



# Conference Call 9M 2016 Results

LeadIng.



THE LINDE GROUP

28 October 2016

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## Part 1

Dr Wolfgang Buechele

### Strategic plan

- Performance focus
- Quality growth
- Value creation

## Part 2

Dr Sven Schneider

### 9M 2016 Results

- Operational performance
- Outlook

## Appendix

# Strategic plan

Focus on LIFTing margins, returns and shareholder value



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## Performance focus

**Cost management**

**Portfolio optimisation**

## Quality growth

**Leverage strengths**

**Sound financial position**

## Value creation

**Further increase  
in dividend**

**LIFT operating profit margin  
LIFT return on capital employed**

**LIFT shareholder value**

# Strategic plan | Performance focus

## Generate savings through cost management

### LIFT (2016 – 2019)

- Expected net cost savings of EUR ~370m by the end of 2019
- Savings to be driven by restructuring measures in various geographies, organisational streamlining as well as non-personnel cost reductions
- Expected restructuring costs of EUR ~400m to be accounted for as non-recurring items in 2016 and 2017

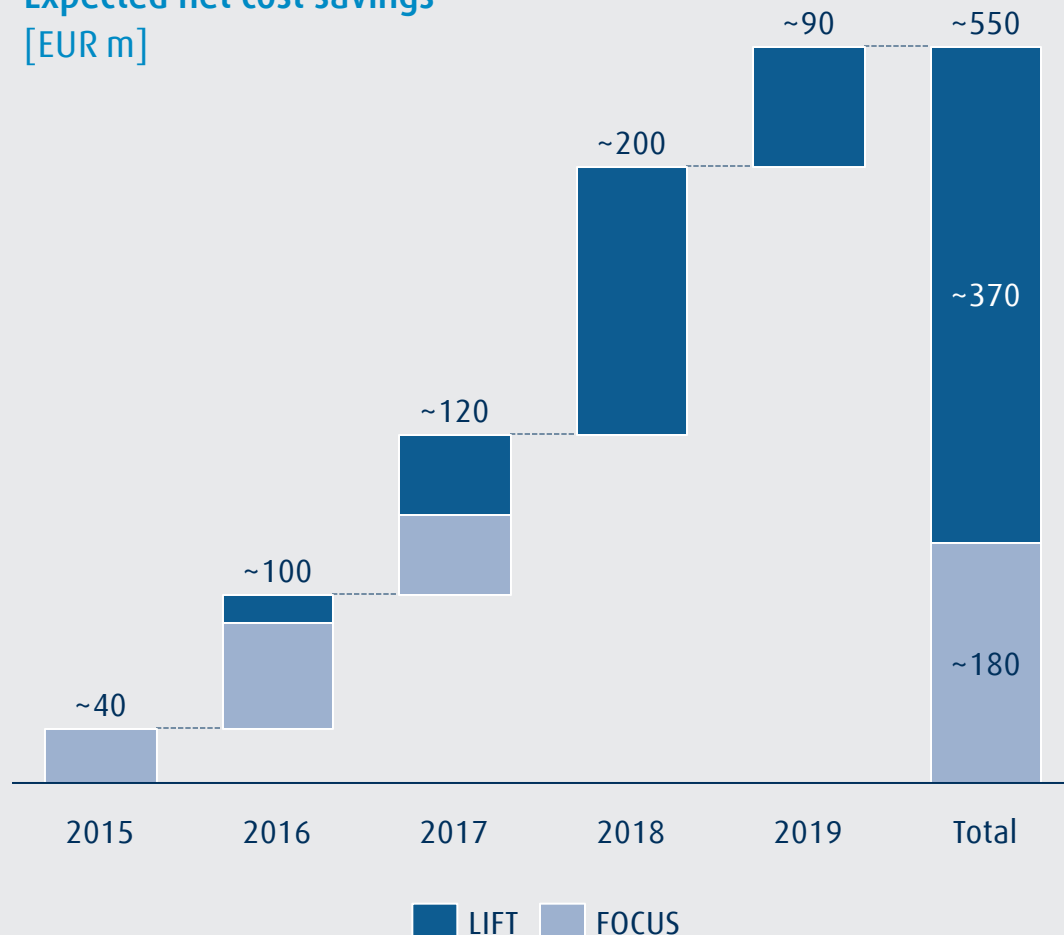
### FOCUS (2015 – 2017)

- Expected net cost savings of EUR ~180m by the end of 2017

### HPO II (2013 – 2016)

- On track to deliver EUR ~820m of gross cost savings
- Further continuous efficiency improvement in 2017 and beyond as part of a learning organisation

### Expected net cost savings [EUR m]



# Strategic plan | Performance focus

## Portfolio optimisation to strengthen margins

### Segments

### Measures to be taken

### Objectives

Gases  
Division



Streamline global footprint and product area presence



Enhance  
Gases  
margin

Engineering  
Division



Optimise capacity and achieve efficiency gains



Sustainable  
Engineering  
margin of around  
8 percent

Other  
activities



Evaluate divestment opportunities of non-core activities



Enhance  
Group  
margin

# Strategic plan | Quality growth

## Leveraging key competitive strengths for growth

### EMEA



### APAC



### AMERICAS



#### Focus areas

- Development of Chemistry & Energy sector in Eastern Europe and Middle East
- Selective investments in core markets with strong position and high customer density
- Continued development of power zones in Asia
- Increase demand for specific gas consumption in Asian markets via tailored applications
- Continued development in industrial clusters in North America
- Increase density in US Homecare market by leveraging economies of scale and scope

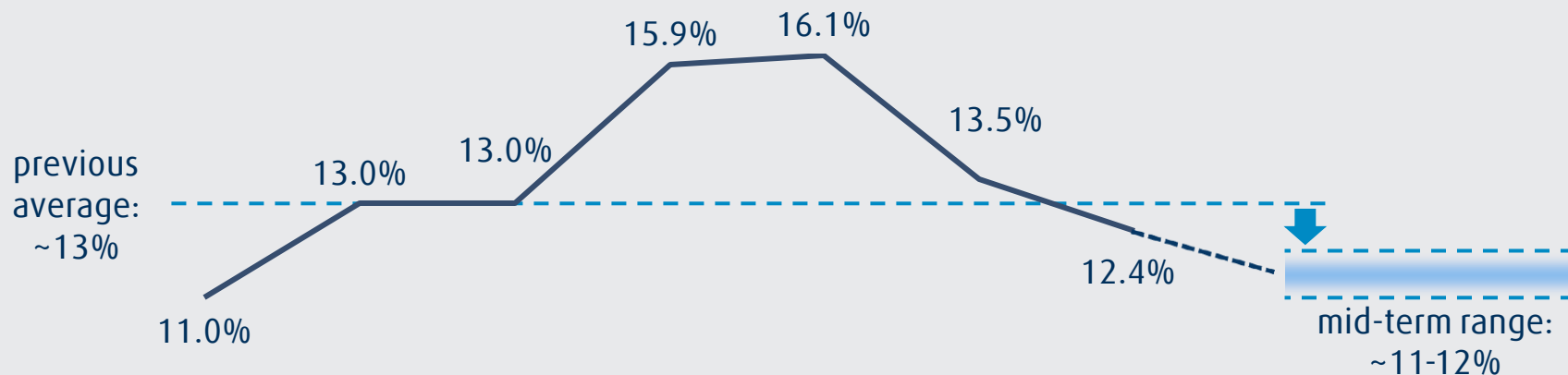
#### Measures

- Continue to pursue attractive On-site opportunities
- Further grow share of Merchant revenue driven by tailored applications and solutions
- Continuous innovation oriented around applications and digitalisation
- Use bolt-on M&A and decaptivation projects as additional growth stimulus
- Utilise synergetic set-up with Engineering

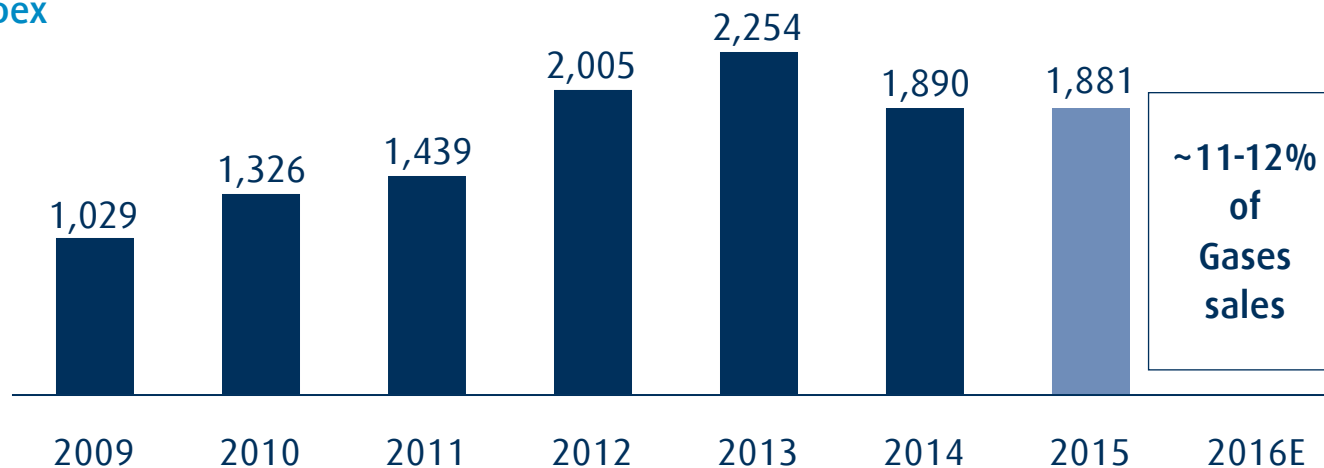
# Strategic plan | Quality growth

## Gases capex / sales ratio reduced

### Gases capex/sales ratio



### Gases capex [EUR m]





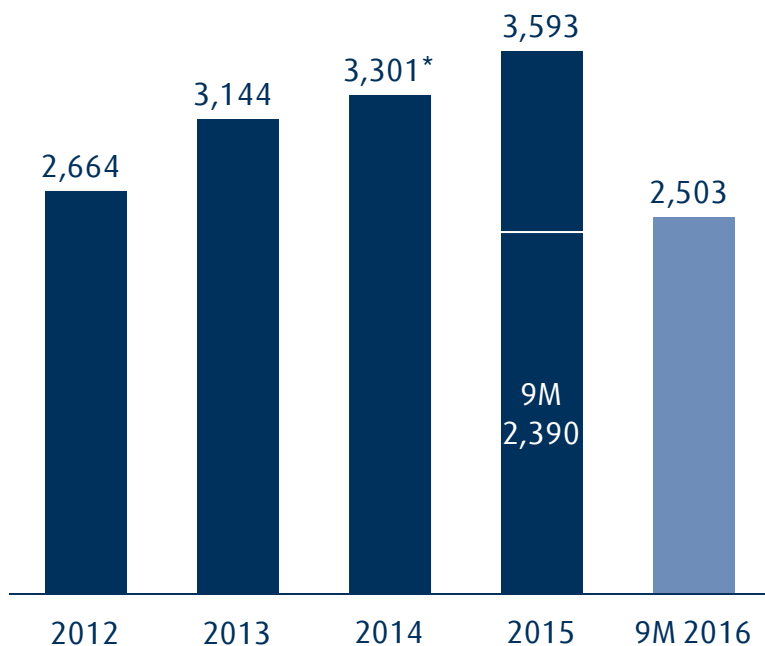
# Strategic plan | Quality growth

## Financial flexibility from strong cash flow and balance sheet

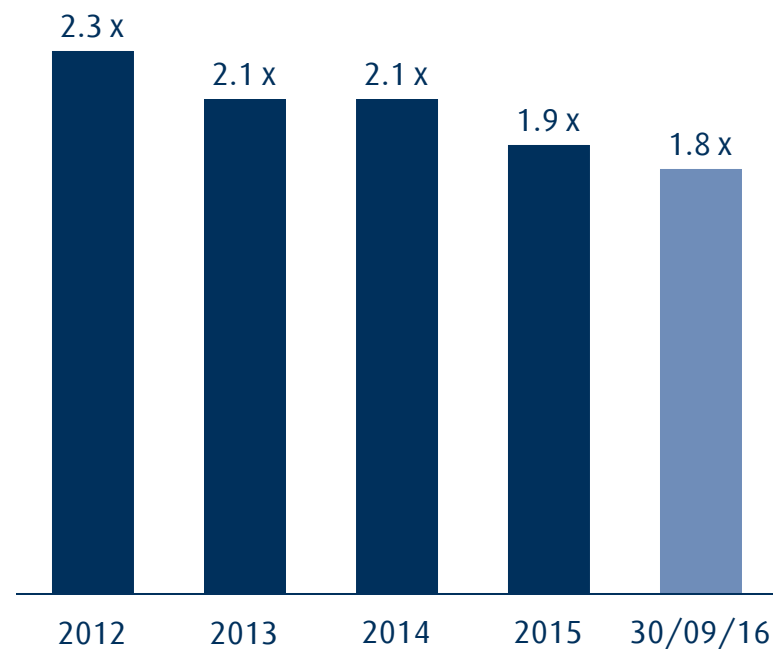


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### Operating cash flow [EUR m]



### Net debt / operating profit



- Strong operating cash flow development in spite of recent currency headwinds
- Commitment to maintain strong investment grade rating as cornerstone of conservative financial policy
- Moody's (A2/P-1) and S&P (A+/A-1) unchanged, Scope inaugural issuer rating of A+/S-1+, all with stable outlook

\*Before pension funding of EUR 300m

# Strategic plan | Value creation

## Further dividend increase planned for 2016

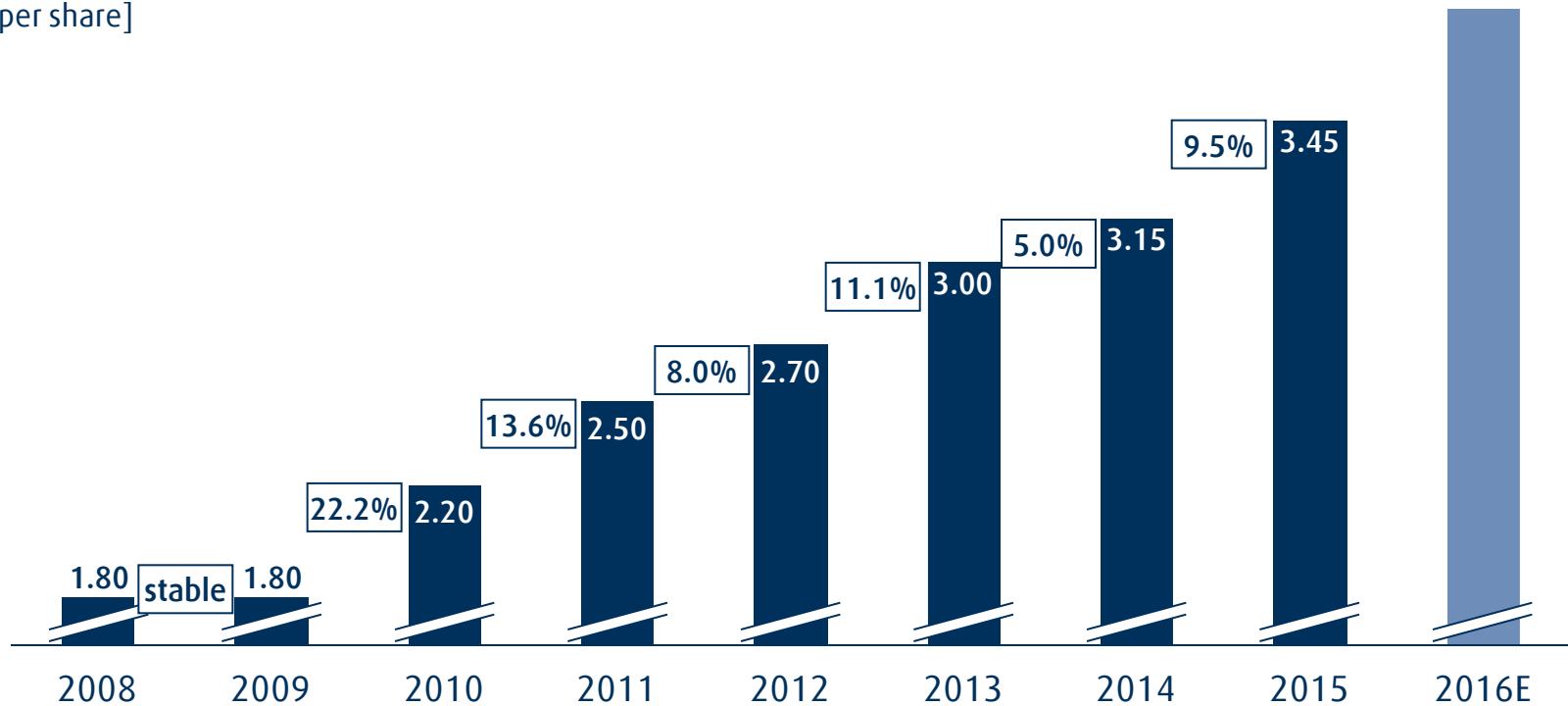


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Planned dividend increase for 2016 reflects expectation of continued solid operating profit and operating cash flow as well as lower investment levels

### Dividend development

[EUR per share]



Payout ratio\*

2008	2009	2010	2011	2012	2013	2014	2015
42.0%	51.0%	37.3%	36.5%	40.6%	42.3%	44.2%	49.9%

\*Based on EPS before non-recurring items

# Agenda



## Part 1

Dr Wolfgang Buechele

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- Value creation

## Part 2

Dr Sven Schneider

### 9M 2016 Results

- Operational performance
- Outlook

## Appendix

# Performance 9M 2016

## Highlights

[EUR]		9M 2015	9M 2016	yoy [%]	yoy [%] adj.for FX
Revenue	[m]	13,552	12,967	-4.3	-1.1
Operating profit	[m]	3,137	3,066	-2.3	+0.8
Operating margin	[%]	23.1	23.6	+50bp	
Operating cash flow	[m]	2,390	2,503	+4.7	
EPS reported		4.63	5.09	+9.9	

- Revenue development impacted by currency headwinds and expected lower contribution from Engineering
- Margin supported by improvement in the Gases Division and stable margin in Engineering
- Continued solid operating cash flow despite currency headwinds

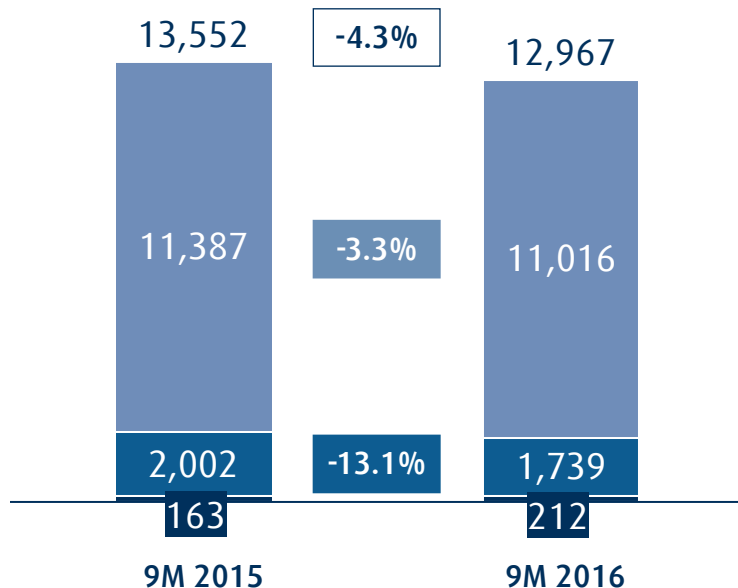
Please see definitions of key financial figures in the appendix

# Group | Revenue and operating profit by division

## Positive margin development

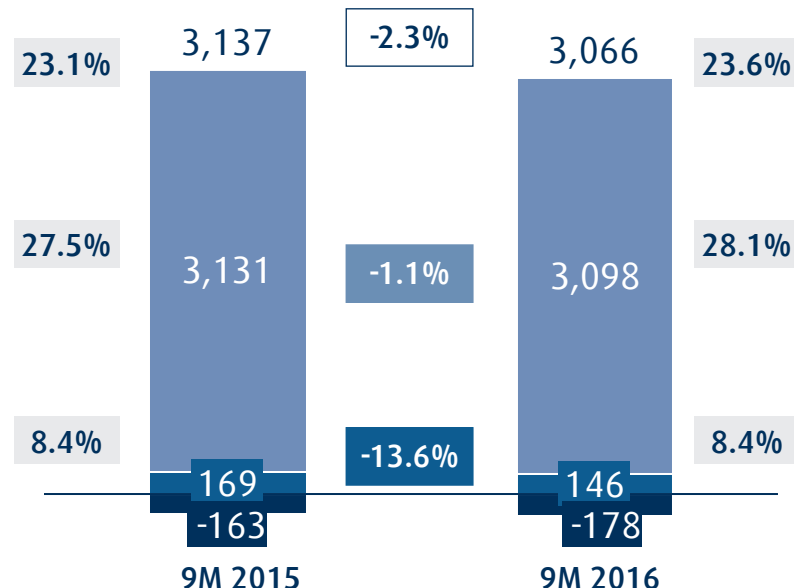


Revenue  
[EUR m]



■ Gases ■ Engineering ■ Other/Cons.

Operating profit  
[EUR m]



■ Gases ■ Engineering ■ Other/Cons.

### Gases

Revenue negatively impacted by FX and pass-through effects

### Engineering

Revenue development in line with expectations

### Gases

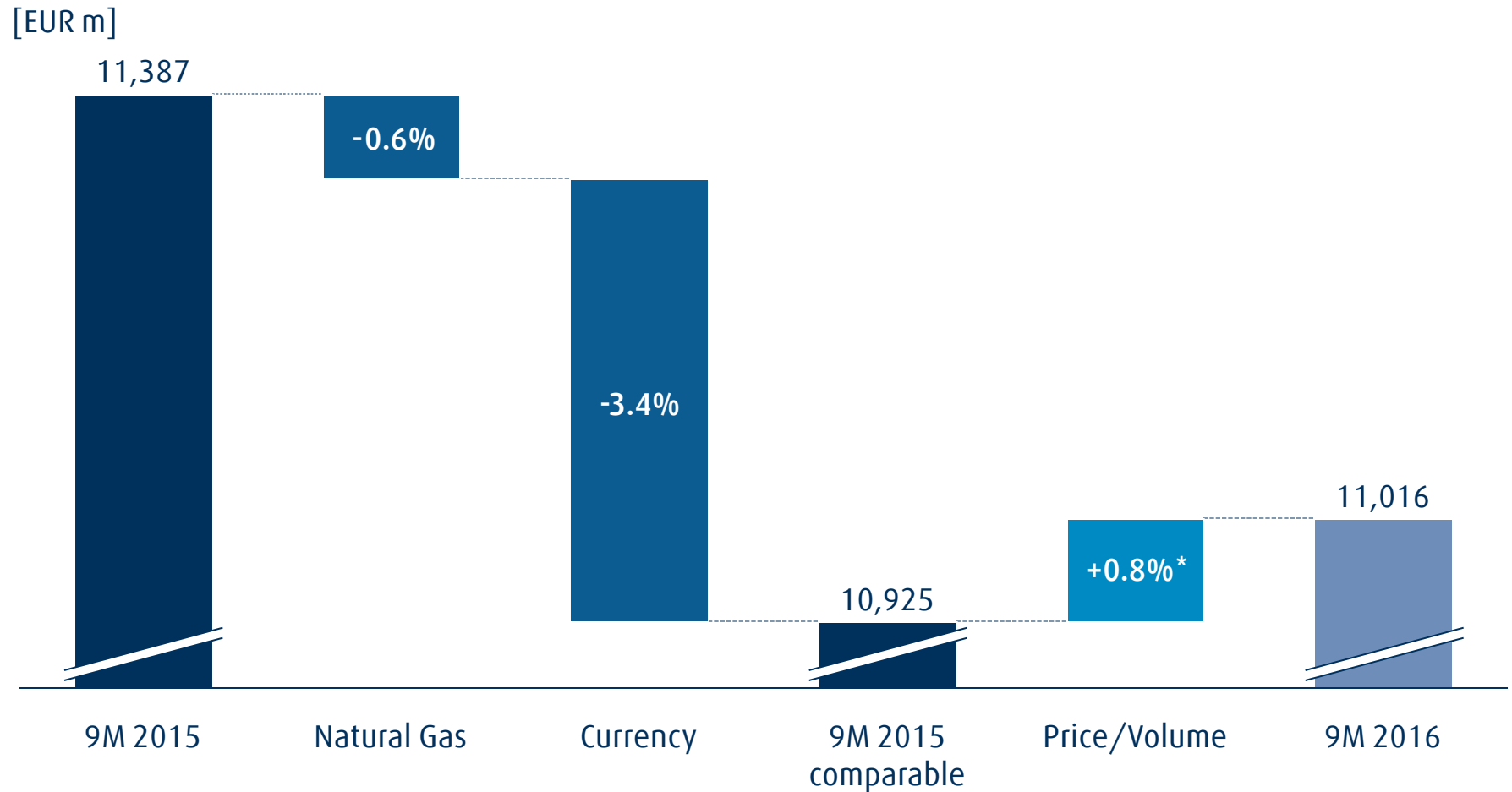
Margin improvement to 28.1 percent

### Engineering

Margin in line with guidance of around 8 percent

# Gases Division | Revenue bridge

Price/Volume increase of 0.8 percent

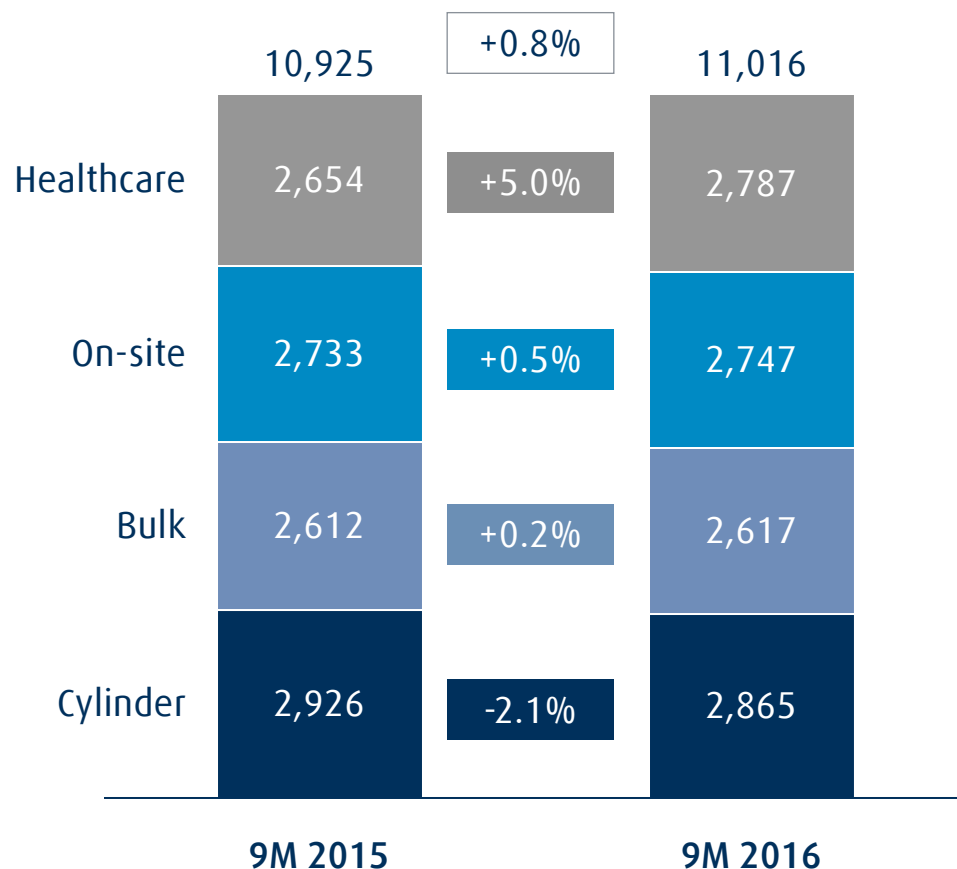


\*Including EUR 156m due to changes in consolidation in Healthcare in Americas from American HomePatient acquisition and divestment of Specialty Pharma

# Gases Division | Revenue by product area

## Positive growth development

Comparable growth\*  
[EUR m]



\*Excludes currency and natural gas price effects

### Comments / Additional effects



**Healthcare**  
Growth supported by American HomePatient and positive underlying volume development



**On-site**  
Affected by the end of a contract in Australia in 2015 and the insolvency of a customer in UK in 2015, +2.2% excluding these effects



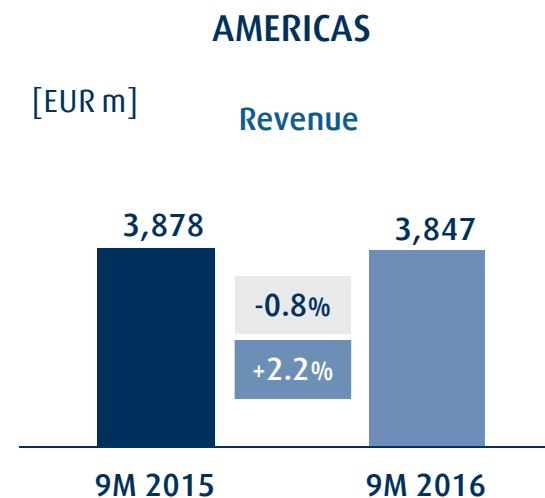
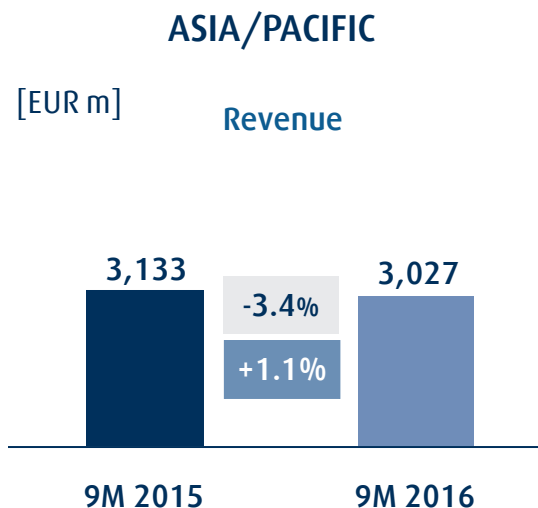
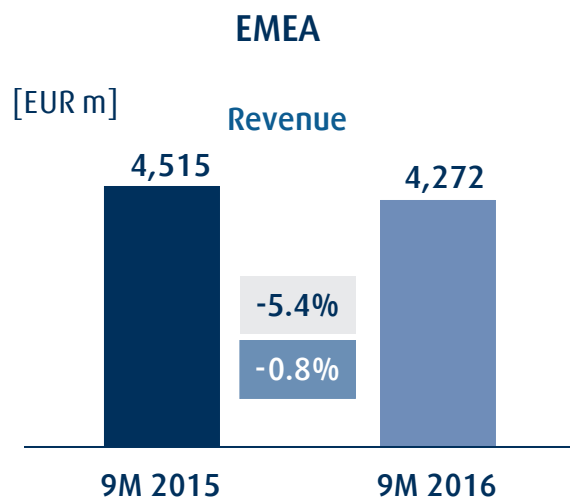
**Bulk**  
Highest growth contribution from Asia



**Cylinder**  
Significant headwinds from weak macro-economic conditions in the South Pacific and Specialty Gases

# Gases Division | Revenue by operating segment

## Comparable growth of 0.8 percent



- Highest growth contribution from Middle East and Eastern Europe
- Headwinds from weakness in the UK steel sector and challenging macro-environment in South Africa
- Strongest growth in Healthcare

- Solid comparable growth in Asia of 5.1 percent
- Macro-economic situation in South Pacific remains weak
- Growth driven by On-site and Bulk

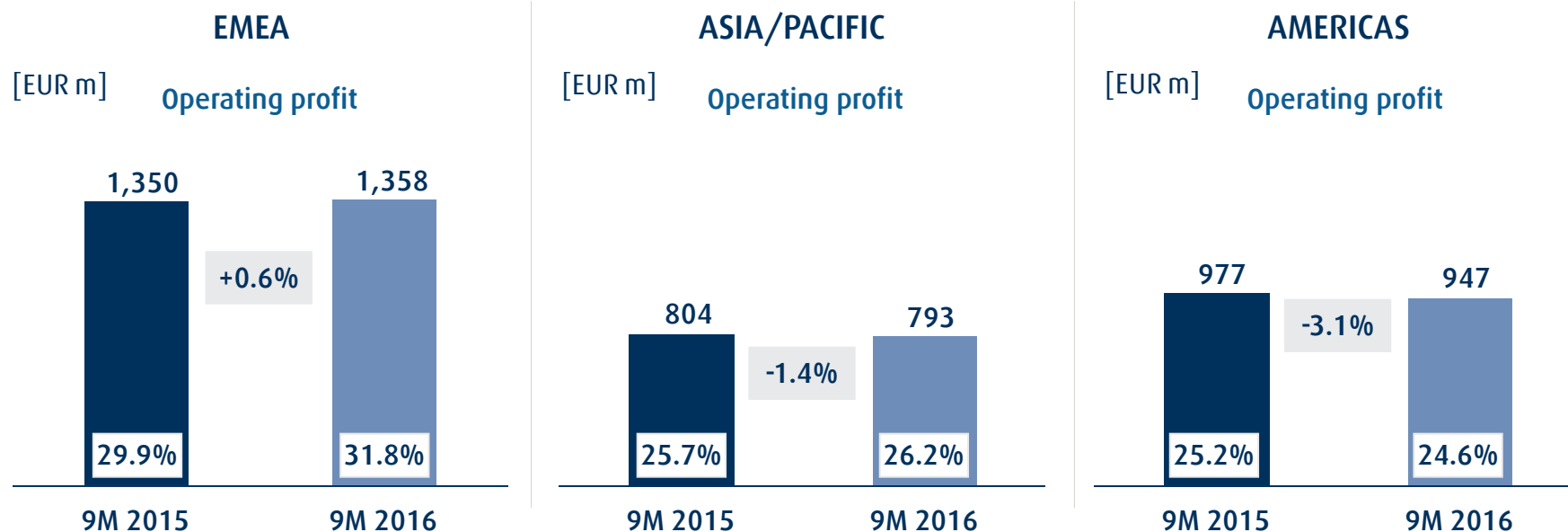
- Comparable growth supported by American HomePatient acquisition
- Growth in South America supported by pricing
- Revenue impacted by divestment of Specialty Pharma, Specialty Gases and Competitive Bidding

Reported growth
  Comparable growth: excluding currency and natural gas price effects



# Gases Division | Operating profit by operating segment

## Operating profit margin of 28.1 percent

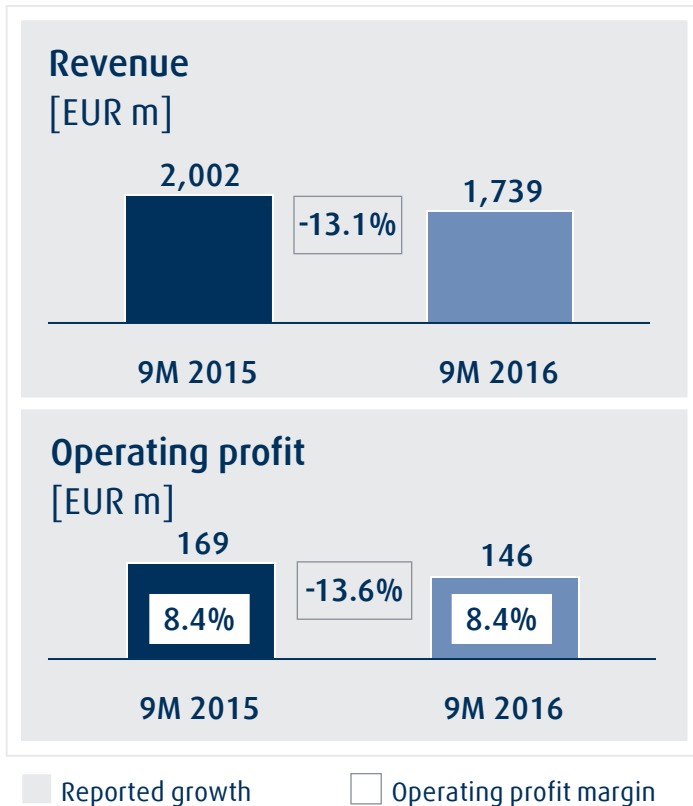


- Margin improvement in EMEA and APAC advanced by restructuring and lower natural gas prices
- Margin development in Americas restrained by Competitive Bidding and Specialty Gases

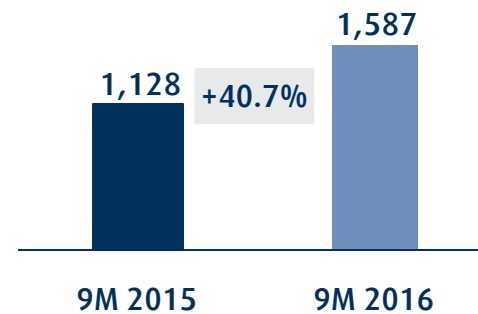
■ Reported growth □ Operating profit margin

# Engineering Division | Key figures

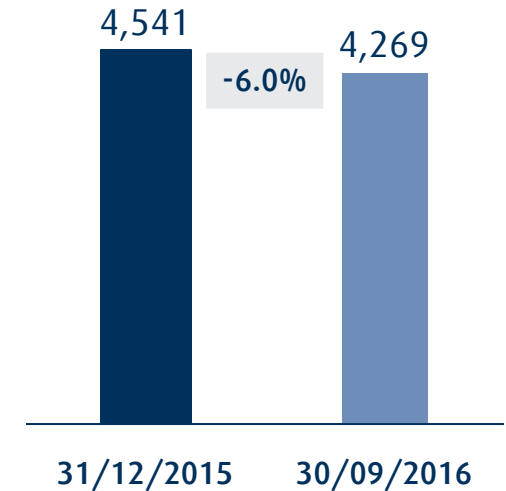
## Stable margin in a challenging environment



Order intake  
[EUR m]



Order backlog  
[EUR m]



- High order intake in Q3 of EUR 869m includes second phase of Gazprom's Amur-GPP project
- Revenue development in line with progress of projects
- Solid order backlog due to improved order intake

## Short-term outlook\*

◆ 2016

2015 adjusted for FX

### Group

Revenue	-3 to +4% versus 2015 adjusted for FX	17.368 billion Euros
Operating profit	-3 to +4% versus 2015 adjusted for FX	3.990 billion Euros
ROCE	Around 9 percent	Potentially impacted

### Gases Division

Revenue	±0 to +5% versus 2015 adjusted for FX	14.673 billion Euros
Operating profit	-1 to +6% versus 2015 adjusted for FX	4.017 billion Euros

### Engineering Division

Revenue	2.0 to 2.4 billion Euros
Operating margin	Around 8 percent

## Medium-term outlook\*\*

◆ 2017

### Group

Operating Profit	4.2 to 4.5 billion Euros
ROCE	9 to 10 percent

Please see definitions of key financial figures in the appendix

\*Dependent on economic development | 2015 adjusted for FX based on forward exchange rates from end of September 2016

\*\*Dependent on economic development and based on forward exchange rates from time of communication in November 2015

# Strategic plan

Focus on LIFTing margins, returns and shareholder value



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## Performance focus

### Cost management

- Target combined net cost savings of EUR ~550 million through FOCUS and LIFT programmes

### Optimise portfolio

- Streamline global footprint and product area presence in Gases
- Optimise capacity and achieve efficiency gains in Engineering
- Evaluate divestment opportunities of non-core activities

## Quality growth

### Leverage strengths

- Pursue attractive On-site opportunities
- Further drive Merchant revenues via applications and digitalisation
- Continuous innovation
- Use of bolt-on M&A and deactivations
- Utilise synergies with Engineering

### Sound financial position

- Reduced Gases capex/sales ratio
- Financial flexibility from strong cash flow and balance sheet

## Value creation

### Further increase in dividend

- Reflects expectation of continued solid operating profit and operating cash flow as well as lower investment levels

LIFT operating profit margin  
LIFT return on capital employed

LIFT shareholder value



Your questions are welcome.

Leading.



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Analysts' Conference Call  
28 October 2016

## Part 1

Dr Wolfgang Buechele

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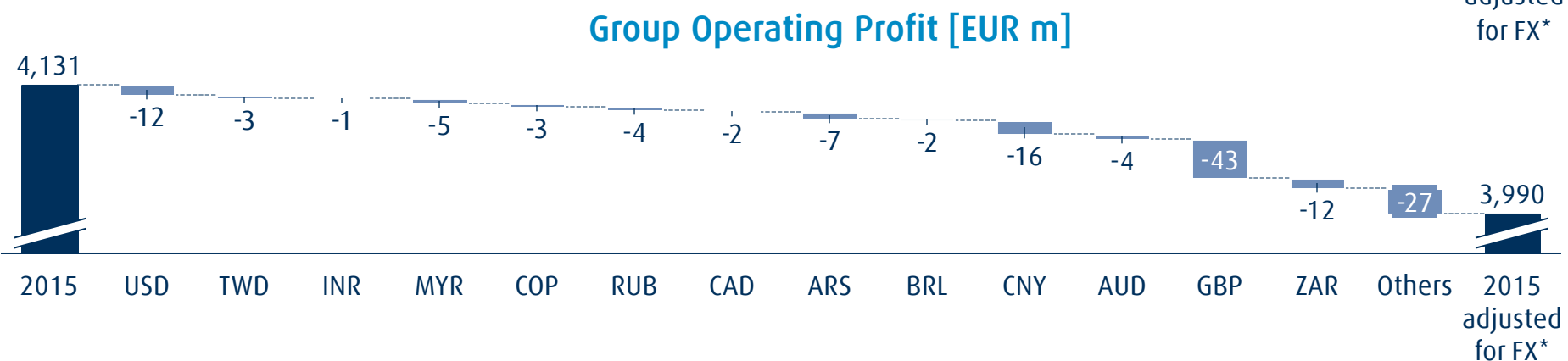
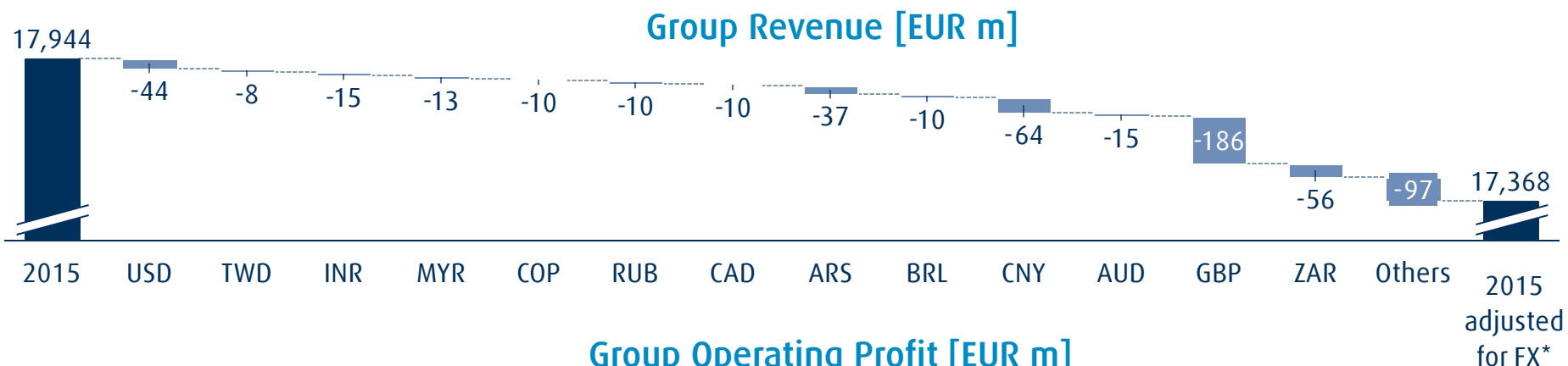
## Part 2

Dr Sven Schneider

### 9M 2016 Results

- Operational Performance
- Outlook

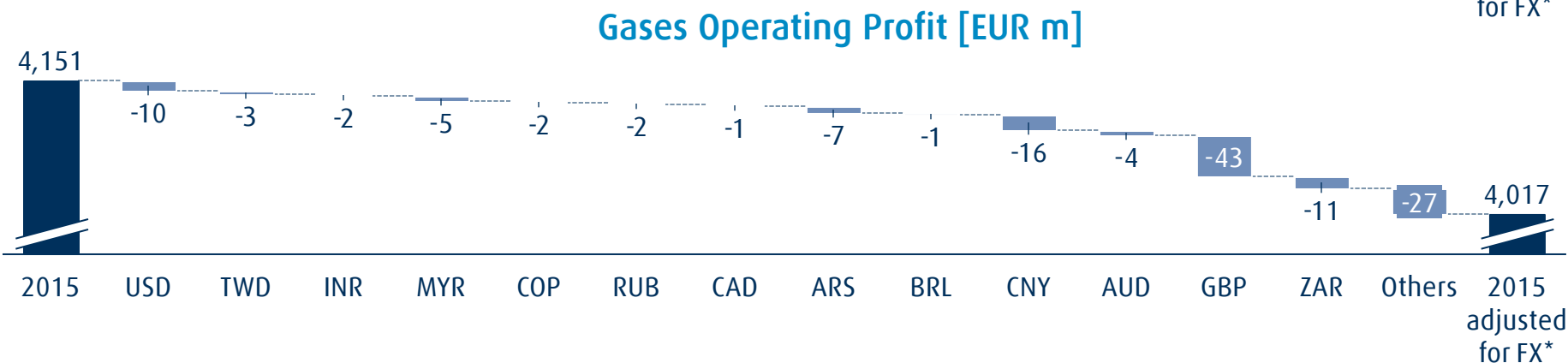
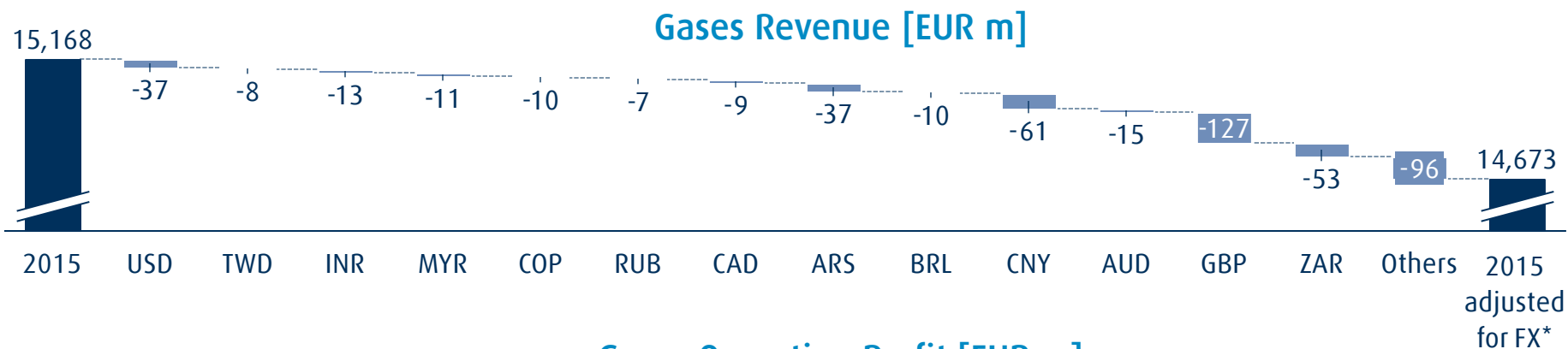
# Group | Potential currency impact on 2016 outlook



	USD	TWD	INR	MYR	COP	RUB	CAD	ARS	BRL	CNY	AUD	GBP	ZAR
Average rate in 2015	1.110	35.25	71.17	4.336	3,047	68.01	1.419	10.27	3.697	6.976	1.478	0.726	14.17
Applied forward rate*	1.119	35.91	75.23	4.584	3,393	74.97	1.475	16.47	3.907	7.400	1.498	0.819	16.47

\*Based on forward exchange rates from end of September 2016

# Gases Division | Potential currency impact on 2016 outlook



	USD	TWD	INR	MYR	COP	RUB	CAD	ARS	BRL	CNY	AUD	GBP	ZAR
Average rate in 2015	1.110	35.25	71.17	4.336	3,047	68.01	1.419	10.27	3.697	6.976	1.478	0.726	14.17
Applied forward rate*	1.119	35.91	75.23	4.584	3,393	74.97	1.475	16.47	3.907	7.400	1.498	0.819	16.47

\*Based on forward exchange rates from end of September 2016



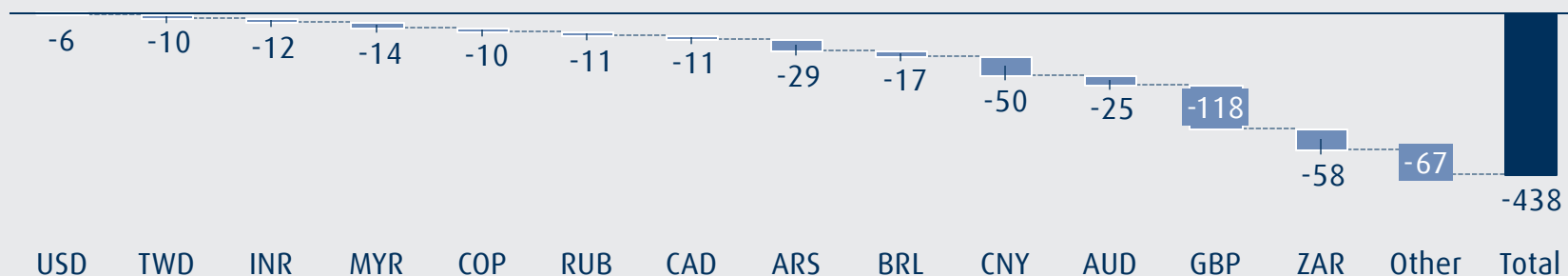
# Group | Currency impact

## Impact on revenue and operating profit in 9M 2016



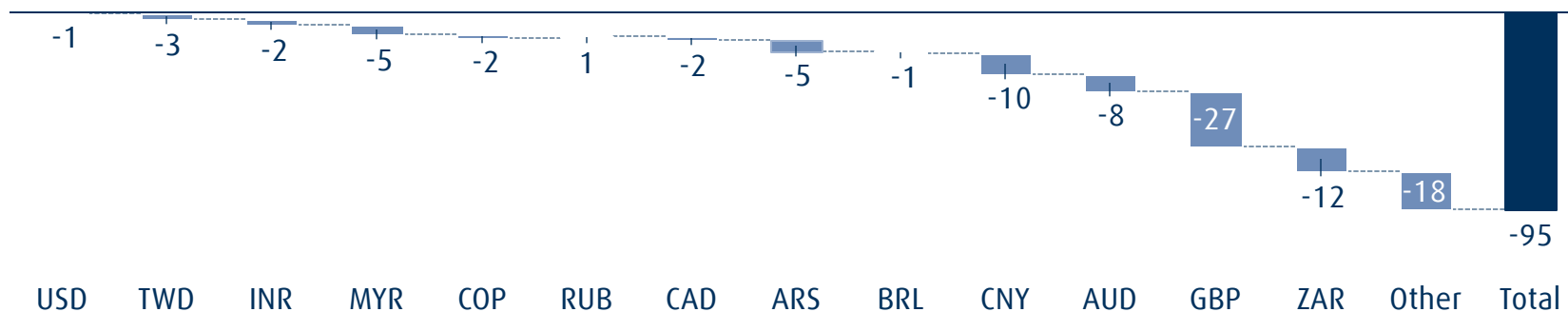
### Impact on Group revenue in 2016

[EUR m]



### Impact on Group operating profit in 2016

[EUR m]



# Group | 9M 2016

## Key P&L items

[EUR m]	9M 2015	9M 2016	Δ in %
Revenue	13,552	12,967	-4.3
Operating profit	3,137	3,066	-2.3
Operating margin	23.1	23.6	+50bp
PPA depreciation for BOC	-175	-137	+21.7
Depreciation & amortisation (excl. PPA BOC)	-1,237	-1,260	-1.7
Other non-recurring items (expenses for restructuring)	-192	-50	+74.0
<b>EBIT</b>	<b>1,533</b>	<b>1,619</b>	<b>+5.6</b>
Financial result	-301	-252	+16.3
Taxes	-295	-333	-12.9
Profit for the period – attributable to Linde AG shareholders	860	945	+9.9
<b>EPS – undiluted – reported [EUR]</b>	<b>4.63</b>	<b>5.09</b>	<b>+9.9</b>
<b>EPS – undiluted – before non-recurring items [EUR]</b>	<b>5.35</b>	<b>5.30</b>	<b>-0.9</b>

# Group | Q3 2016

## Key P&L items

[EUR m]	Q3 2015	Q3 2016	Δ in %
Revenue	4,516	4,407	-2.4
Operating profit	1,033	1,010	-2.2
Operating margin	22.9	22.9	-
PPA depreciation for BOC	-53	-45	+15.1
Depreciation & amortisation (excl. PPA BOC)	-418	-427	-2.2
Other non-recurring items (expenses for restructuring)	-54	-11	+79.6
<b>EBIT</b>	<b>508</b>	<b>527</b>	<b>+3.7</b>
Financial result	-103	-69	+33.0
Taxes	-97	-111	-14.4
Profit for the period – attributable to Linde AG shareholders	281	313	+11.4
<b>EPS – undiluted – reported [EUR]</b>	<b>1.51</b>	<b>1.69</b>	<b>+11.9</b>
<b>EPS – undiluted – before non-recurring items [EUR]</b>	<b>1.70</b>	<b>1.73</b>	<b>+1.8</b>

# Group | 9M 2016

## Cash flow statement



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[EUR m]	9M 2015	9M 2016
Operating profit	3,137	3,066
Change in working capital	-185	8
Income taxes paid	-370	-327
Other changes	-192	-244
<b>Operating cash flow</b>	<b>2,390</b>	<b>2,503</b>
Investments in tangibles/intangibles	-1,322	-1,225
Payments for acquisitions	-109	-190
Other (incl. financial investments)	135	207
<b>Investment cash flow*</b>	<b>-1,296</b>	<b>-1,208</b>
<b>Free cash flow before financing</b>	<b>1,094</b>	<b>1,295</b>
Interest and swaps, dividends	-933	-1,001
Other changes	-19	-15
<b>Change in cash and financial debt</b>	<b>142</b>	<b>279</b>

\*Excluding investments in / disposals of securities; 9M 2015: EUR -103m; 9M 2016: EUR -9m

Operating Profit	Earnings per Share (EPS) before non-recurring items	Earnings per Share (EPS) (reported)	Return on Capital Employed (ROCE)
Return	Return	Return	Return
EBIT before non-recurring items adjusted for amortisation of intangible assets and depreciation of tangible assets	Profit for the period before non-recurring items attributable to Linde AG shareholders	Profit for the period attributable to Linde AG shareholders	EBIT before non-recurring items
	Shares	Shares	Average Capital Employed
	Number of weighted average outstanding shares	Number of weighted average outstanding shares	Equity (incl. non-controlling interests) + financial debt + liabilities from finance leases + net pension obligations - cash, cash equivalents and securities - receivables from finance leases

## Financial calendar



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### Linde share information

**Type of share:**

Bearer shares

**Stock exchanges:**

All German stock exchanges

**Security reference number:**

ISIN DE0006483001

CUSIP 648300

### Linde ADR information

**Ticker Symbol:**

LNEGY

**DR ISIN:**

US5352230204

**Depository Bank:**

Deutsche Bank

**Structure:**

ADR Level I, Sponsored



The Linde IR app is  
now available at:

