



# Conference Call H1 2016 Results

Leading.



THE LINDE GROUP

28 July 2016

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# Performance H1 2016 Highlights

[EUR]		H1 2015	H1 2016	yoy [%]	yoy [%] adj.for FX
Revenue	[m]	9,036	8,560	-5.3	-1.6
Operating profit	[m]	2,104	2,017	-4.1	-0.5
Operating margin	[%]	23.3	23.6	+30bp	
Operating cash flow	[m]	1,583	1,634	+3.2	
EPS reported		3.12	3.40	+9.0	

- Revenue development impacted by currency headwinds and expected lower contribution from Engineering
- Margin supported by improvement in the Gases Division, which was 28.0 percent in H1
- Solid operating cash flow despite currency headwinds

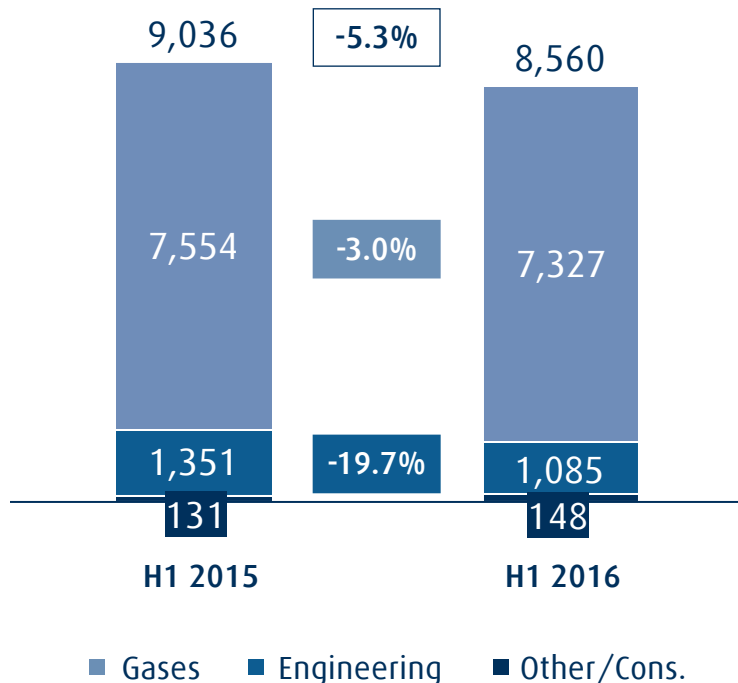
Please see definitions of key financial figures in the appendix

# Group | Revenue and operating profit by division

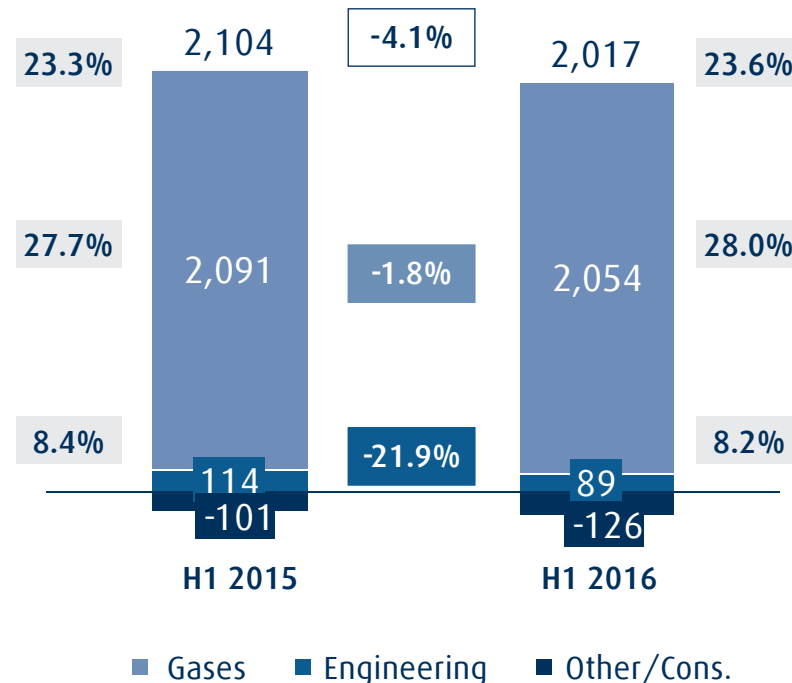
## Positive margin development



Revenue  
[EUR m]



Operating profit  
[EUR m]



### Gases

Revenue negatively impacted by FX and pass-through effects

### Engineering

Revenue development in line with expectations

### Gases

Stable operating profit despite negative FX impact

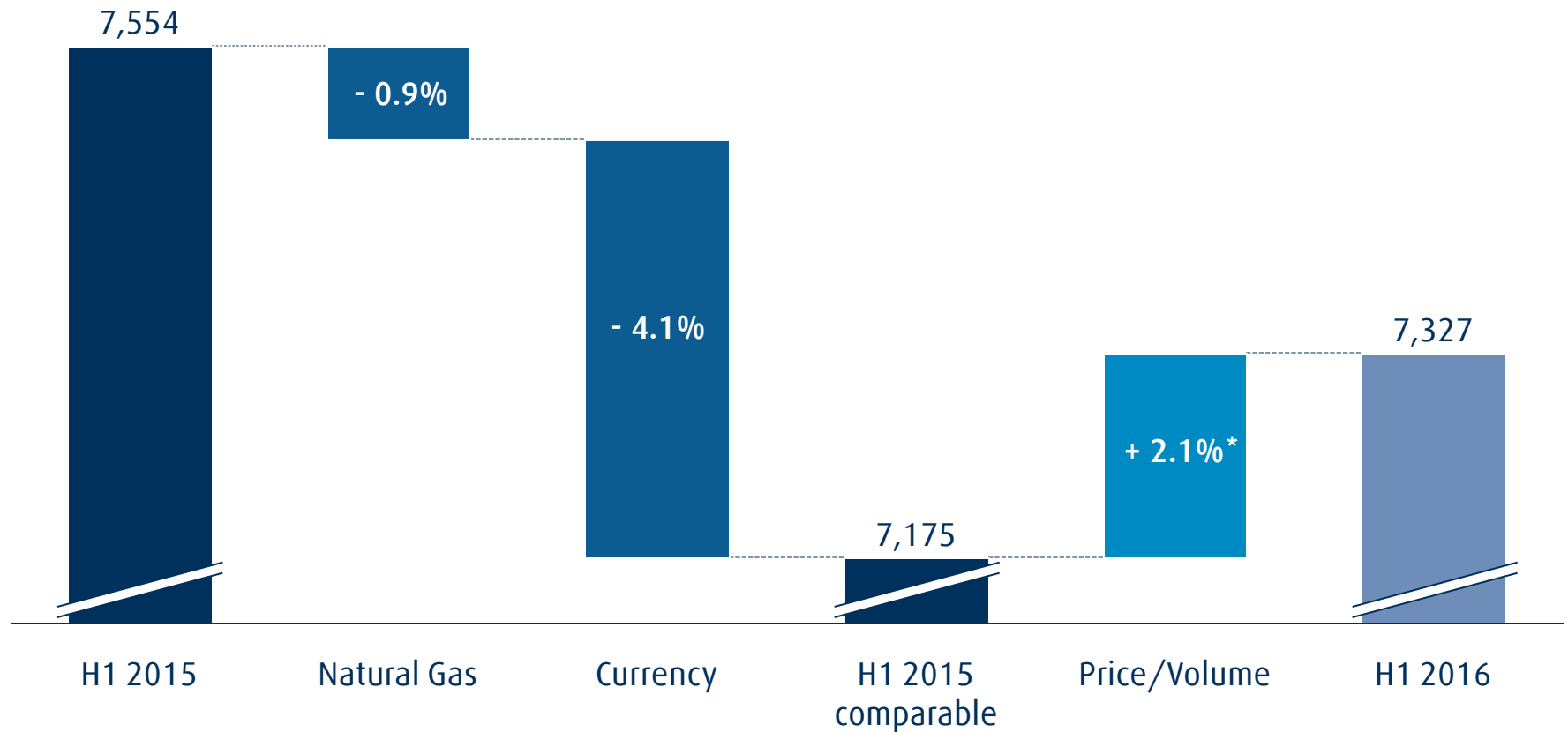
### Engineering

Margin in line with guidance of around 8 percent

# Gases Division | Revenue bridge

Price/Volume increase of 2.1 percent

[EUR m]

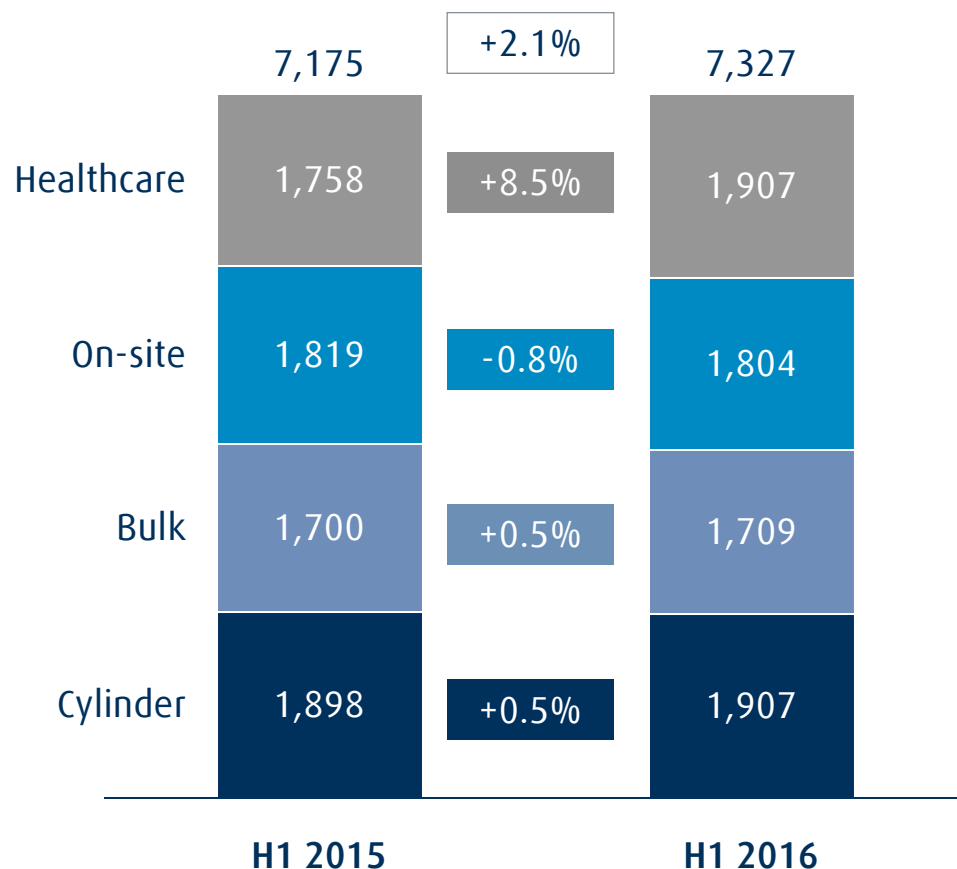


\*Including EUR 116m changes in consolidation from American HomePatient acquisition

# Gases Division | Revenue by product area

## Positive growth development in H1 2016

Comparable growth\*  
[EUR m]



\*Excludes currency and natural gas price effects

### Comments / Additional effects



**Healthcare**  
Strong growth supported by American HomePatient, +1.8% excluding acquisition



**On-site**  
Affected by the end of a contract in Australia in 2015 and the insolvency of a customer in UK in 2015, +1.1% excluding these effects



**Bulk**  
Highest growth contribution from Asia



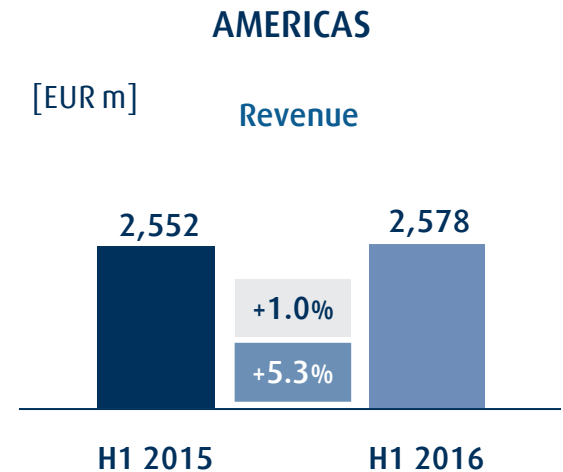
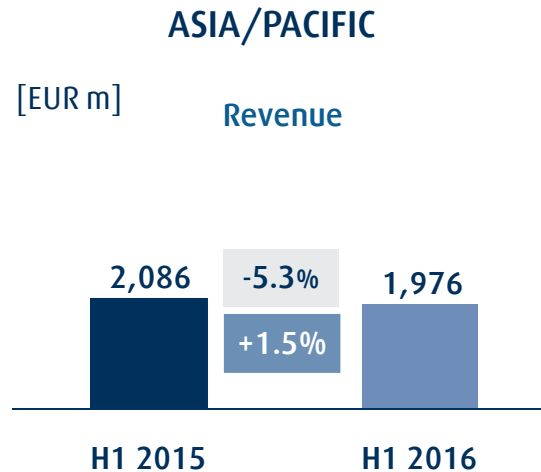
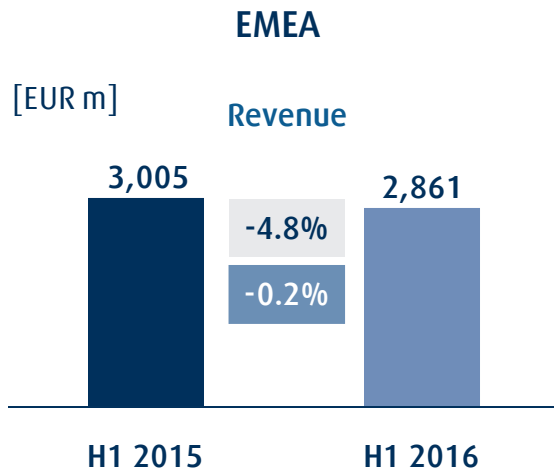
**Cylinder**  
Significant headwinds from weak macro-economic conditions continue in the South Pacific

# Gases Division | Revenue by operating segment

## Solid comparable growth in Americas



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- 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

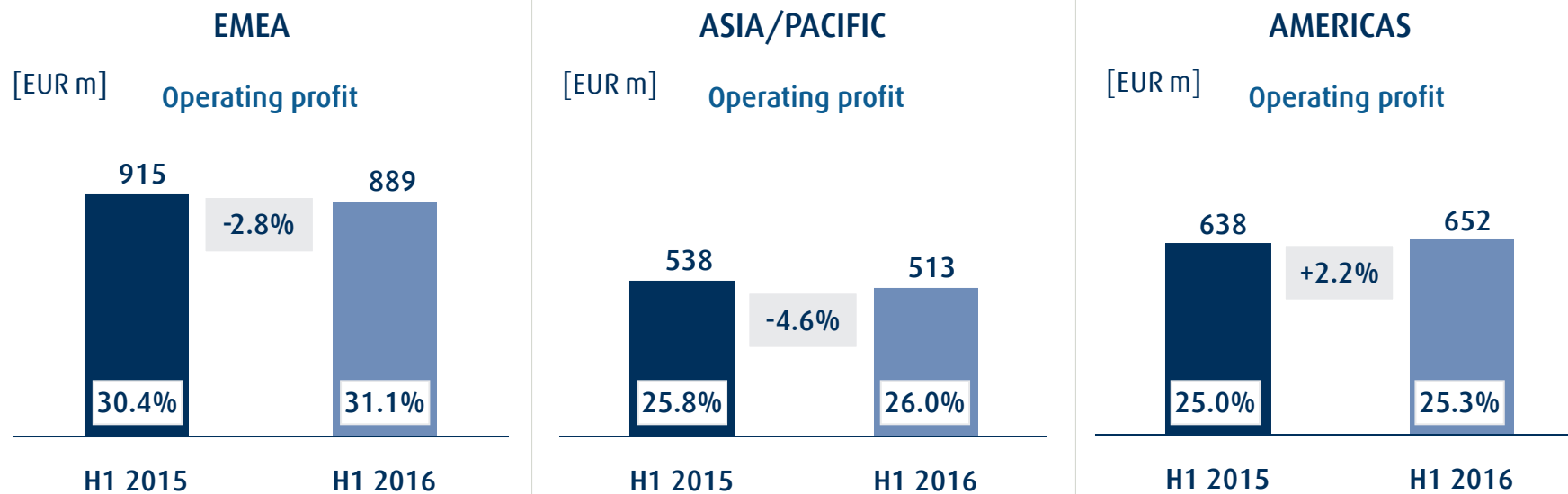
- Solid comparable growth in Asia of 5.1 percent
- Macro-economic situation in South Pacific remains weak
- Growth driven by On-site and Bulk

- Comparable growth driven by American HomePatient acquisition
- Growth in South America supported by pricing
- Highest growth contribution from Cylinder

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

# Gases Division | Operating profit by operating segment

## Operating profit margin of 28.0 percent



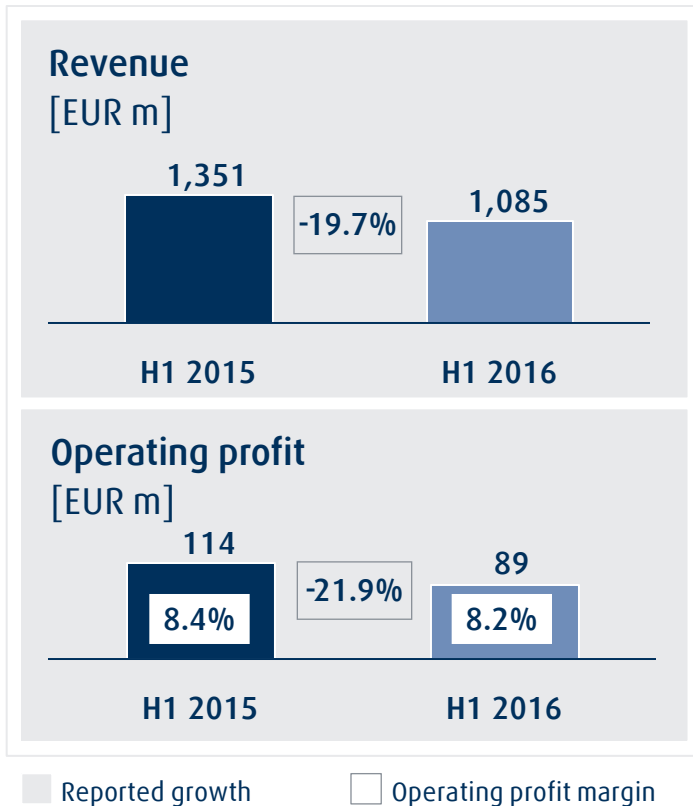
- Margin improvement in EMEA advanced by HPO and lower natural gas prices
- Margin development in APAC and Americas supported by restructuring measures

■ Reported growth □ Operating profit margin

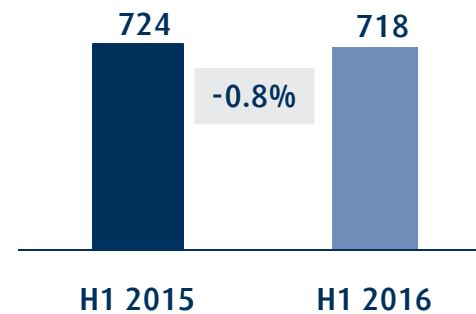


# Engineering Division | Key figures

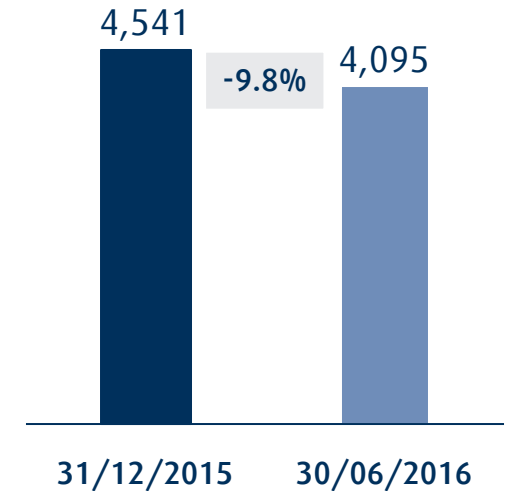
## Stable margin in a challenging environment



Order intake  
[EUR m]



Order backlog  
[EUR m]



- Order intake in H1 remains affected by postponement of investment decisions in particular in the petrochemical industry
- Revenue development in line with progress of projects
- Order backlog remains on a solid level

# Group | Cost savings

## HPO on track and efficiency programme expanded

### Learning Organisation

#### Gross cost savings

HPO 2 | 2013-2016  
EUR 750-900m

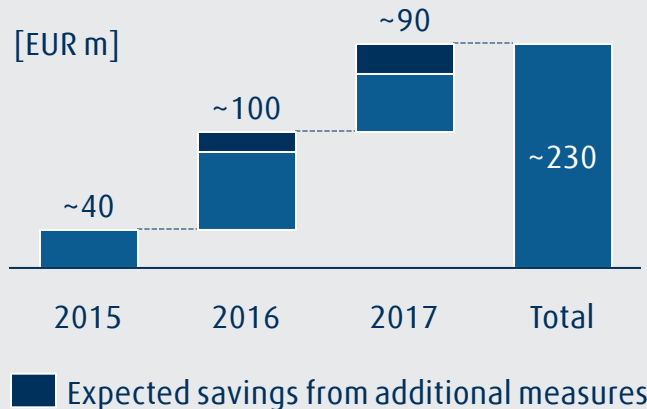


Continuous efficiency improvement

### Additional improvement measures & expected savings

Expected savings by end of 2017 increased from EUR ~180m to EUR ~230m

- Additional restructuring measures underway, particularly in the UK, Northern Europe and Australia
- Additional restructuring costs not reported as non-recurring items



Rigid cost management in Mature Markets and in Healthcare

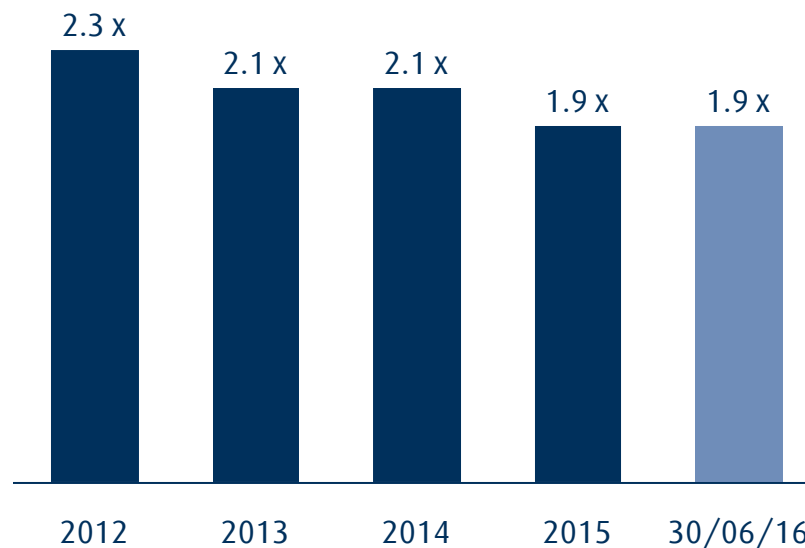
# Financial Performance | Key figures

## Solid operating cash flow development

### Cash flow

[EUR m]	H1 2015	H1 2016
Operating cash flow	1,583	1,634
Investment cash flow*	-854	-901
Free cash flow before financing	729	733

### Net debt / operating profit



- Stable net debt of EUR 7.6 bn versus 31 Dec 2015 despite dividend payment in May
- 14 July 2016: Redemption of hybrid bonds of EUR 700m and GBP 250m to result in lower interest expenses in H2
- Ratings: A+/A-1 (S&P) and A2/P-1 (Moody's) with stable outlook

\*Excluding investments in / disposals of securities; H1 2015: EUR -152m; H1 2016: EUR -1,035m

## Short-term outlook\*

◆ 2016

2015 adjusted for FX

### Group

Revenue	-3 to +4% versus 2015 adjusted for FX	17.377 billion Euros
Operating profit	-3 to +4% versus 2015 adjusted for FX	4.004 billion Euros
ROCE	Around 9 percent	Potentially impacted

### Gases Division

Revenue	±0 to +5% versus 2015 adjusted for FX	14.672 billion Euros
Operating profit	-1 to +6% versus 2015 adjusted for FX	4.025 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

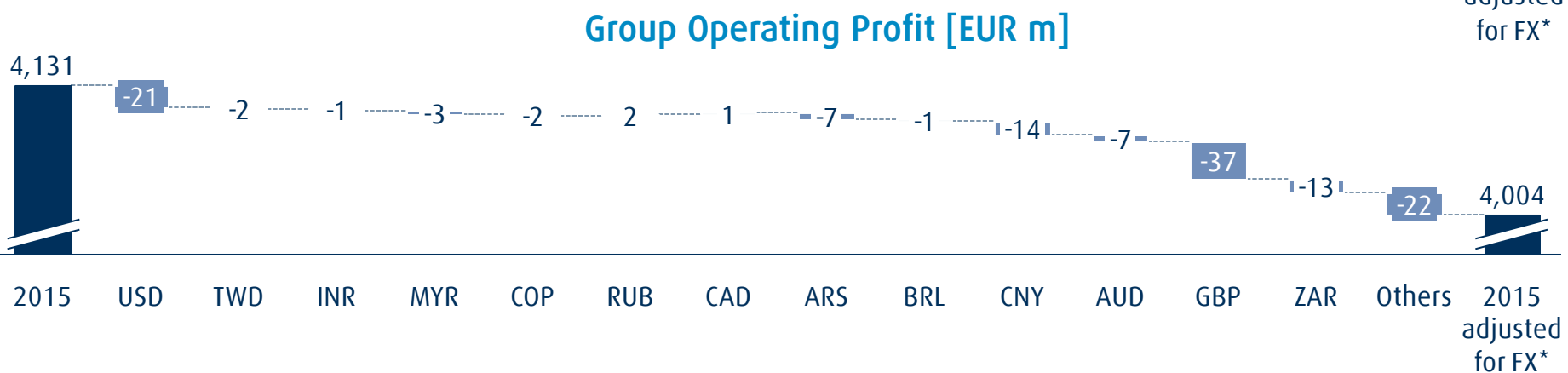
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\*Dependent on economic development | 2015 adjusted for FX based on forward exchange rates from end of June 2016

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



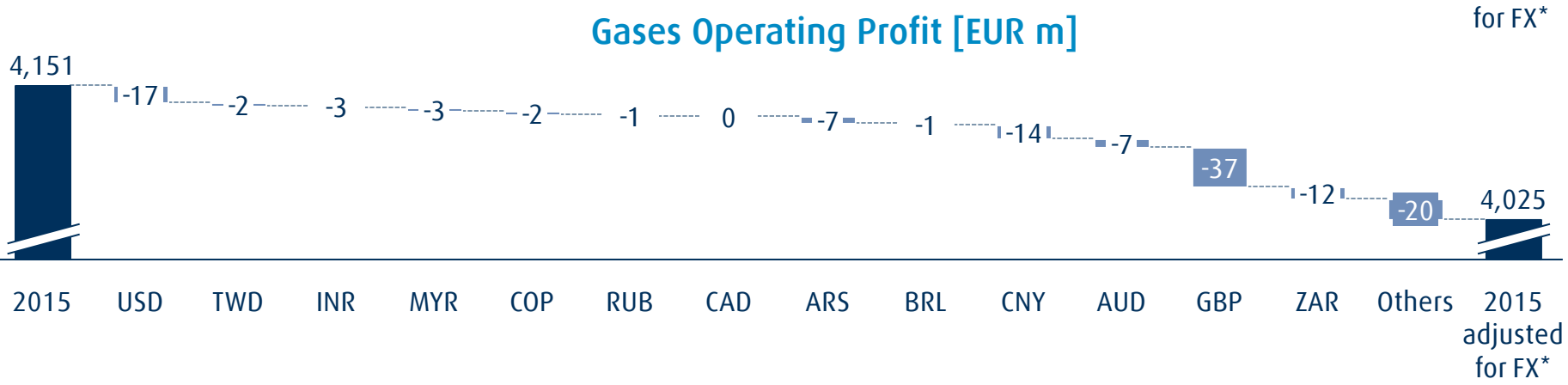
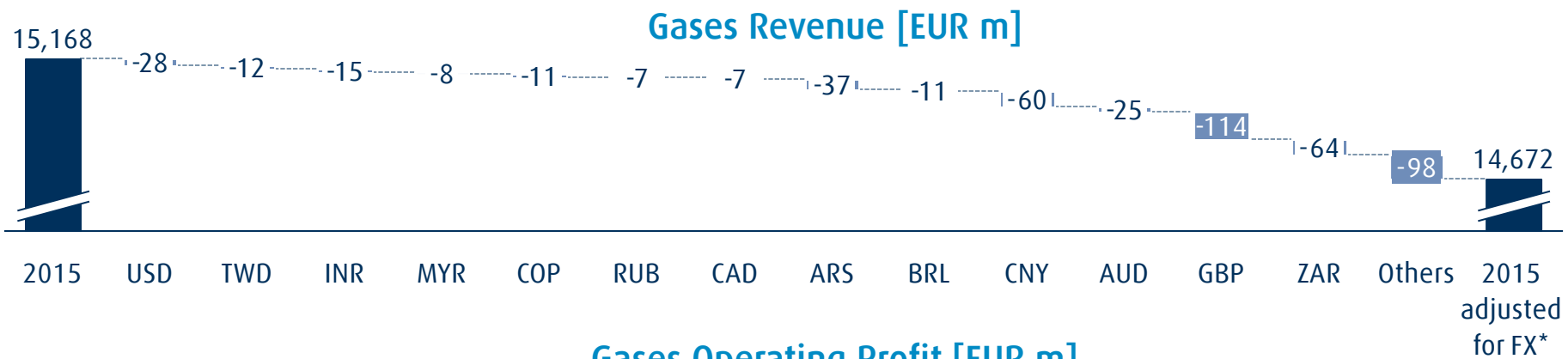
# Group | Potential currency impact on 2016 outlook



	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*	1.115	36.18	75.92	4.521	3,412	74.72	1.465	16.31	3.915	7.391	1.512	0.808	17.00

\*Based on forward exchange rates from end of June 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*	1.115	36.18	75.92	4.521	3,412	74.72	1.465	16.31	3.915	7.391	1.512	0.808	17.00

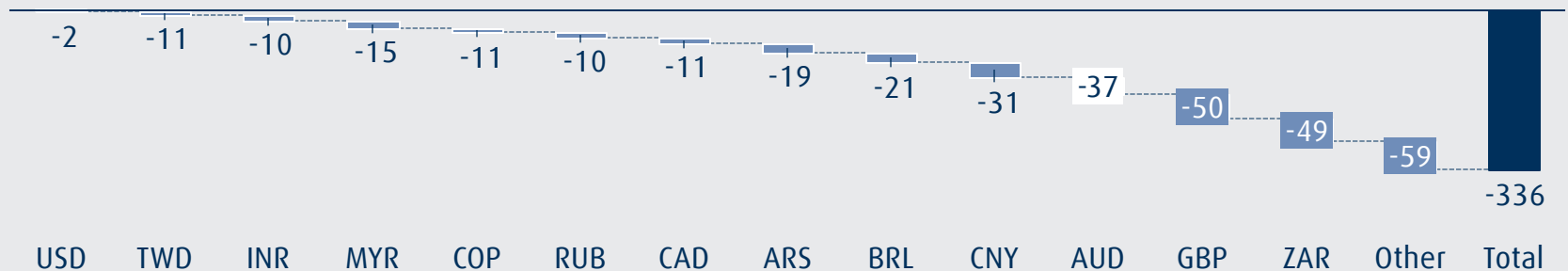
\*Based on forward exchange rates from end of June 2016

# Group | Currency impact

## Impact on revenue and operating profit in H1 2016

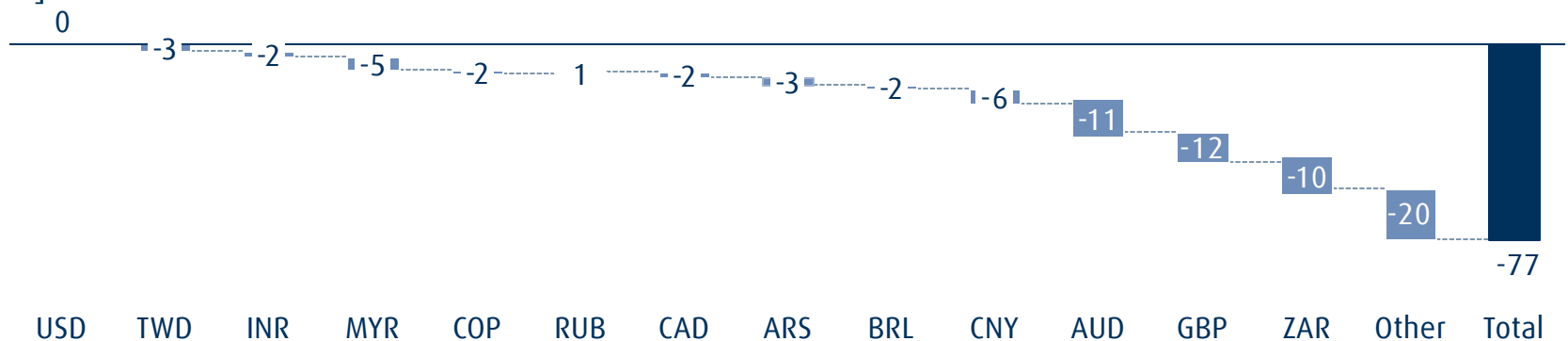
### Impact on Group revenue in 2016

[EUR m]



### Impact on Group operating profit in 2016

[EUR m]





# Group | H1 2016

## Key P&L items

[EUR m]	H1 2015	H1 2016	Δ in %
Revenue	9,036	8,560	-5.3
Operating profit	2,104	2,017	-4.1
Operating margin	23.3	23.6	+30bps
PPA depreciation for BOC	-122	-92	+24.6
Depreciation & amortisation (excl. PPA BOC)	-819	-833	-1.7
Other non-recurring items (expenses for restructuring)	-138	-	-
EBIT	1,025	1,092	+6.5
Financial result	-198	-183	+7.6
Taxes	-198	-222	-12.1
Profit for the year – attributable to Linde AG shareholders	579	632	+9.2
EPS reported [EUR]	3.12	3.40	+9.0

# Group | Q2 2016

## Key P&L items

[EUR m]	Q2 2015	Q2 2016	Δ in %
Revenue	4,368	4,298	-7.3
Operating profit	1,094	1,026	-6.2
Operating margin	23.6	23.9	+30bps
PPA depreciation for BOC	-59	-46	+22.0
Depreciation & amortisation (excl. PPA BOC)	-415	-418	-0.7
Other non-recurring items (expenses for restructuring)	-	-	-
<b>EBIT</b>	<b>502</b>	<b>562</b>	<b>+12.0</b>
Financial result	-100	-94	+6.0
Taxes	-97	-114	-17.5
Profit for the year – attributable to Linde AG shareholders	279	326	+16.8
<b>EPS reported [EUR]</b>	<b>1.50</b>	<b>1.75</b>	<b>+16.7</b>

# Group | H1 2016

## Cash flow statement



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[EUR m]	H1 2015	H1 2016
Operating profit	2,104	2,017
Change in working capital	-100	-11
Income taxes paid	-239	-191
Other changes	-182	-181
<b>Operating cash flow</b>	<b>1,583</b>	<b>1,634</b>
Investments in tangibles/intangibles	-876	-793
Payments for acquisitions	-98	-181
Other (incl. financial investments)	120	73
<b>Investment cash flow*</b>	<b>-854</b>	<b>-901</b>
<b>Free cash flow before financing</b>	<b>729</b>	<b>733</b>
Interest and swaps, dividends	-798	-886
Other changes	29	-10
<b>Change in cash and financial debt</b>	<b>-40</b>	<b>-163</b>

\*Excluding investments in / disposals of securities; H1 2015: EUR -152m; H1 2016: EUR -1,035m

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



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