (29)	134 %	\$ (3)	\$ (14)	79 %
Operating profit	\$ 1,292	\$ 969	33 %	\$ 3,647	\$ 2,293	59 %
Operating margin	16.8 %	14.1 %		16.2 %	11.5 %	
Interest expense - net	\$ 8	\$ 38	(79) %	\$ 46	\$ 80	(43) %
Net pension and OPEB cost (benefit), excluding service cost	\$ (45)	\$ (41)	10 %	\$ (143)	\$ (131)	9 %
Effective tax rate	24.2 %	27.3 %		24.7 %	25.3 %	
Income from equity investments	\$ 1	\$ 23	(96) %	\$ 81	\$ 69	17 %
Noncontrolling interests from continuing operations	\$ (31)	\$ (31)	— %	\$ (105)	\$ (91)	15 %
Income from continuing operations	\$ 978	\$ 699	40 %	\$ 2,797	\$ 1,728	62 %
Diluted earnings per share from continuing operations	\$ 1.88	\$ 1.32	42 %	\$ 5.34	\$ 3.25	64 %
Diluted shares outstanding	520,079	530,415	(2) %	523,662	531,724	(2) %
Number of employees	72,159	74,648	(3) %	72,159	74,648	(3) %
Adjusted Amounts (a)						
Operating profit	\$ 1,810	\$ 1,515	19 %	\$ 5,335	\$ 4,184	28 %
Operating margin	23.6 %	22.1 %		23.7 %	21.0 %	
Effective tax rate	23.9 %	23.5 %		24.1 %	23.9 %	
Income from continuing operations	\$ 1,421	\$ 1,140	25 %	\$ 4,148	\$ 3,154	32 %
Diluted earnings per share from continuing operations	\$ 2.73	\$ 2.15	27 %	\$ 7.92	\$ 5.93	34 %
Other Financial Data (a)						
EBITDA from continuing operations	\$ 2,456	\$ 2,160	14 %	\$ 7,228	\$ 5,796	25 %
As percent of sales	32.0 %	31.5 %		32.1 %	29.0 %	
Adjusted EBITDA from continuing operations	\$ 2,559	\$ 2,233	15 %	\$ 7,582	\$ 6,298	20 %
As percent of sales	33.4 %	32.6 %		33.7 %	31.5 %	

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

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

Reported

In the third quarter of 2021, Linde's sales were \$7,668 million, 12% above prior year, primarily driven by 3% price attainment and 8% higher volumes. Currency translation increased sales by 2% in the third quarter of 2021 as compared to 2020. Cost pass-through, representing the contractual billing of energy cost variances primarily to onsite customers, increased sales by 3% in the quarter, with minimal impact on operating profit.

Reported operating profit for the third quarter of 2021 of \$1,292 million, or 16.8% of sales, was 33% above prior year. The reported year-over-year increase was primarily due to higher price and volumes, partially offset by the deconsolidation of a joint venture with operations in APAC. The reported effective tax rate ("ETR") was 24.2% in the third quarter 2021 versus 27.3% in the third quarter 2020. Diluted earnings per share from continuing operations ("EPS") was \$1.88, or 42% above EPS of \$1.32 in the third quarter of 2020 primarily due to higher income from continuing operations and lower diluted shares outstanding.

Adjusted

In the third quarter of 2021, adjusted operating profit of \$1,810 million, or 23.6% of sales, was 19% higher as compared to 2020 driven by higher price and volumes and continued productivity initiatives across all segments. The adjusted ETR was 23.9% in the third quarter 2021 versus 23.5% in the 2020 quarter. On an adjusted basis, EPS was \$2.73, 27% above the 2020 adjusted EPS of \$2.15, driven by higher adjusted income from continuing operations and lower diluted shares outstanding.

Outlook

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

Results of operations

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

	Quarter Ended September 30, 2021 vs. 2020		Nine Months Ended September 30, 2021 vs. 2020	
	% Change		% Change	
Factors Contributing to Changes - Sales				
Volume	8	%	8	%
Price/Mix	3	%	2	%
Cost pass-through	3	%	2	%
Currency	2	%	4	%
Acquisitions/divestitures	(3)	%	(2)	%
Engineering	(1)	%	(1)	%
	12	%	13	%

Sales

Sales increased \$813 million, or 12%, for the third quarter of 2021 and increased \$2,524 million, or 13%, for the nine months ended September 30, 2021 versus the respective 2020 periods. Volume growth across all end markets and project start-ups increased sales by 8% in the quarter and year-to-date periods. Higher pricing across all geographic segments contributed 3% to sales in the quarter and 2% in the year-to-date period. Currency translation increased sales by 2% in the quarter and 4% in the year-to-date period, largely in EMEA and APAC, driven by the strengthening of the Euro, Australian dollar, Chinese yuan and British pound against the U.S. dollar. Cost pass-through increased sales by 3% in the quarter and 2% in the year-to-date period with minimal impact on operating profit. The deconsolidation of a joint venture with operations in APAC decreased sales by 3% in the quarter and 2% in the year-to-date period (see Note 13 to the condensed consolidated financial statements).

Cost of sales, exclusive of depreciation and amortization

Cost of sales, exclusive of depreciation and amortization increased \$533 million, or 14%, for the third quarter of 2021 and increased \$1,319 million, or 12% for the nine months ended September 30, 2021, primarily due to higher volumes, cost pass-through and currency impacts, partially offset by productivity initiatives. Cost of sales, exclusive of depreciation and amortization was 57.0% and 56.1% of sales, respectively, for the third quarter and nine months ended September 30, 2021 versus 55.9% and 56.6% of sales for the respective 2020 periods. The increase as a percentage of sales for the third quarter of 2021 was due primarily to higher cost pass-through. The decrease as a percentage of sales for the nine months ended September 30, 2021 was due primarily to productivity initiatives which more than offset the impact of higher cost pass-through.

Selling, general and administrative expenses

Selling, general and administrative expense ("SG&A") increased \$23 million, or 3%, for the third quarter of 2021 and increased \$11 million, for the nine months ended September 30, 2021. SG&A was 10.3% of third quarter sales and 10.7% sales for the nine months ended September 30, 2021 versus 11.2% and 12.0% for the respective 2020 periods. Currency impacts increased SG&A by approximately \$10 million in the quarter and \$71 million for the nine months ended September 30, 2021. Excluding currency impacts, underlying SG&A increased in the third quarter of 2021 driven by higher incentive compensation and decreased for the nine months ended September 30, 2021 due to continued productivity initiatives.

Depreciation and amortization

Reported depreciation and amortization expense decreased \$5 million for the third quarter of 2021 and increased \$66 million, or 2%, for the nine months ended September 30, 2021.

On an adjusted basis depreciation and amortization increased \$13 million, or 2%, for the third quarter of 2021 and increased \$71 million, or 4% for the year-to-date period, primarily due to currency translation impacts which increased depreciation and amortization by \$11 million and \$65 million, respectively. Excluding currency impacts, underlying depreciation was relatively flat as the impact of new project start ups largely offset the decrease related to the deconsolidation of a joint venture with operations in APAC (see Note 13 to the condensed consolidated financial statements).

Cost reduction programs and other charges

Cost reduction programs and other charges were \$26 million and \$48 million for the third quarter 2021 and 2020, respectively, primarily related to merger and synergy-related costs (see Note 2 to the condensed consolidated financial statements).

Cost reduction programs and other charges were \$222 million and \$428 million, respectively, for the nine months ended September 30, 2021 and 2020.

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

Operating profit

On a reported basis, operating profit increased \$323 million, or 33%, for the third quarter of 2021 and increased \$1,354 million, or 59% for the nine months ended September 30, 2021. The increase was primarily due to higher volumes and price, partially offset by the deconsolidation of a joint venture with operations in APAC. Cost reduction programs and other charges were \$26 million for the third quarter of 2021, versus \$48 million for the respective 2020 period. In the year-to-date periods, cost reduction programs and other charges were \$222 million and \$428 million for the nine months ended September 30, 2021 and 2020, respectively.

On an adjusted basis, which excludes the impacts of purchase accounting and cost reduction programs and other charges, operating profit increased \$295 million, or 19% in the 2021 quarter and increased \$1,151 million, or 28%, for the nine months ended September 30, 2021. Operating profit growth was driven by higher volume and price and the benefit of cost reduction programs and productivity initiatives, partially offset by the deconsolidation of a joint venture with operations in APAC. A discussion of operating profit by segment is included in the segment discussion that follows.

Interest expense - net

Reported interest expense - net decreased \$30 million for the third quarter of 2021 and decreased \$34 million for the nine months ended September 30, 2021. On an adjusted basis interest expense decreased \$43 million for the third quarter of 2021 and decreased \$58 million for the nine months ended September 30, 2021 versus the respective 2020 periods. The decrease in both periods was driven by a lower effective borrowing rate, a gain on the sale of an investment security and the impact of unfavorable foreign currency revaluation on an unhedged intercompany loan in the prior year periods.

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

Reported net pension and OPEB cost (benefit), excluding service cost was a benefit of \$45 million and \$143 million for the quarter and nine months ended September 30, 2021, respectively, versus a benefit of \$41 million and \$131 million for the respective 2020 periods. The increase in benefit for both the quarter and year-to-date periods largely relates to a higher expected return on assets and lower interest costs, partially offset by higher amortization of deferred losses. The third quarter of 2021 and 2020 included settlement charges of \$4 million and \$6 million, respectively (see Note 8 to the condensed consolidated financial statements).

Effective tax rate

The reported effective tax rate ("ETR") for the quarter and nine months ended September 30, 2021 was 24.2% and 24.7%, respectively, versus 27.3% and 25.3% for the respective 2020 periods. The 2020 quarter and year-to-date periods include a deferred income tax charge related to the revaluation of net deferred tax liabilities for a tax rate increase in the United Kingdom. The 2021 year-to-date period includes net tax charges of \$38 million primarily related to \$81 million of a deferred income tax charge related to the revaluation of net deferred tax liabilities for a tax rate increase in United Kingdom, partially offset by a tax settlement benefit of \$33 million (see Note 2 to the condensed consolidated financial statements).

On an adjusted basis, the ETR for the quarter and nine months ended September 30, 2021 was 23.9% and 24.1%, respectively, versus 23.5% and 23.9% for the respective 2020 periods. The increase in both periods is primarily due to lower tax benefits from share option exercises.

Income from equity investments

Reported income from equity investments for the third quarter of 2021 and nine months ended September 30, 2021 was \$1 million and \$81 million, respectively, versus \$23 million and \$69 million for the respective 2020 periods. On an adjusted basis, income from equity investments for the third quarter and nine months ended September 30, 2021 was \$55 million and \$173 million, respectively, versus \$37 million and \$111 million, in the prior year respective periods.

On a reported basis, income from equity investments decreased in the third quarter of 2021 due to a \$35 million impairment charge related to a joint venture in the APAC segment (see Note 2 to the condensed consolidated financial statements), which more than offset the increase due to the deconsolidation of a joint venture with operations in APAC which is reflected in equity income effective January 1, 2021. Income from equity investments increased for the nine months ended September 30, 2021 as the increase related to the deconsolidation more than offset the impairment charge.

The increase in adjusted income from equity investments for the quarter and year-to-date periods was driven by the deconsolidation of a joint venture with operations in APAC which is reflected in equity income effective January 1, 2021 (See Note 13 to the condensed consolidated financial statements). The quarter and year-to-date 2020 periods also include the impact of unfavorable foreign currency revaluation on an unhedged loan of an investment in EMEA.

Noncontrolling interests from continuing operations

At September 30, 2021, noncontrolling interests from continuing operations consisted primarily of non-controlling shareholders' investments in APAC (primarily China) and surface technologies.

Reported noncontrolling interests from continuing operations was flat for the third quarter of 2021 and increased \$14 million for the nine months ended September 30, 2021 versus the respective 2020 periods primarily driven by higher income from continuing operations, partially offset by the deconsolidation of a joint venture with operations in APAC (See Note 13 to the condensed consolidated financial statements) and the buyout of minority shareholders in the Republic of South Africa.

Adjusted noncontrolling interests from continuing operations decreased \$10 million for the third quarter of 2021 and decreased \$18 million for the nine months ended September 30, 2021 versus the respective 2020 periods primarily driven by the deconsolidation of a joint venture with operations in APAC (See Note 13 to the condensed consolidated financial statements) and the buyout of minority shareholders in the Republic of South Africa, which more than offset the increase from higher income from continuing operations.

Income from continuing operations

Reported income from continuing operations increased \$279 million, or 40%, for the third quarter of 2021 and increased \$1,069 million, or 62%, for the nine months ended September 30, 2021 versus the respective 2020 periods, primarily due to higher overall operating profit.

On an adjusted basis, which excludes the impacts of purchase accounting and other non-GAAP adjustments, income from continuing operations increased \$281 million, or 25%, for the quarter and increased \$994 million, or 32% for the nine months ended September 30, 2021 versus the respective 2020 periods. The increase in the quarter and year-to-date periods was driven by higher overall adjusted operating profit.

Diluted earnings per share from continuing operations

Reported diluted earnings per share from continuing operations increased \$0.56, or 42%, for the third quarter of 2021 and increased \$2.09, or 64% for the nine months ended September 30, 2021 versus the comparable 2020 periods.

On an adjusted basis, diluted EPS for the third quarter of 2021 increased \$0.58, or 27%, and increased \$1.99, or 34% for the nine months ended September 30, 2021 versus the respective 2020 periods, primarily due to higher income from continuing operations and lower diluted shares outstanding.

Employees

The number of employees at September 30, 2021 was 72,159, a decrease of 2,489 employees from September 30, 2020 primarily driven by cost reduction actions and divestitures.

Other Financial Data

EBITDA was \$2,456 million for the third quarter of 2021 as compared to \$2,160 million in the respective 2020 period. EBITDA increased to \$7,228 million for the nine months ended September 30, 2021 from \$5,796 million in the respective 2020 period. Adjusted EBITDA from continuing operations increased to \$2,559 million for the third quarter 2021 from \$2,233 million in the respective 2020 period. Adjusted EBITDA from continuing operations increased to \$7,582 million from \$6,298 million for the nine months ended September 30, 2021 as compared to the respective 2020 period primarily due to higher income from continuing operations versus the prior period.

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

Other Comprehensive Income (Loss)

Other comprehensive losses for the third quarter of 2021 and the nine months ended September 30, 2021 were \$723 million and \$938 million, respectively, resulted primarily from currency translation adjustments of \$819 million during the quarter and \$1,124 million during the year-to-date period. The translation adjustments reflect the impact of translating local currency foreign subsidiary financial statements to U.S. dollars, and are largely driven by the movement of the U.S. dollar against major currencies including the Euro, British pound and the Chinese yuan. See the "Currency" section of the MD&A for exchange rates used for translation purposes and Note 11 to the condensed consolidated financial statements for a summary of the currency translation adjustment component of accumulated other comprehensive income by segment.

Segment Discussion

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

(Millions of dollars)	Quarter Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
SALES						
Americas	\$ 3,091	\$ 2,641	17 %	\$ 8,951	\$ 7,735	16 %
EMEA	1,911	1,622	18 %	5,585	4,703	19 %
APAC	1,564	1,484	5 %	4,544	4,115	10 %
Engineering	601	678	(11) %	1,921	2,096	(8) %
Other	501	430	17 %	1,494	1,322	13 %
Total sales	\$ 7,668	\$ 6,855	12 %	\$ 22,495	\$ 19,971	13 %
SEGMENT OPERATING PROFIT						
Americas	\$ 859	\$ 742	16 %	\$ 2,525	\$ 2,025	25 %
EMEA	476	370	29 %	1,414	1,028	38 %
APAC	382	337	13 %	1,122	912	23 %
Engineering	106	106	— %	323	335	(4) %
Other	(13)	(40)	68 %	(49)	(116)	58 %
Segment operating profit	\$ 1,810	\$ 1,515	19 %	\$ 5,335	\$ 4,184	28 %
Reconciliation to reported operating profit:						
Cost reduction programs and other charges (Note 2)	(26)	(48)		(222)	(428)	
Purchase accounting impacts - Linde AG	(492)	(498)		(1,466)	(1,463)	
Total operating profit	\$ 1,292	\$ 969		\$ 3,647	\$ 2,293	

Americas

(Millions of dollars)	Quarter Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Sales	\$ 3,091	\$ 2,641	17 %	\$ 8,951	\$ 7,735	16 %
Operating profit	\$ 859	\$ 742	16 %	\$ 2,525	\$ 2,025	25 %
As a percent of sales	27.8 %	28.1 %		28.2 %	26.2 %	

	Quarter Ended September 30, 2021 vs. 2020		Nine Months Ended September 30, 2021 vs. 2020	
	% Change		% Change	
Factors Contributing to Changes - Sales				
Volume	9	%	10	%
Price/Mix	3	%	3	%
Cost pass-through	4	%	3	%
Currency	1	%	—	%
Acquisitions/divestitures	—	%	—	%
	17	%	16	%

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

Sales

Sales for the Americas segment increased \$450 million, or 17%, for the third quarter and increased \$1,216 million, or 16%, for the nine months ended September 30, 2021 versus the respective 2020 periods. Higher pricing contributed 3% to sales in the quarter and year-to-date period. Higher volumes increased sales by 9% for the third quarter and increased 10% for the nine months ended September 30, 2021, led by higher demand across all end markets and project start-ups. Currency translation increased sales by 1% in the quarter and was flat for the year-to-date period primarily driven by the strengthening of the Canadian dollar and Mexican peso against the U.S. Dollar. Cost pass-through increased sales by 4% for the third quarter and 3% for the year-to-date period with minimal impact on operating profit.

Operating profit

Operating profit in the Americas segment increased \$117 million, or 16%, in the third quarter and increased \$500 million, or 25%, for the nine months ended September 30, 2021 versus the respective 2020 periods. For the quarter and year-to-date periods, operating profit increased due primarily to higher pricing and volumes and continued productivity initiatives.

EMEA

(Millions of dollars)	Quarter Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Sales	\$ 1,911	\$ 1,622	18 %	\$ 5,585	\$ 4,703	19 %
Operating profit	\$ 476	\$ 370	29 %	\$ 1,414	\$ 1,028	38 %
As a percent of sales	24.9 %	22.8 %		25.3 %	21.9 %	

	Quarter Ended September 30, 2021 vs. 2020		Nine Months Ended September 30, 2021 vs. 2020	
	% Change		% Change	
Factors Contributing to Changes - Sales				
Volume	5	%	6	%
Price/Mix	4	%	3	%
Cost pass-through	7	%	4	%
Currency	2	%	7	%
Acquisitions/divestitures	—	%	(1)	%
	18	%	19	%

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

Sales

EMEA segment sales increased by \$289 million, or 18%, in the third quarter and increased by \$882 million, or 19%, for the nine months ended September 30, 2021 as compared to the respective 2020 periods. Volumes increased 5% in the quarter and 6% in the year-to-date period driven by increased demand across all end markets. Currency translation increased sales by 2% in

the quarter and 7% in the year-to-date period due to the strengthening of the Euro, British pound and Swedish krona against the U.S. Dollar. Higher price increased sales by 4% in the quarter and 3% in the year-to-date period. Sales decreased 1% in the year-to-date period related to the divestiture of a non-core business in Scandinavia. Cost pass-through contributed 7% to sales in the quarter and increased sales by 4% in the year-to-date periods with minimal impact on operating profit.

Operating profit

Operating profit for the EMEA segment increased by \$106 million, or 29%, in the third quarter and increased \$386 million, or 38%, for the nine months ended September 30, 2021 as compared to the respective 2020 periods, driven largely by higher price and volumes and continued productivity initiatives.

APAC

(Millions of dollars)	Quarter Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Sales	\$ 1,564	\$ 1,484	5 %	\$ 4,544	\$ 4,115	10 %
Operating profit	\$ 382	\$ 337	13 %	\$ 1,122	\$ 912	23 %
As a percent of sales	24.4 %	22.7 %		24.7 %	22.2 %	

	Quarter Ended September 30, 2021 vs. 2020		Nine Months Ended September 30, 2021 vs. 2020	
	% Change		% Change	
Factors Contributing to Changes - Sales				
Volume/Equipment	10	%	13	%
Price/Mix	1	%	1	%
Cost pass-through	2	%	2	%
Currency	3	%	6	%
Acquisitions/divestitures	(11)	%	(12)	%
	5	%	10	%

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

Sales

Sales for the APAC segment increased \$80 million, or 5%, for the third quarter and increased \$429 million, or 10% for the nine months ended September 30, 2021 versus the respective 2020 periods. Volumes increased 10% in the quarter and 13% in the year-to-date period driven by increased demand across all end markets, led by the cyclical end markets, and electronics and project start-ups. Higher price contributed 1% to sales in both the quarter and year-to-date periods. Currency translation increased sales by 3% in quarter and increased sales by 6% in the year-to-date periods driven primarily by the strengthening of the Chinese yuan, Australian dollar and Korean won against the U.S. Dollar. Sales decreased \$161 million, or 11%, in the third quarter of 2021 and decreased \$457 million, or 12%, for the nine months ended September 30, 2021 due to the deconsolidation of a joint venture with operations in Taiwan (See Note 13 to the condensed consolidated financial statements).

Operating profit

Operating profit in the APAC segment increased \$45 million, or 13%, in the third quarter and increased \$210 million, or 23%, for the nine months ended September 30, 2021 versus the respective 2020 periods. Higher volumes and price, and continued productivity initiatives in both periods were partially offset by a \$29 million and \$85 million reduction due to the deconsolidation of the joint venture in the third quarter and year-to-date periods, respectively.

Engineering

(Millions of dollars)	Quarter Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Sales	\$ 601	\$ 678	(11) %	\$ 1,921	\$ 2,096	(8) %
Operating profit	\$ 106	\$ 106	— %	\$ 323	\$ 335	(4) %
As a percent of sales	17.6 %	15.6 %		16.8 %	16.0 %	

	Quarter Ended September 30, 2021 vs. 2020		Nine Months Ended September 30, 2021 vs. 2020	
	% Change		% Change	
Factors Contributing to Changes - Sales				
Volume	(12)	%	(14)	%
Currency	1	%	6	%
	(11)	%	(8)	%

Sales

Engineering segment sales decreased \$77 million, or 11%, in the third quarter 2021 and decreased \$175 million, or 8%, for the nine months ended September 30, 2021 as compared to the respective 2020 periods driven primarily by project timing, partially offset by currency impacts which increased sales by 1% in the quarter and 6% in the year-to-date period.

Operating profit

Engineering segment operating profit was flat in the third quarter 2021 and decreased \$12 million, or 4%, for the nine months ended September 30, 2021 as compared to the respective 2020 periods driven primarily by sales and project timing.

Other

(Millions of dollars)	Quarter Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Sales	\$ 501	\$ 430	17 %	\$ 1,494	\$ 1,322	13 %
Operating profit (loss)	\$ (13)	\$ (40)	68 %	\$ (49)	\$ (116)	58 %
As a percent of sales	(2.6)%	(9.3)%		(3.3)%	(8.8)%	
	Quarter Ended September 30, 2021 vs. 2020			Nine Months Ended September 30, 2021 vs. 2020		
	% Change			% Change		
Factors Contributing to Changes - Sales						
Volume/price				15 %	9 %	
Cost pass-through				— %	— %	
Currency				2 %	4 %	
Acquisitions/divestitures				— %	— %	
				17 %	13 %	

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

Sales

Sales for Other increased \$71 million, or 17%, for the third quarter 2021 and increased \$172 million, or 13%, for the nine months ended September 30, 2021 versus the respective 2020 periods. Currency translation increased sales by 2% in the quarter and 4% for the year-to-date period. Higher volumes and price increased sales by 15% in the quarter and 9% in the year-to-date period across all businesses.

Operating profit

Operating profit in Other increased \$27 million, or 68% in the third quarter 2021 and increased \$67 million, or 58%, for the nine months ended September 30, 2021 versus the respective 2020 periods, due primarily to volume growth, higher price and continued productivity initiatives.

Currency

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

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

Currency	Percentage of YTD 2021 Consolidated Sales		Exchange Rate for Income Statement		Exchange Rate for Balance Sheet	
			Year-To-Date Average		September 30, 2021	December 31, 2020
			2021	2020		
Euro	20	%	0.84	0.89	0.86	0.82
Chinese yuan	9	%	6.47	6.99	6.44	6.53
British pound	7	%	0.72	0.79	0.74	0.73
Australian dollar	4	%	1.32	1.48	1.38	1.30
Brazilian real	4	%	5.33	5.02	5.44	5.20
Canadian dollar	3	%	1.25	1.35	1.27	1.27
Korean won	3	%	1,131	1,200	1,184	1,087
Mexican peso	2	%	20.13	21.64	20.64	19.91
Indian rupee	2	%	73.57	74.18	74.24	73.07
South African rand	2	%	14.56	16.65	15.07	14.69
Swedish krona	1	%	8.48	9.39	8.76	8.23
Thailand bhat	1	%	31.48	31.52	33.83	29.96

Liquidity, Capital Resources and Other Financial Data

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

(Millions of dollars)	Nine months ended September 30,	
	2021	2020
NET CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net income (including noncontrolling interests)	\$ 2,902	\$ 1,819
Non-cash charges (credits):		
Add: Depreciation and amortization	3,500	3,434
Add: Deferred income taxes	(184)	(299)
Add: Share-based compensation	95	104
Add: Cost reduction programs and other charges, net of payments (a)	83	240
Net income adjusted for non-cash charges	6,396	5,298
Less: Working capital	20	(99)
Less: Pension contributions	(32)	(76)
Other	108	(128)
Net cash provided by operating activities	\$ 6,492	\$ 4,995
INVESTING ACTIVITIES		
Capital expenditures	(2,247)	(2,373)
Acquisitions, net of cash acquired	(31)	(41)
Divestitures and asset sales	147	435
Net cash provided by (used for) investing activities	\$ (2,131)	\$ (1,979)
FINANCING ACTIVITIES		
Debt increase (decrease) - net	1,808	3,335
Issuances (purchases) of common stock - net	(3,212)	(1,989)
Cash dividends - Linde plc shareholders	(1,648)	(1,523)
Noncontrolling interest transactions and other	(319)	(201)
Net cash provided by (used for) financing activities	\$ (3,371)	\$ (378)
Effect of exchange rate changes on cash and cash equivalents	\$ (44)	\$ (139)
Cash and cash equivalents, end-of-period	\$ 4,700	\$ 5,199

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

Cash Flow from Operations

Cash provided by operations of \$6,492 million for the nine months ended September 30, 2021 increased \$1,497 million, or 30%, versus 2020. The increase was driven by higher net income adjusted for non-cash charges and lower working capital requirements, including an increase in contract liabilities due to engineering customer advanced payments, which more than offset higher cash taxes. Cost reduction programs and other charges were \$222 million and \$428 million, respectively, for the nine months ended September 30, 2021 and 2020. Related cash outflows were \$139 million and \$188 million for the same respective periods.

Linde estimates that total 2021 required contributions to its pension plans will be in the range of \$40 million to \$50 million, of which \$32 million has been made through September 30, 2021. At a minimum, Linde contributes to its pension plans to comply with local regulatory requirements (e.g., ERISA in the United States). Discretionary contributions in excess of the local minimum requirements are made based on many factors, including long-term projections of the plans' funded status, the economic environment, potential risk of overfunding, pension insurance costs and alternative uses of the cash. Changes to these factors can impact the amount and timing of discretionary contributions from year to year.

Investing

Net cash used for investing of \$2,131 million for the nine months ended September 30, 2021 increased \$152 million versus 2020, primarily driven by the proceeds from divestitures in 2020, partially offset by lower capital expenditures and acquisitions.

Capital expenditures for the nine months ended September 30, 2021 were \$2,247 million, \$126 million lower than the prior year.

At September 30, 2021, Linde's sale of gas backlog of large projects under construction was approximately \$3.5 billion. This represents the total estimated capital cost of large plants under construction.

Acquisitions for the nine months ended September 30, 2021 were \$31 million and related primarily to acquisitions in the Americas and EMEA. Acquisitions for the nine months ended September 30, 2020 were \$41 million and related to acquisitions in the Americas and APAC.

Divestitures and asset sales for the nine months ended September 30, 2021 and 2020 were \$147 million and \$435 million, respectively. The 2020 period includes net proceeds from merger-related divestitures of \$98 million from the sale of selected assets of Linde China and proceeds of approximately \$130 million related to the divestiture of a non-core business in Scandinavia.

Financing

Cash used for financing activities was \$3,371 million for the nine months ended September 30, 2021 as compared to cash used for financing activities of \$378 million for the nine months ended September 30, 2020. Cash provided by debt was \$1,808 million versus \$3,335 million in 2020. Net purchases of ordinary shares were \$3,212 million in 2021 versus \$1,989 million in 2020. Cash dividends of \$1,648 million increased \$125 million from 2020 driven primarily by a 10% increase in quarterly dividends per share from 96.3 cents per share to 106 cents per share. Cash used for Noncontrolling interest transactions and other was \$319 million for the nine months ended September 30, 2021 versus cash used of \$201 million for the respective 2020 period primarily due to the settlement of the buyout of minority interests in the Republic of South Africa in January of 2021.

In June 2021, Linde repaid €600 million of 3.875% note that became due. In September 2021, Linde issued €700 million of 0.000% notes due 2026, €500 million of 0.375% notes due 2033, and €700 million of 1.000% notes due 2051 (see Note 4 to the condensed consolidated financial statements).

The company continues to believe it has sufficient operating flexibility, cash, and funding sources to meet its business needs around the world. The company had \$4.7 billion of cash as of September 30, 2021, and has a \$5 billion unsecured and undrawn revolving credit agreement with no associated financial covenants. No borrowings were outstanding under the credit agreement as of September 30, 2021. The company does not anticipate any limitations on its ability to access the debt capital markets and/or other external funding sources and remains committed to its strong ratings from Moody's and Standard & Poor's.

On January 25, 2021, the company's board of directors approved the repurchase of \$5.0 billion of its ordinary shares ("2021 program") which could take place from time to time on the open market (and could include the use of 10b5-1 trading plans), subject to market and business conditions. The 2021 program has a maximum repurchase amount of 15% of outstanding shares, began on February 1, 2021 and expires on July 31, 2023.

Legal Proceedings

See Note 9 to the condensed consolidated financial statements.

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

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Adjusted Operating Profit and Operating Margin				
Reported operating profit	\$ 1,292	\$ 969	\$ 3,647	\$ 2,293
Add: Cost reduction programs and other charges	26	48	222	428
Add: Purchase accounting impacts - Linde AG(c)	492	498	1,466	1,463
Total adjustments	518	546	1,688	1,891
Adjusted operating profit	\$ 1,810	\$ 1,515	\$ 5,335	\$ 4,184
Reported percentage change	33 %		59 %	
Adjusted percentage change	19 %		28 %	
Reported sales	\$ 7,668	\$ 6,855	\$ 22,495	\$ 19,971
Reported operating margin	16.8 %	14.1 %	16.2 %	11.5 %
Adjusted operating margin	23.6 %	22.1 %	23.7 %	21.0 %
Adjusted Depreciation and amortization				
Reported depreciation and amortization	\$ 1,163	\$ 1,168	\$ 3,500	\$ 3,434
Less: Purchase accounting impacts - Linde AG(c)	(469)	(487)	(1,426)	(1,431)
Adjusted depreciation and amortization	\$ 694	\$ 681	\$ 2,074	\$ 2,003
Adjusted Other Income (Expense) - net				
Reported Other Income (Expense) - net	\$ 10	\$ (29)	\$ (3)	\$ (14)
Less: Purchase accounting impacts - Linde AG(c)	(23)	(11)	(40)	(32)
Adjusted Other Income (Expense) - net	\$ 33	\$ (18)	\$ 37	\$ 18
Adjusted Net Pension and OPEB Cost (Benefit), Excluding Service Cost				
Reported net pension and OPEB cost (benefit), excluding service cost	\$ (45)	\$ (41)	\$ (143)	\$ (131)
Add: Pension settlement charges	(4)	(6)	(4)	(6)
Adjusted Net Pension and OPEB cost (benefit), excluding service costs	\$ (49)	\$ (47)	\$ (147)	\$ (137)
Adjusted Interest Expense - Net				
Reported interest expense - net	\$ 8	\$ 38	\$ 46	\$ 80
Add: Purchase accounting impacts - Linde AG(c)	10	23	43	67
Adjusted interest expense - net	\$ 18	\$ 61	\$ 89	\$ 147

Adjusted Income Taxes (a)

Reported income taxes	\$	321	\$	265	\$	923	\$	594
Add: Purchase accounting impacts - Linde AG(c)		115		75		349		292
Add: Pension settlement charges		1		1		1		1
Add: Cost reduction programs and other charges		3		12		29		110
Total adjustments		119		88		379		403
Adjusted income taxes	\$	440	\$	353	\$	1,302	\$	997

Adjusted Effective Tax Rate (a)

Reported income before income taxes and equity investments	\$	1,329	\$	972	\$	3,744	\$	2,344
Add: Pension settlement charge		4		6		4		6
Add: Purchase accounting impacts - Linde AG(c)		482		475		1,423		1,396
Add: Cost reduction programs and other charges		26		48		222		428
Total adjustments		512		529		1,649		1,830
Adjusted income before income taxes and equity investments	\$	1,841	\$	1,501	\$	5,393	\$	4,174

Reported Income taxes	\$	321	\$	265	\$	923	\$	594
Reported effective tax rate		24.2 %		27.3 %		24.7 %		25.3 %

Adjusted income taxes	\$	440	\$	353	\$	1,302	\$	997
Adjusted effective tax rate		23.9 %		23.5 %		24.1 %		23.9 %

Income from Equity Investments

Reported income from equity investments	\$	1	\$	23	\$	81	\$	69
Add: Purchase accounting impacts - Linde AG(c)		19		14		57		42
Add: Cost reduction programs and other charges (e)		35		—		35		—
Adjusted income from equity investments	\$	55	\$	37	\$	173	\$	111

Adjusted Noncontrolling Interests from Continuing Operations

Reported noncontrolling interests from continuing operations	\$	(31)	\$	(31)	\$	(105)	\$	(91)
Add: Purchase accounting impacts - Linde AG(c)		(4)		(14)		(11)		(43)
Adjusted noncontrolling interests from continuing operations	\$	(35)	\$	(45)	\$	(116)	\$	(134)

Adjusted Income from Continuing Operations (b)

Reported income from continuing operations	\$	978	\$	699	\$	2,797	\$	1,728
Add: Pension settlement charge		3		5		3		5
Add: Cost reduction programs and other charges		58		36		228		318
Add: Purchase accounting impacts - Linde AG(c)		382		400		1,120		1,103
Total adjustments		443		441		1,351		1,426
Adjusted income from continuing operations	\$	1,421	\$	1,140	\$	4,148	\$	3,154

Adjusted Diluted EPS from Continuing Operations (b)

Reported diluted EPS from continuing operations	\$	1.88	\$	1.32	\$	5.34	\$	3.25
Add: Pension settlement charge		0.01		0.01		0.01		0.01
Add: Cost reduction programs and other charges		0.11		0.07		0.44		0.60
Add: Purchase accounting impacts - Linde AG(c)		0.73		0.75		2.13		2.07
Total adjustments		0.85		0.83		2.58		2.68
Adjusted diluted EPS from continuing operations	\$	2.73	\$	2.15	\$	7.92	\$	5.93

Reported percentage change	42 %	64 %
Adjusted percentage change	27 %	34 %

Adjusted EBITDA and % of Sales

Income from continuing operations	\$	978	\$	699	\$	2,797	\$	1,728
Add: Noncontrolling interests related to continuing operations		31		31		105		91
Add: Net pension and OPEB cost (benefit), excluding service cost		(45)		(41)		(143)		(131)
Add: Interest expense		8		38		46		80
Add: Income taxes		321		265		923		594
Add: Depreciation and amortization		1,163		1,168		3,500		3,434
EBITDA from continuing operations	\$	2,456	\$	2,160	\$	7,228	\$	5,796
Add: Cost reduction programs and other charges		61		48		257		428
Add: Purchase accounting impacts - Linde AG(c)		42		25		97		74
Total adjustments		103		73		354		502
Adjusted EBITDA from continuing operations	\$	2,559	\$	2,233	\$	7,582	\$	6,298

Reported sales	\$	7,668	\$	6,855	\$	22,495	\$	19,971
% of sales								
EBITDA from continuing operations		32.0 %		31.5 %		32.1 %		29.0 %
Adjusted EBITDA from continuing operations		33.4 %		32.6 %		33.7 %		31.5 %

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

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

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

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

Adjusted Operating Profit and Margin: The purchase accounting adjustments for the periods presented relate primarily to depreciation and amortization related to the fair value step up of fixed assets and intangible assets (primarily customer related) acquired in the merger and the allocation of fair value step-up for ongoing Linde AG asset disposals (reflected in Other Income/(Expense)).

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

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

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

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

(e) Impairment charge related to a joint venture in the APAC segment.

Net Debt and Adjusted Net Debt

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

	September 30, 2021	December 31, 2020
<i>(Millions of dollars)</i>		
Debt	\$ 16,727	\$ 16,154
Less: cash and cash equivalents	(4,700)	(3,754)
Net debt	12,027	12,400
Less: purchase accounting impacts - Linde AG	(72)	(121)
Adjusted net debt	<u>\$ 11,955</u>	<u>\$ 12,279</u>

Supplemental Guarantee Information

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

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

Linde Inc. (previously Praxair, Inc.) is a wholly owned subsidiary of Linde plc. Linde Inc. may offer debt securities under the Registration Statement. Debt securities of Linde Inc. will be guaranteed by Linde plc, and such guarantees by Linde plc may be guaranteed by Linde GmbH. Linde Inc. may also provide (i) guarantees of debt securities offered by Linde plc under the Registration Statement and (ii) guarantees of the guarantees provided by Linde plc of debt securities of Linde Finance offered under the Registration Statement.

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

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

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

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

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

(Millions of dollars)

Statement of Income Data		Nine Months Ended September 30, 2021	Twelve Months Ended December 31, 2020
Sales	\$	5,433	\$ 6,876
Operating profit		661	786
Net income		358	690
Transactions with non-guarantor subsidiaries		1,267	2,222
Balance Sheet Data (at period end)			
Current assets (a)	\$	6,061	\$ 4,174
Long-term assets (b)		16,100	17,978
Current liabilities (c)		10,343	8,337
Long-term liabilities (d)		41,348	39,208
(a) From current assets above, amount due from non-guarantor subsidiaries	\$	3,287	\$ 1,984
(b) From long-term assets above, amount due from non-guarantor subsidiaries		3,219	4,565
(c) From current liabilities above, amount due to non-guarantor subsidiaries		1,276	1,054
(d) From long-term liabilities above, amount due to non-guarantor subsidiaries		25,810	23,394

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to Item 7A. to Part II of Linde's 2020 Annual Report on Form 10-K for discussion.

Item 4. Controls and Procedures

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

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

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

Item 1A. Risk Factors

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

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

Purchases of Equity Securities- Certain information regarding purchases made by or on behalf of the company or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of its ordinary shares during the quarter ended September 30, 2021 is provided below:

Period	Total Number of Shares Purchased (Thousands)	Average Price Paid Per Share	Total Numbers of Shares Purchased as Part of Publicly Announced Program (1) (Thousands)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (1) (Millions)
July 2021	969	\$ 292.43	969	\$ 2,761
August 2021	1,248	\$ 308.98	1,248	\$ 2,376
September 2021	1,749	\$ 307.62	1,749	\$ 1,838
Third Quarter 2021	3,966	\$ 304.33	3,966	\$ 1,838

(1) On January 25, 2021 the company's board of directors approved the repurchase of \$5.0 billion of its ordinary shares ("2021 program") which could take place from time to time on the open market (and could include the use of 10b5-1 trading plans), subject to market and business conditions. The 2021 program has a maximum repurchase amount of 15% of outstanding shares, began on February 1, 2021 and expires on July 31, 2023.

As of September 30, 2021, the company repurchased \$3.16 billion of its ordinary shares pursuant to the 2021 program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

1.1	Amended and Restated Dealer Agreement, dated August 3, 2021, among Linde plc, as Issuer and, in respect of Notes issued by Linde Finance B.V., as Guarantor, Linde Finance B.V., as Issuer, Deutsche Bank Aktiengesellschaft, as Arranger and Dealer and the other Dealers party thereto (Filed as Exhibit 1.1 to Linde plc's current report on Form 8-K, dated September 30, 2021, Filing No. 1-38730, and incorporated herein by reference).
4.1	Final Terms of 0.000% Notes due 2026 of Linde plc (Filed as Exhibit 4.1 to Linde plc's current report on Form 8-K, dated September 30, 2021, Filing No. 1-38730, and incorporated herein by reference).
4.2	Final Terms of 0.375% Notes due 2033 of Linde plc (Filed as Exhibit 4.2 to Linde plc's current report on Form 8-K, dated September 30, 2021, Filing No. 1-38730, and incorporated herein by reference).
4.3	Final Terms of 1.000% Notes due 2051 of Linde plc (Filed as Exhibit 4.3 to Linde plc's current report on Form 8-K, dated September 30, 2021, Filing No. 1-38730, and incorporated herein by reference).
4.4	Amended and Restated Fiscal Agency Agreement, dated August 3, 2021, among Linde plc, as Issuer and as Guarantor, Linde Finance B.V., as Issuer, and Deutsche Bank Aktiengesellschaft, as Fiscal Agent and Paying Agent (Filed as Exhibit 4.6 to Linde plc's current report on Form 8-K, dated September 30, 2021, Filing No. 1-38730, and incorporated herein by reference).
*10.1	Form of Transferable Stock Option Award under the 2021 Linde plc Long Term Incentive Plan.
*10.2	Form of Restricted Stock Unit Award under the 2021 Linde plc Long Term Incentive Plan
*10.3	Form of Performance Share Unit Award under the 2021 Linde plc Long Term Incentive Plan with Return on Capital performance metrics
*10.4	Form of Performance Share Unit Award under the 2021 Linde plc Long Term Plan with Total Shareholder Return performance metrics
31.01	Rule 13a-14(a) Certification
31.02	Rule 13a-14(a) Certification
32.01	Section 1350 Certification (such certifications are furnished for the information of the Commission and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act).
32.02	Section 1350 Certification (such certifications are furnished for the information of the Commission and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act).
101.INS	XBRL Instance Document: The XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

*Indicates a management contract or compensatory plan or arrangement.

SIGNATURE

Linde plc and Subsidiaries

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

Linde plc

(Registrant)

By: /s/ Kelcey E. Hoyt

Kelcey E. Hoyt
Chief Accounting Officer

Date: October 29, 2021