



# Staying on Track. WestLB Deutschland Conference 2009.

LeadIng.



THE LINDE GROUP

18 November 2009

Thomas Eisenlohr, Head of IR

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1. Operational Performance

2. Financial Position

3. Strategic Set-up and HPO

Appendix

## **9M operational performance**

Group sales of € 8.313 bn (-11.5%), Group operating profit of € 1.741 bn (-8.8%)

Group operating profit before restructuring charges down 4.7%

Ongoing strong cash flow generation: 9.5% increase in operating cash flow to € 1.424 bn

## **Strengthened profitability in difficult market circumstances**

Group operating margin before restructuring charges up 160 basis points to 21.9% (9M 08: 20.3%)

Acceleration of HPO reflected in ramp-up of cost savings in all regions

## **Stable set-up in place**

Long-term oriented financing: very well spread maturity profile with a strong liquidity reserve

Already more than 30% of Gases sales in emerging markets

Defensive growth set-up, serving mega-trends in energy, environment and healthcare

## **Outlook 2009 unchanged**

Further recovery in the second half-year compared to the first half as the economic improvement takes hold

Sales and earnings level as in the record year 2008 no more attainable

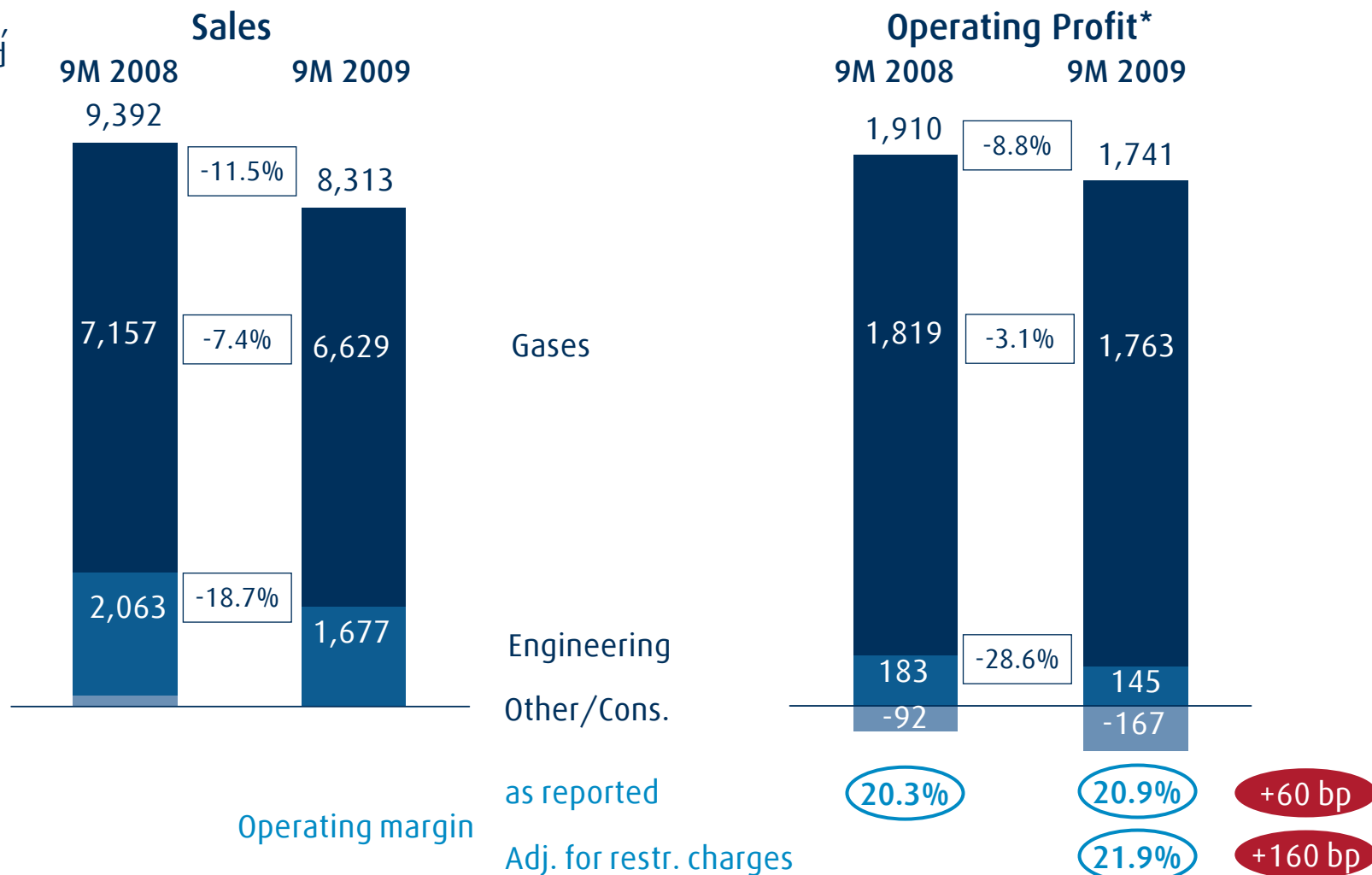
# Group, 9M operational performance

Group operating profit excl. restructuring charges down 4.7%



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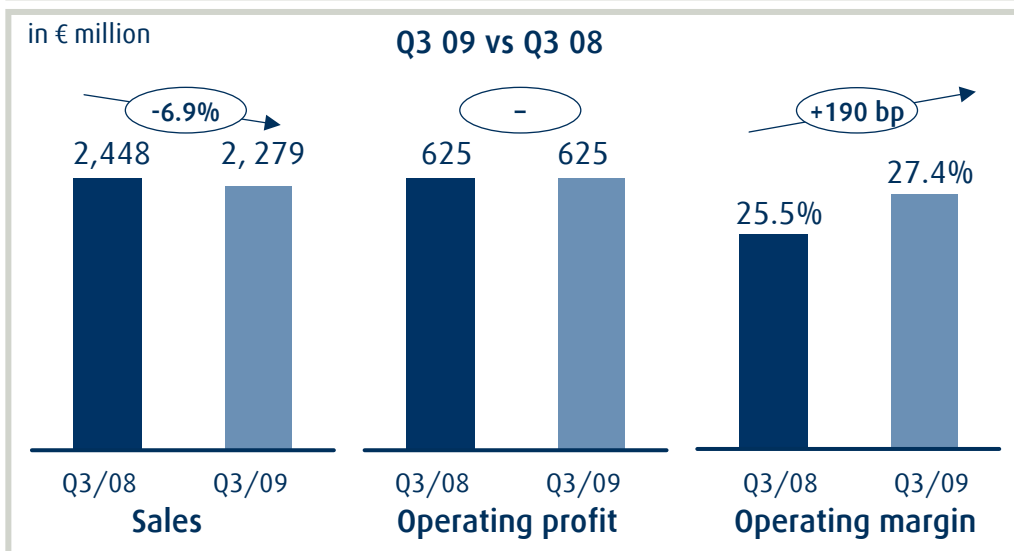
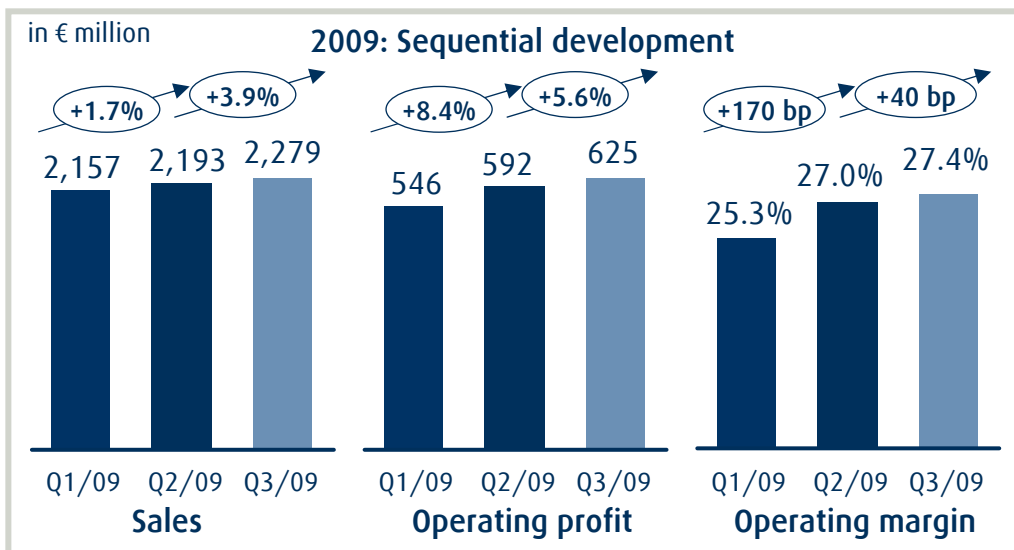
in € million,  
as reported



\*EBITDA before special items and incl. share of net income from associates and joint ventures

# Gases Division, quarterly focus

Positive sequential trend maintained and confirmed in Q3



## Ongoing sequential growth

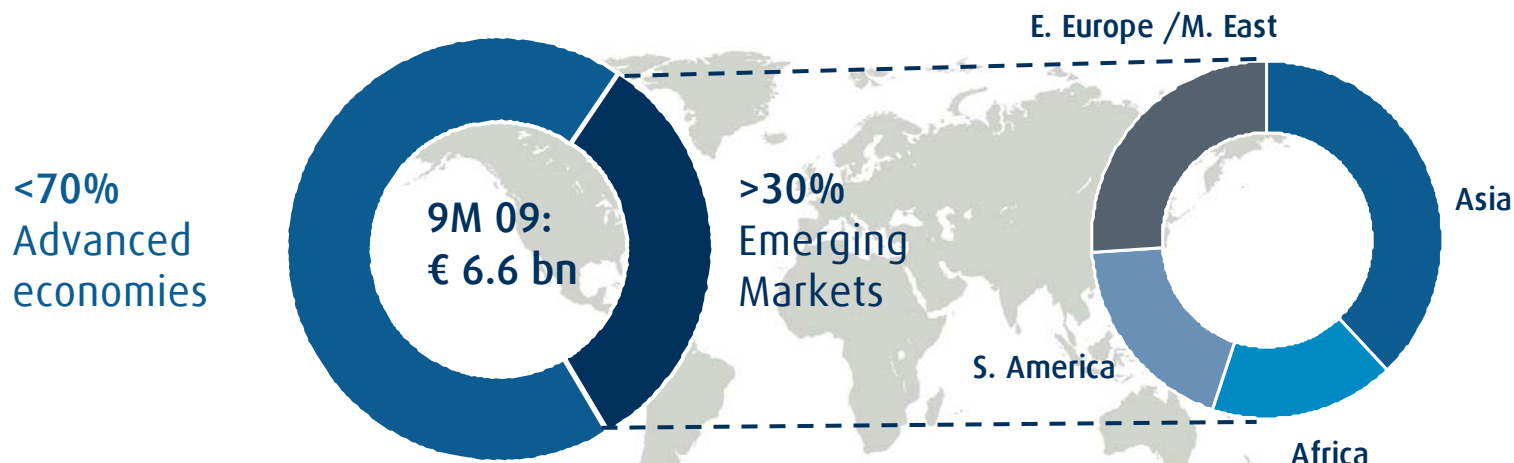
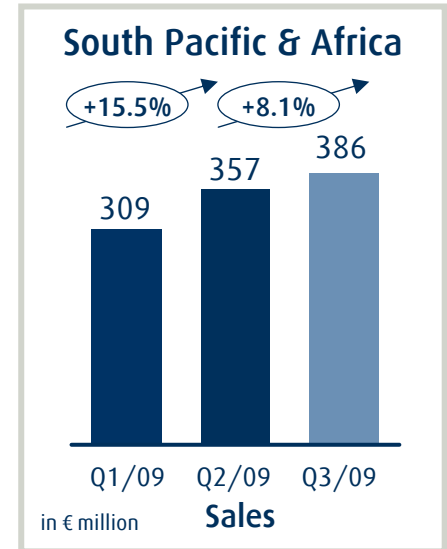
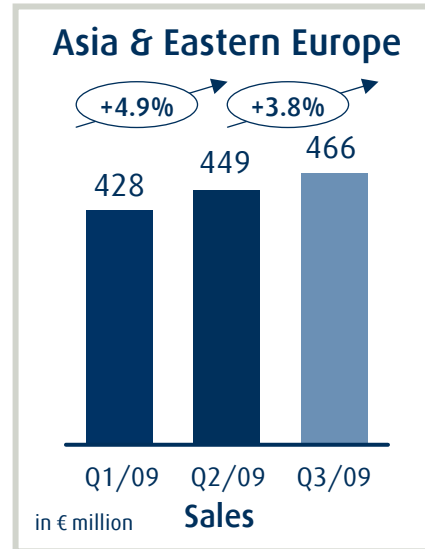
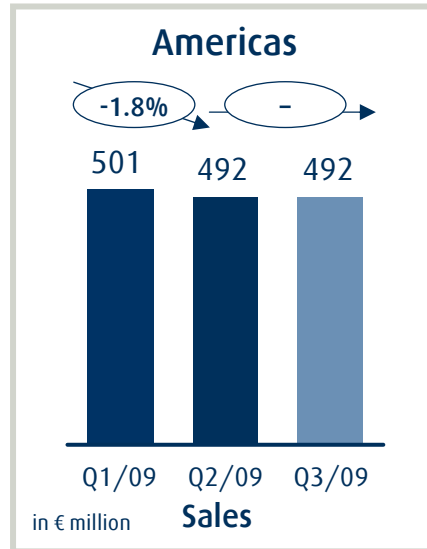
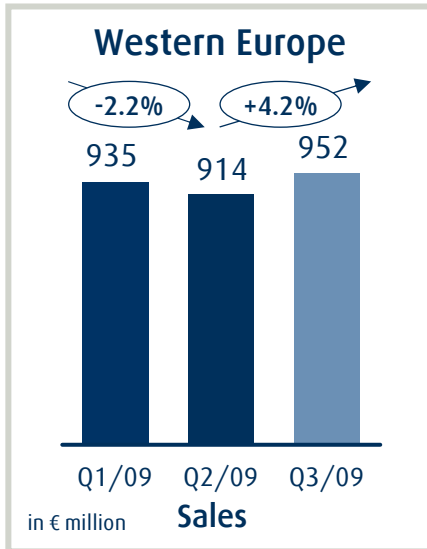
- Further sales increase on Q2 09
- Emerging Markets keep showing the strongest momentum
- Mature economies show first modest increase in sales run rates

## Strong margin improvement

- Significant margin increase vs. Q3 08, another improvement vs. strong Q2 09 margin
- Acceleration of HPO visible
- Excl. natural gas price effect margin up by 90 bp

# Gases Division, quarterly focus

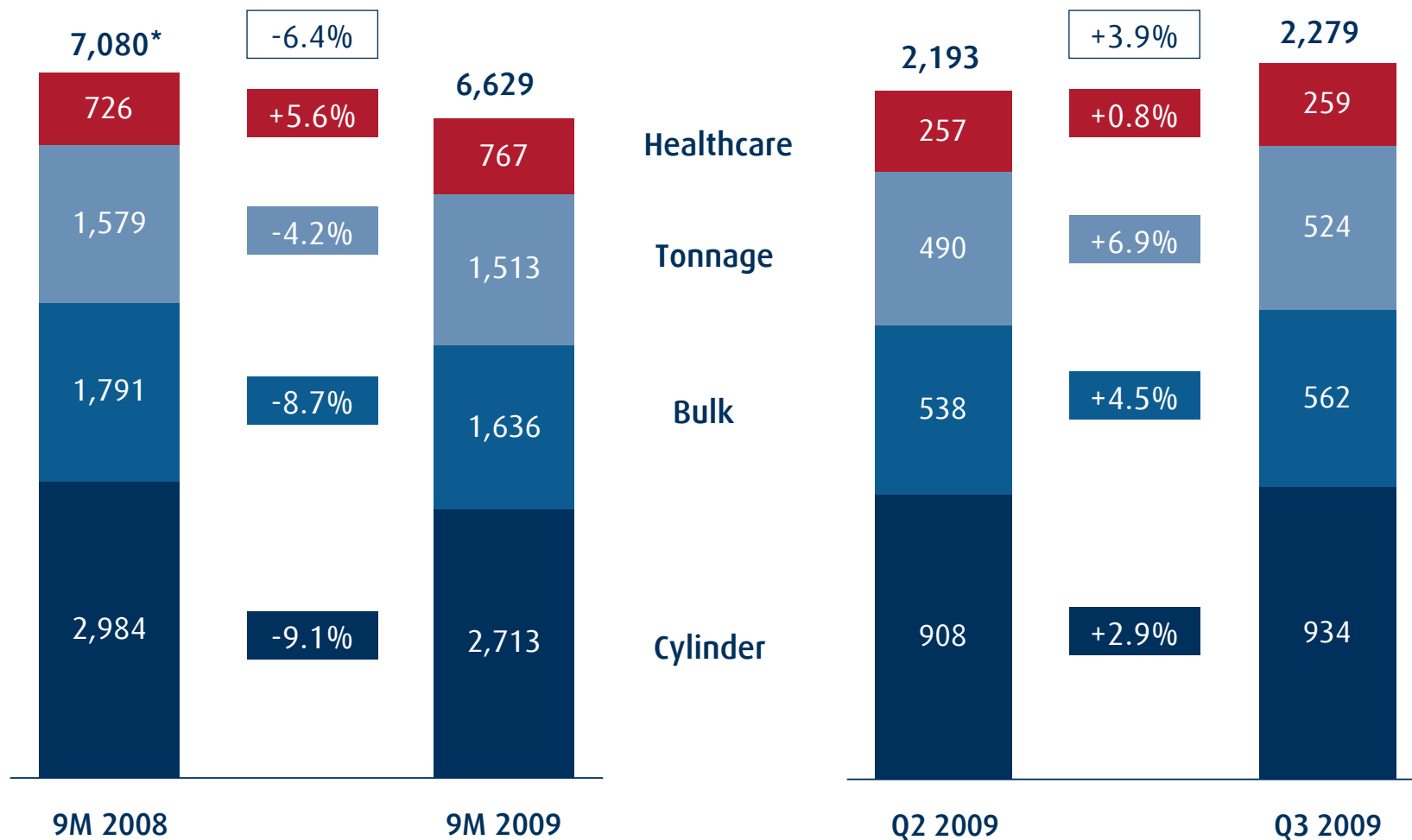
Sequential improvement mainly driven by emerging markets



# Gases Division, sales by product areas (consolidated)

Positive sequential momentum confirmed in Q3 2009

in € million



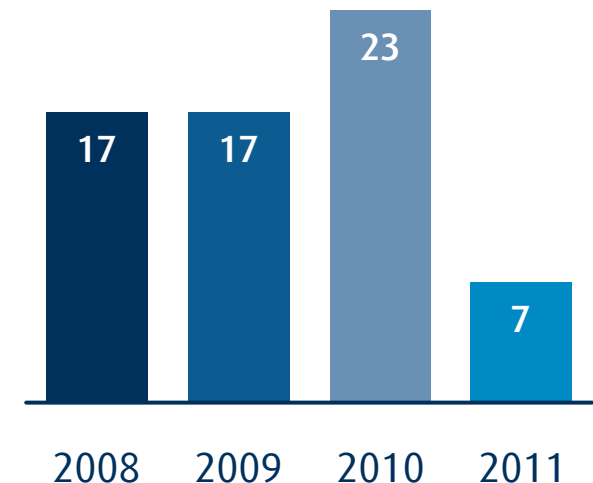
\* comparable: excluding currency, natural gas price and consolidation effect



# Gases Division, project pipeline

## Prospects for projects improving again

- Total project number in our pipeline unchanged at 64 start-ups by 2011 (incl. JVs)
- Still lower activity in new contract signings
- However, customer discussions on potential projects show renewing interest, especially in Emerging Markets
- New tonnage contract with Tata Steel Ltd.: largest ASU in India to start up by 2012



# Group, business synergies between Gases and Engineering

## Leverage common customer relationships

**ADNOC (Abu Dhabi National Oil Corporation)**  
- customer relationship in Gases and Engineering:

### ADNOC - long-term customer of our Engineering Division

Ethylene plant (Ruwais 1) signed in 1998

Ethylene plant (Ruwais 2) signed in 2006

Ethylene plant (Ruwais 3) signed in June 2009

### JV ADNOC/Gases Division (founded in December 2007)

#### First contract: ASU in the Ruwais cluster

Serving Ethylene cracker (Ruwais 2) with nitrogen

Linde gets 100% of liquid product to serve local Merchant Markets

#### Second contract: Enhanced Gas Recovery scheme in Habshan

2 large air separation units going on-stream at the end of 2010

Capacity of 670,000 standard cubic metres of nitrogen per hour

Total investment costs of appx. USD 800 m

### Engineering

- strong footprint on the Arabian Peninsula:



- Air separation units
- Hydrogen and synthesis gas plants
- Gas processing plants
- Natural gas plants
- Petrochemical plants

# Engineering Division, financial track record

## Leading market position in all segments

### Air Separation Plants



#### Top 1

- Products:
- Oxygen
  - Nitrogen
  - Rare gases

Main competitors:  
Air Liquide, Air Products, Praxair

### Hydrogen and Synthesis Gas Plants



#### Top 2

- Products:
- H<sub>2</sub>/CO/Syngas
  - Ammonia
  - Gas removal
  - Gas purification

Main competitors:  
Technip, Haldor Topsoe, Lurgi, Uhde

### Olefin Plants



#### Top 2

- Products:
- Ethylene
  - Propylene
  - Butadiene
  - Aromatics
  - Polymers

Main competitors:  
Technip, ABB Lummus, Stone & Webster, KBR, Toyo

### Natural Gas Plants



#### Top 3

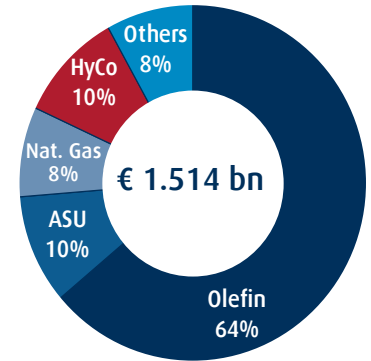
- Products:
- LNG
  - NGL
  - LPG
  - Helium

Main competitors:  
Chiyoda, Bechtel, JGC, KBR, Technip, Snam, Air Products

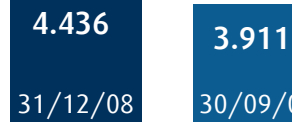
### Order intake, € bn



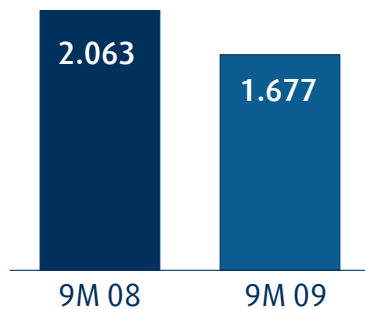
### 9M 09 order intake by segment



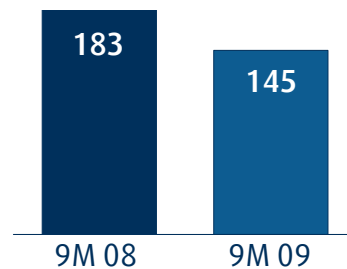
### Order backlog, € bn



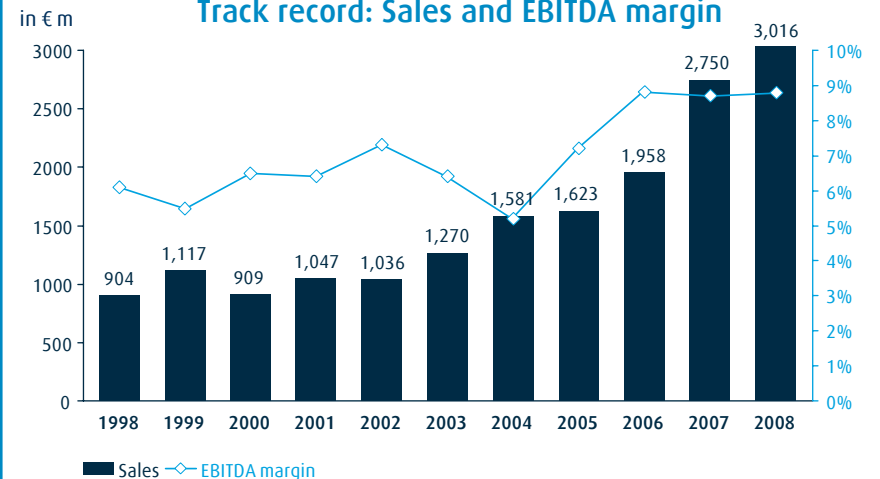
### Sales, € bn



### Operating Profit, € m



### Track record: Sales and EBITDA margin



## Economic background:

- Moderate recovery expected in H2, based on the stabilisation since the end of H1
- 2009 global economic output to be significantly below 2008

## Group

- Further recovery in the second half-year compared to the first half as the economic improvement takes hold
- Based on the economic background and the business figures per end of September, sales and earnings level as in the record year 2008 no more attainable
- Confirmation of HPO program: € 650-800 m of gross cost savings in 2009-2012

## Gases

- Better business performance in H2 than in H1 expected as current economic recovery trends take hold
- Positive trend in H2 not sufficient to reach record sales and earnings levels of 2008

## Engineering

- Sales in 2009 to remain below the high previous year figure
- Target for the operating margin remains at 8 percent

# Agenda



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# Group, cash flow statement

## Another strong cash flow contribution in Q3



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in € million	9M 08	9M 09
Operating Profit	1,910	1,741
Change in Working Capital	-241	25
Other changes	-368	-342
<b>Operating Cash Flow</b>	<b>1,301</b>	<b>1,424</b>
Net investment in tangibles/ intangibles	-773	-653
Acquisitions/Financial investments	-74	-81
Other	131	19
<b>Investment Cash Flow</b>	<b>-716</b>	<b>-715</b>
<b>Free Cash Flow before Financing</b>	<b>585</b>	<b>709</b>
Financing activities	-703	-564
<b>Net debt increase (+) / reduction (-)</b>	<b>118</b>	<b>-145</b>

# Group, financial position

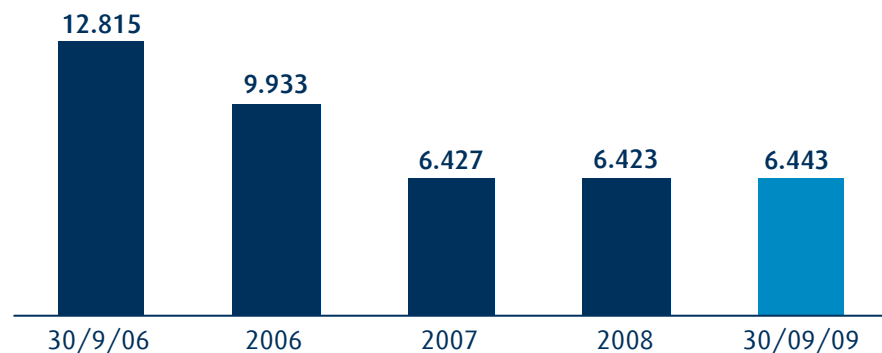
Well spread maturity profile with strong liquidity reserve



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## Net debt, in € bn

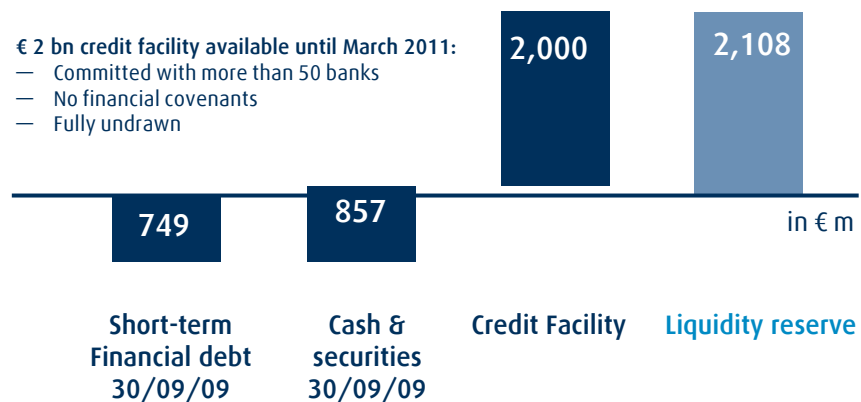
Net debt/EBITDA of 2.5x in FY 2008 within target range of 2-3x



## Cash position & credit facility cover all financial maturities until end of 2010

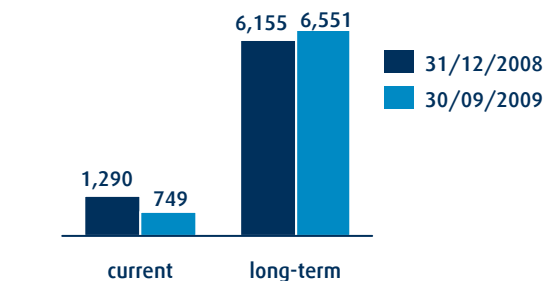
€ 2 bn credit facility available until March 2011:

- Committed with more than 50 banks
- No financial covenants
- Fully undrawn

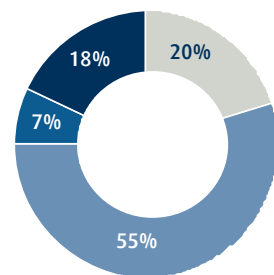


## 90% of financial debt due beyond 2010

Solid maturity profile (in € m)



Financial debt, by instrument



## Further strengthening of financial structure

\$ 400 m Eurodollar-bond

- 5-year maturity (2014)
- Issued in November 2009
- Coupon of 3.625%

€ 1.6 bn forward start revolving credit facility

- Signed in June 2009, available from March 2011 - March 2013
- More than 20 of our core national and international banks participating
- No financial covenants\*

\* within investment grade rating

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Appendix



# High Performance Organisation (HPO)

Implementing the next step of our continuous optimisation



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BOC Acquisition

Integration

Synergies

HPO

## Transformation

- Pure play
- Portfolio optimisation
- Track record in efficiency improvement

## The Linde Group

- New operating model
- One culture
- One vision



## Direct merger savings

- G&A
- Procurement / R&D
- Supply management / production

€250 million net cost savings  
First full-year contribution in FY 2009

## Continuous improvement

- Process excellence
- Productivity improvement
- People excellence

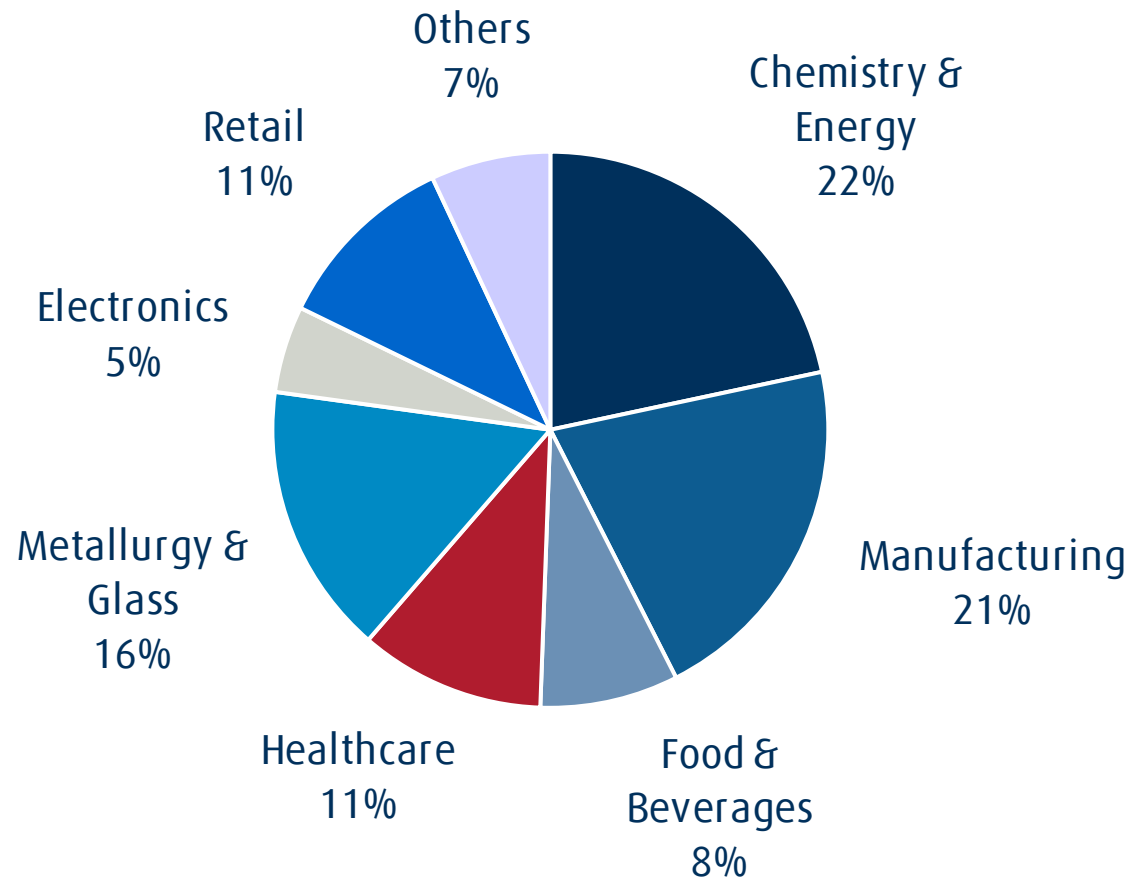
4-year period: 2009-2012  
€650-800 million gross cost reduction

Acceleration of HPO: € 200 m gross savings already in 2009

# Gases Division, customer industries

## Stability driven by a broad customer base

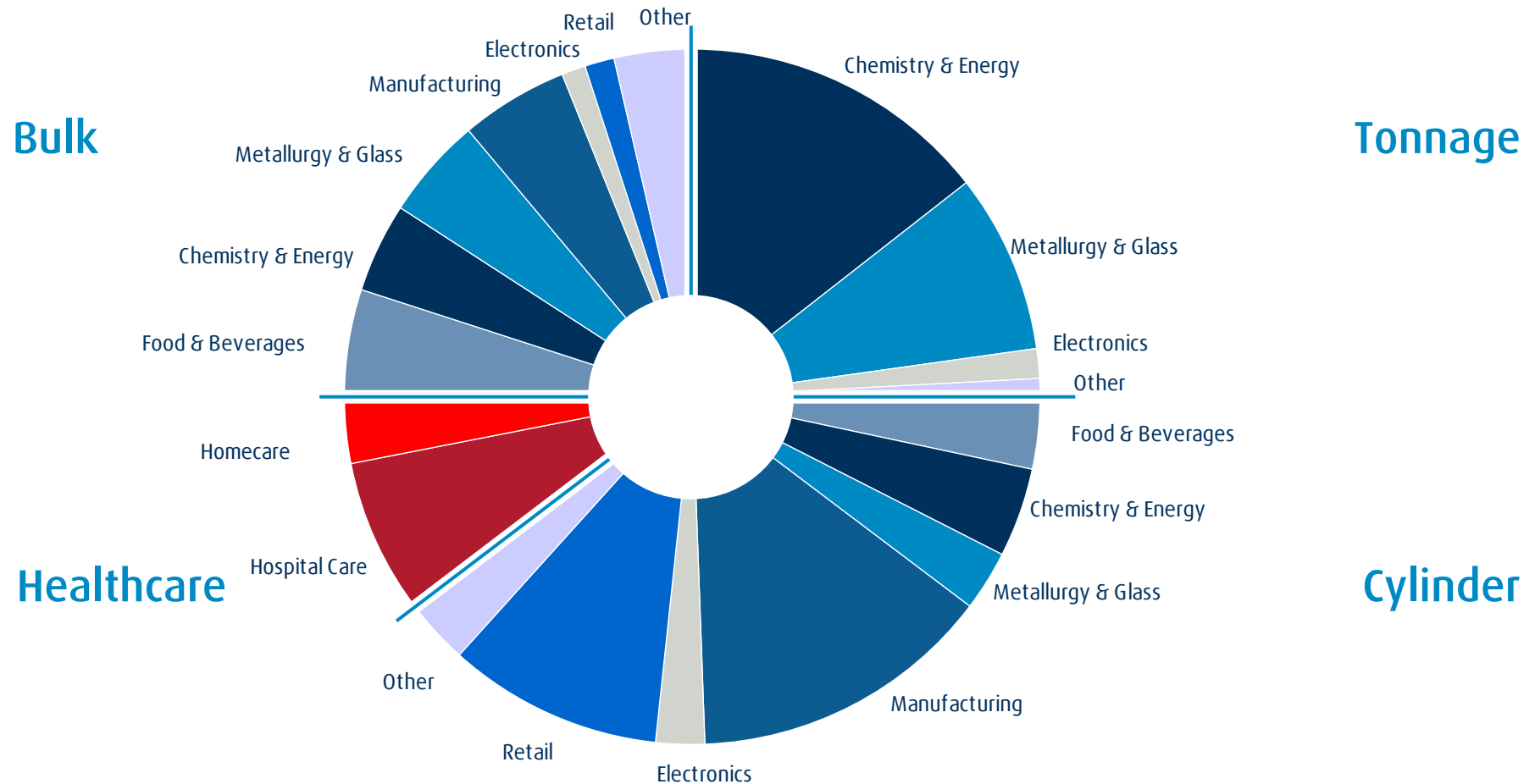
### 2008: Split by end-customer groups



# Gases Division, customer industries

## Stability driven by a broad customer base

### 2008: Split of product areas by major end-customer groups



# Gases Division, local business model

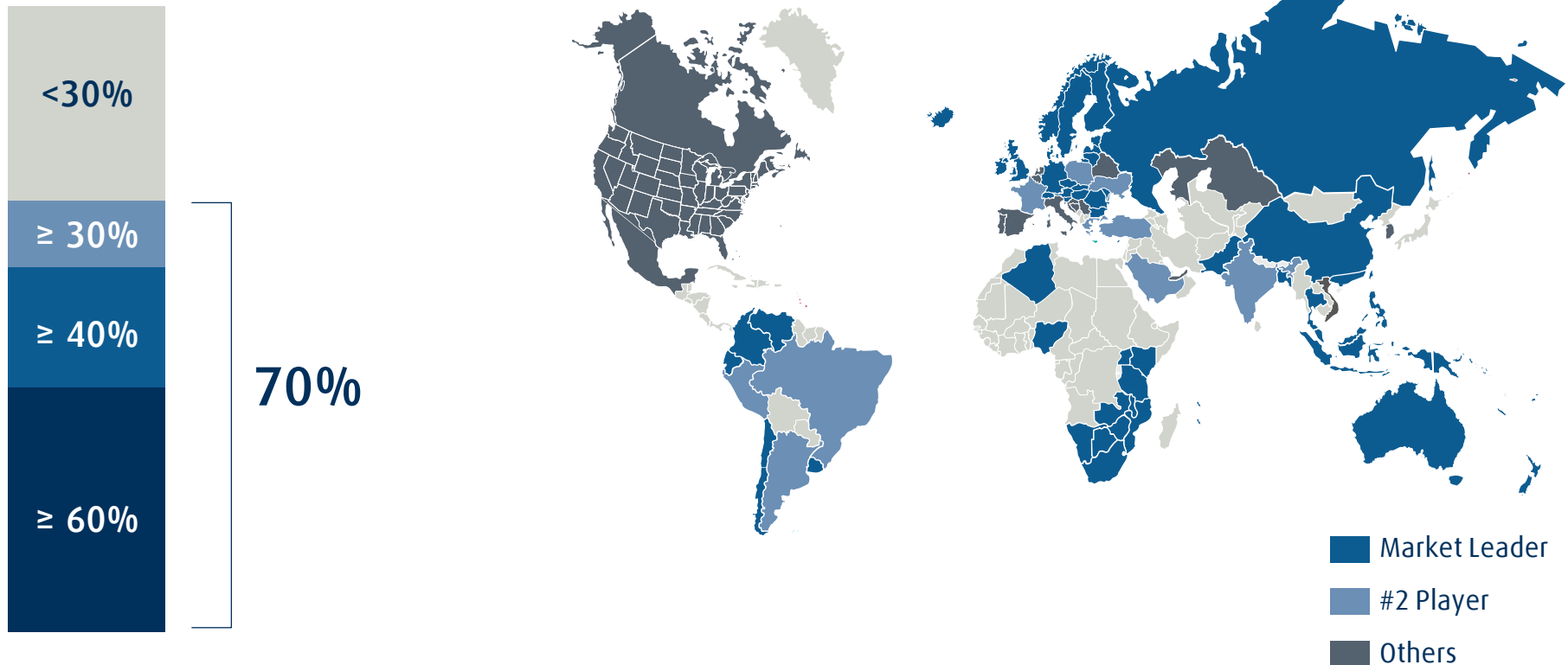
70% of revenues come from a leading market position

In bulk & cylinder: >70% of revenues from >30% market share positions

Sales split by market shares

Market leader in 46 of the 70 major countries,  
#2 Player in another 10

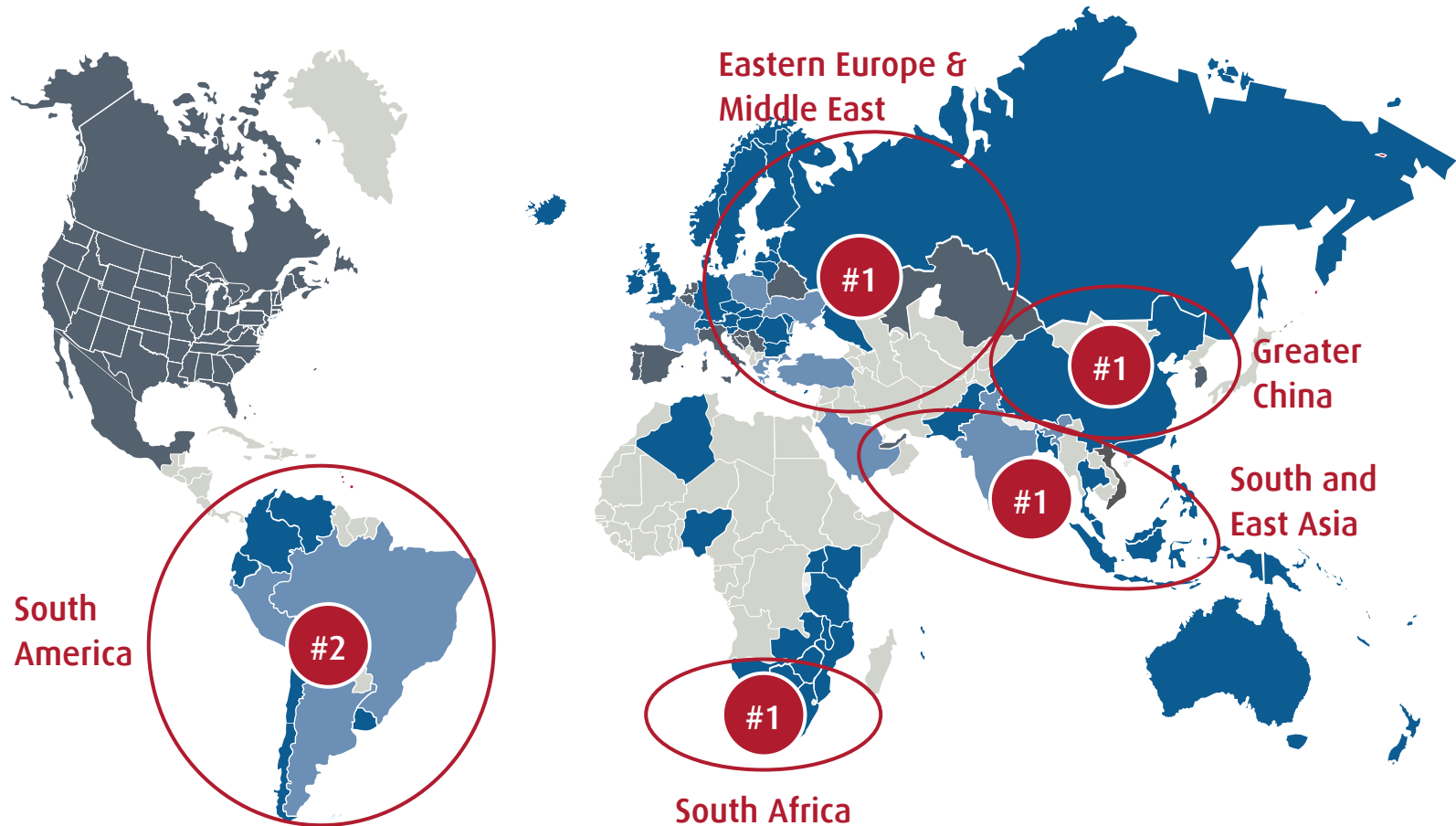
€9.5 bn



# Gases Division, local business model

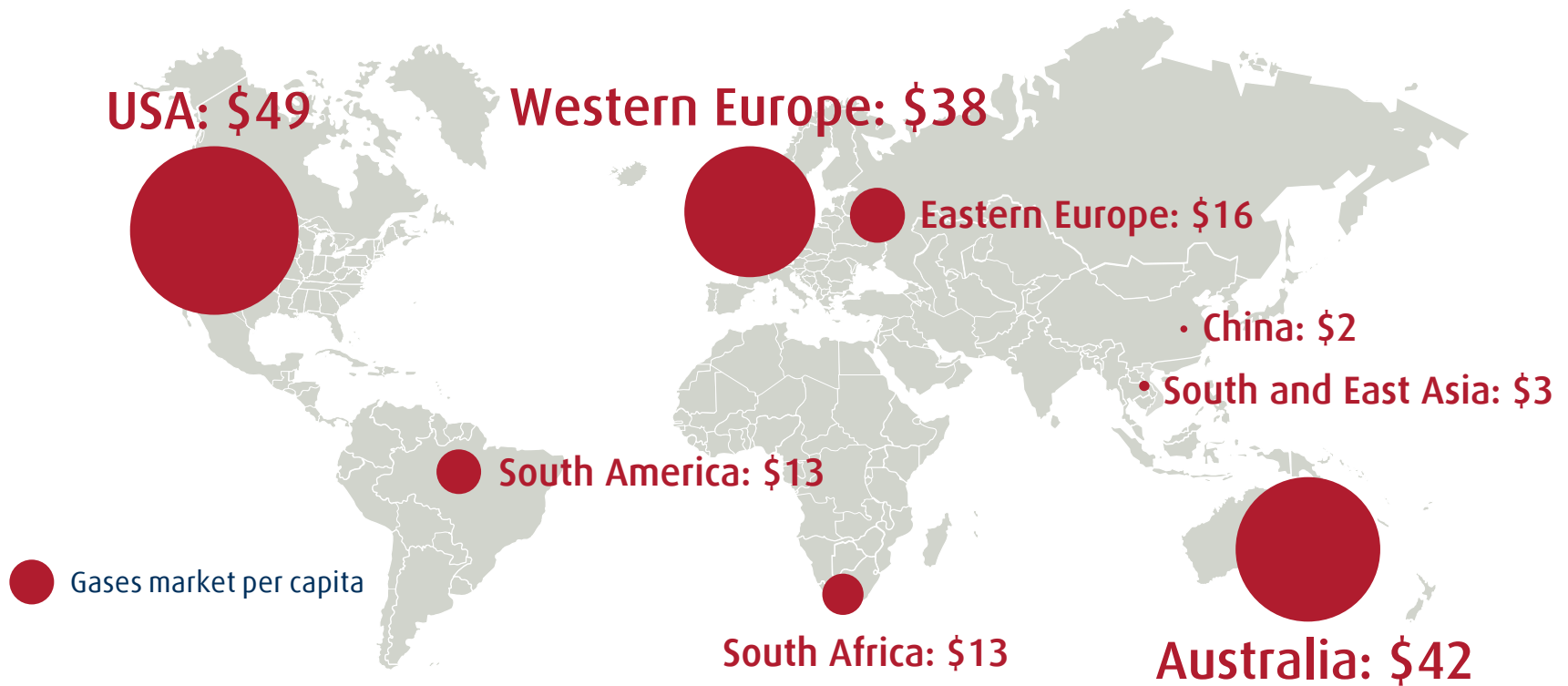
## Strong set-up in emerging markets

Market leader in 4 out of 5 emerging market regions



# Industrial gases market, consumption by region

Wide diversity between mature and developing markets



Overproportionate growth in emerging markets, driven by increasing standard of living, resources & applications  
CAGR\* (1999-2006): e.g. Eastern Europe +12%, South & East Asia +11%

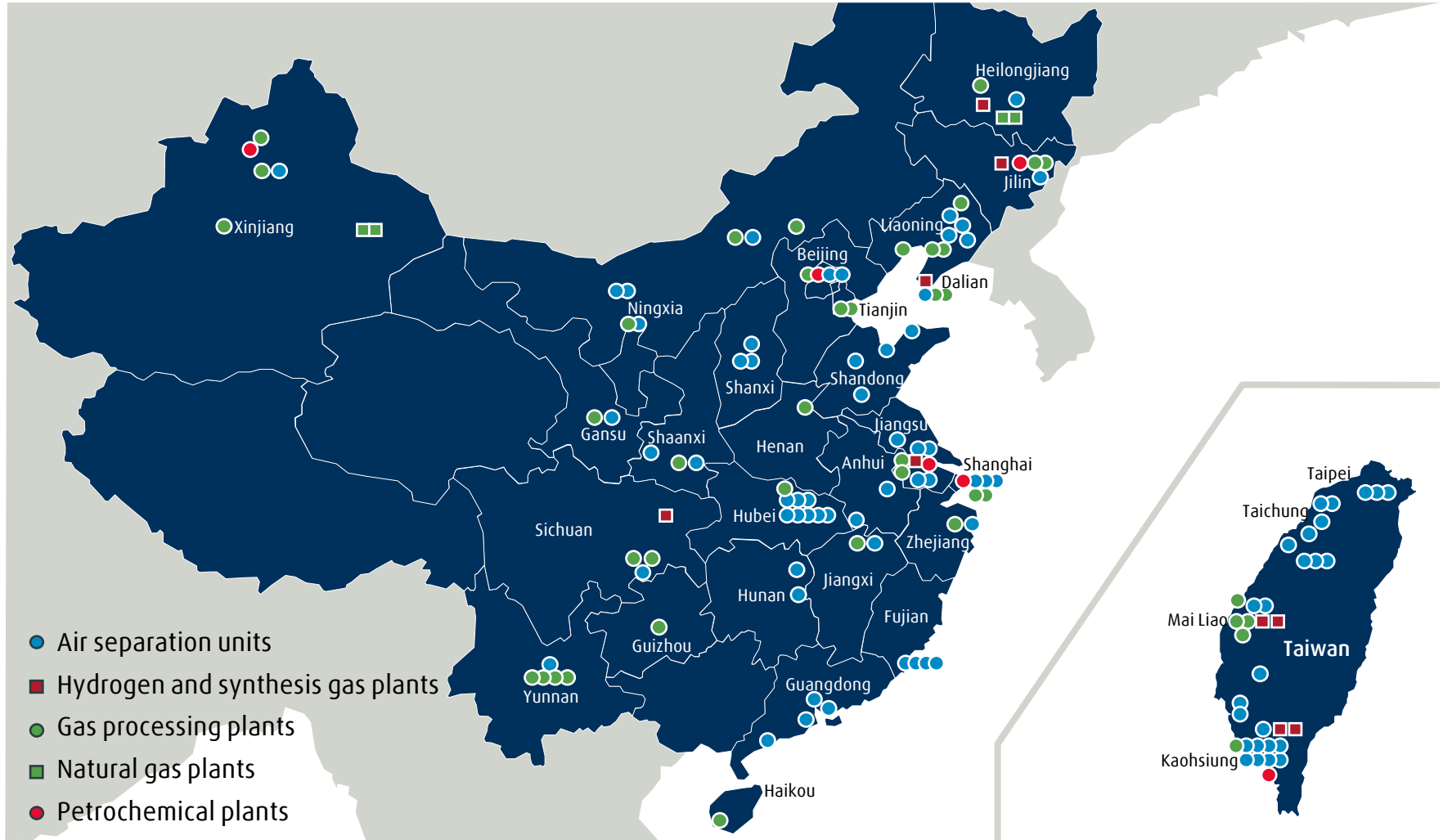
But also ongoing growth in more mature markets driven by continuous flow of new applications  
CAGR\* (1999-2006): e.g. Western Europe +5%, USA +6%

(\* in local currency)

Source: Spiritus Consulting/Ifo

# Engineering Division, footprint in China

## Strong established customer base



# Long term growth drivers remain intact

## Energy/Environmental Mega-Trend

### Our Gases & Engineering solutions address structural challenges:

Limited resources / environmental protection

Higher returns on existing fields	➔	Enhanced Oil & Gas recovery	Nitrogen/CO <sub>2</sub>
Sourer crude / lower emissions	➔	Refinery fuel upgrades	Hydrogen
Diversification of energy sources			
— Natural gas	➔	LNG/GTL	Oxygen
— Cleaner coal	➔	Coal gasification/CCS	Oxygen/CO <sub>2</sub>
— Renewables	➔	Photovoltaics/Biofuels	Electronic Gases/ Specialty Gases/ Nitrogen
Lower energy consumption of industrial processes	➔	Oxy-combustion	Oxygen
Cleaner waters	➔	Waste-water treatment	Oxygen

➔ Long-term potential for our Gases & Engineering portfolio



### Global healthcare systems face structural trends:

— <b>MORE patients</b> (ageing population)	➔	Increasing consumption of traditional healthcare gases	Hospital Care
— <b>HIGHER expectations</b> (quality of life)	➔	New diagnostics & therapies	f.ex. COPD*, Sleep therapy
	➔	Improved patient mobility	Homecare
— <b>LESS financial resources</b> (health budget pressures)	➔	Reduce Hospital time	Homecare/ Middle Care

### ➔ Long-term potential for healthcare gases and related services

\*Chronic Obstructive Pulmonary Disease

## **9M operational performance relatively stable**

Profitability strengthened in difficult market environment, ongoing strong cash flow generation  
Improving sequential trend confirmed in the third quarter, supported by cost initiatives

## **Competitive set-up in an uncertain market environment in 2009**

Focus on Gases & Engineering business model, supported by structural mega-trends  
Financial position: sustainable cash flow generation, long-term financing in place

## **Acceleration into HPO**

Performance culture more important than ever: continuous improvement  
Quickly adapting cost structure to market environment, intensifying durable productivity measures  
Long-term commitment to profitable growth: manage cost and returns to stay ready for growth

# Agenda

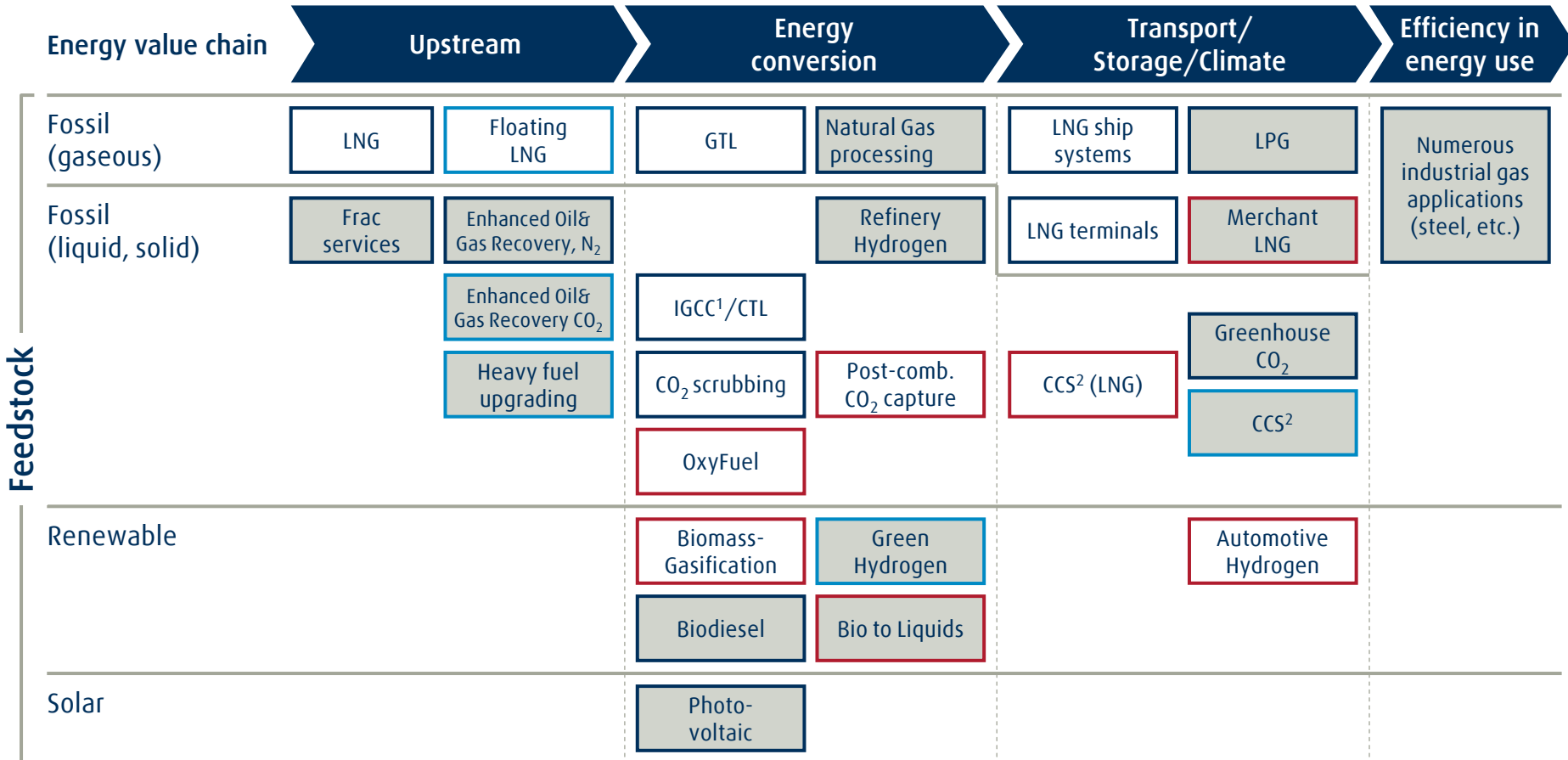


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Appendix

# Energy Mega-Trend

## Gases & Engineering technology portfolio



Feedstock

Business model Linde   Engineering   Gas Supply

Maturity of business   Existing business   Pilot on-going   Growth opportunity

<sup>1</sup> Integrated Gasification Combined Cycle, <sup>2</sup> Carbon Capture & Storage

# Group Financial Highlights



in € million	9M 08	9M 09	Δ in %
Sales	9,392	8,313	-11.5
Operating profit	1,910	1,741	-8.8
Margin	20,3	20,9	+60 bp
Operating profit excluding restructuring charges	1,910	1,821	-4.7
Margin	20,3	21,9	+160 bp
EBIT before special items and PPA depreciation	1,288	1,079	-16.2
Special items	59	0	-
PPA depreciation	-277	-221	-
EBIT	1,070	858	-19.8
Financial Result	-274	-247	
Taxes	203	155	-
Net income – Part of shareholders Linde AG	552	417	-24.5
Net income adjusted – Part of shareholders Linde AG	693	569	-17.9

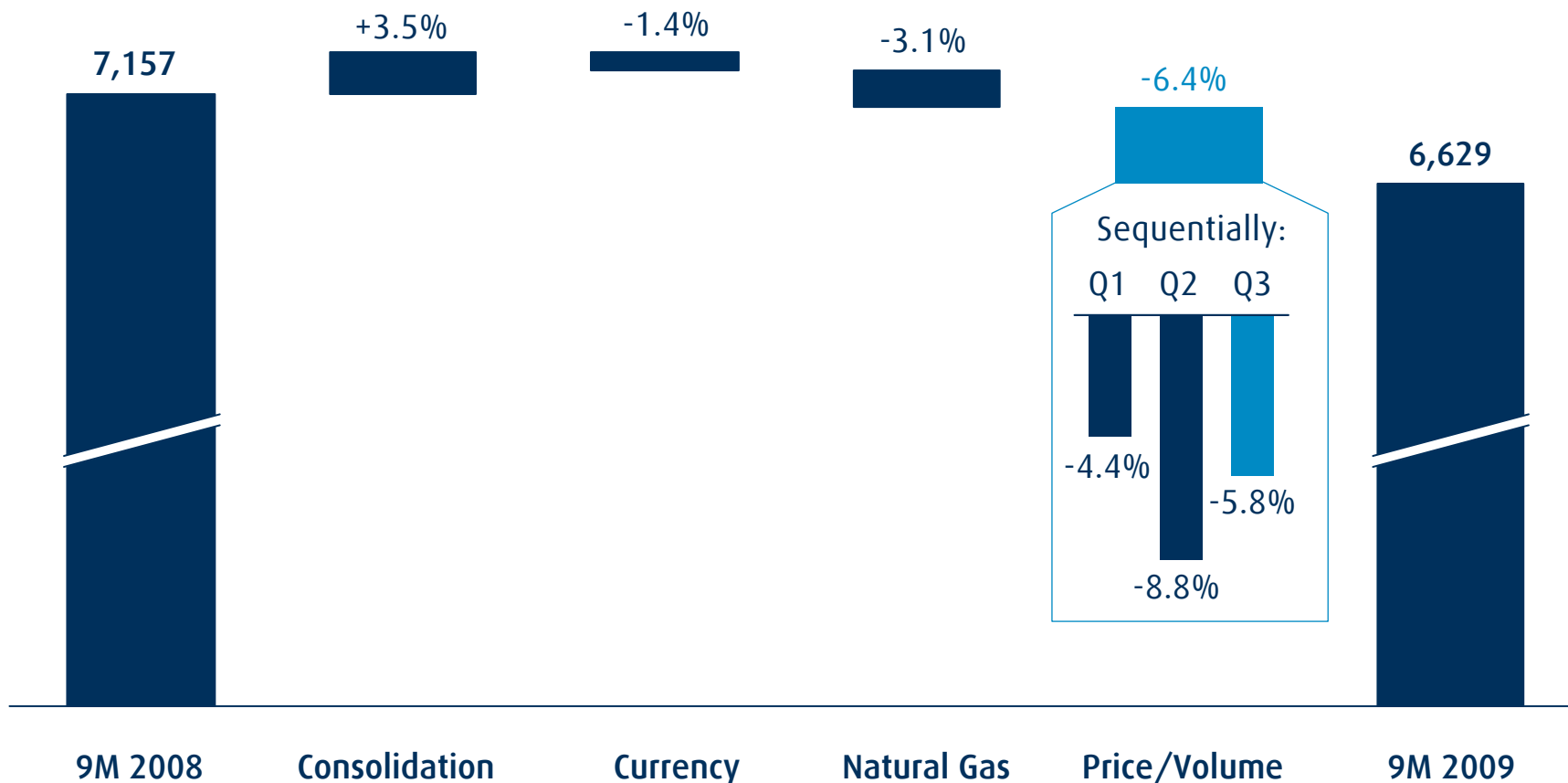
# Group Financial Highlights

in € million	9M 08	9M 09	Δ in %
<b>Net income - Part of shareholders Linde AG</b>	<b>552</b>	<b>417</b>	<b>-24.5</b>
+ depreciation/amortisation from purchase price allocation	+277	221	
+ special items	-59	-	
- respective tax impact	-77	-69	
<b>Adjusted Net Income</b>	<b>693</b>	<b>569</b>	<b>-17.9</b>
+ Restructuring costs	-	+80	
- respective tax impact	-	-21	
<b>Adjusted Net Income (excl. restructuring costs)</b>	<b>693</b>	<b>628</b>	<b>-9.4</b>
<b>Average outstanding shares</b>	<b>167,587</b>	<b>168,530</b>	
<b>EPS</b>	<b>3.29</b>	<b>2.47</b>	<b>-24.9</b>
<b>Adjusted EPS</b>	<b>4.14</b>	<b>3.38</b>	<b>-18.4</b>
<b>Adjusted EPS excl. restructuring costs</b>	<b>4.14</b>	<b>3.73</b>	<b>-9.9</b>

# Gases Division, 9M sales bridge

Sales -6.4% on comparable basis

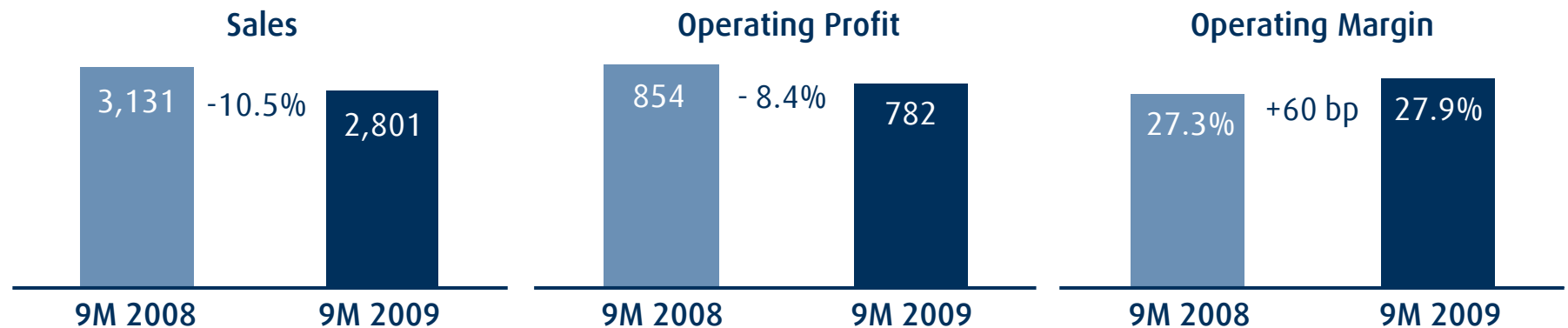
in € million



# Gases Division, operating segments

## Western Europe

in € million, as reported



### 9M highlights

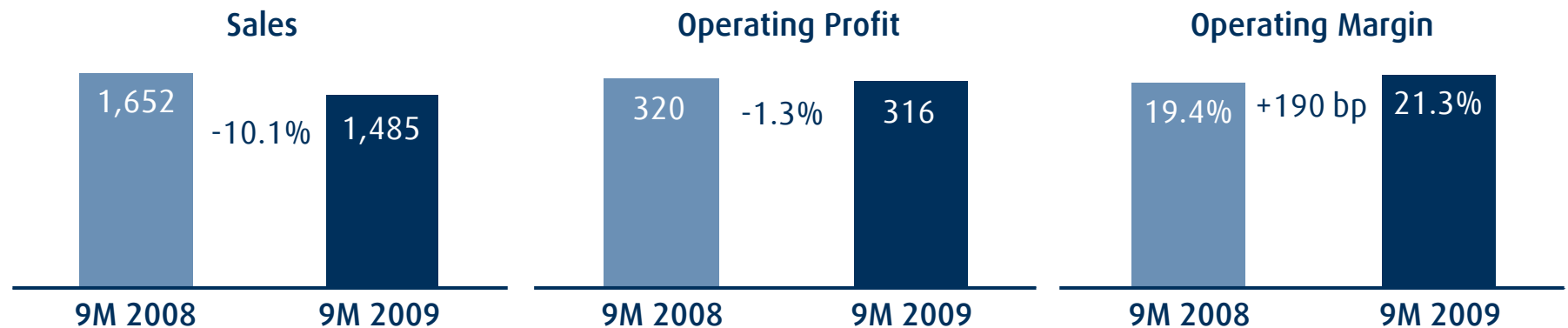
- Comparable sales development of -5.4%, continued currency effect from GBP weakness
- Further stabilisation of demand, but no broad-based recovery yet
- Ongoing sales growth in our healthcare business
- Margin stays strong in spite of lower volumes, driven by our HPO measures and pricing



# Gases Division, operating segments

## Americas

in € million, as reported



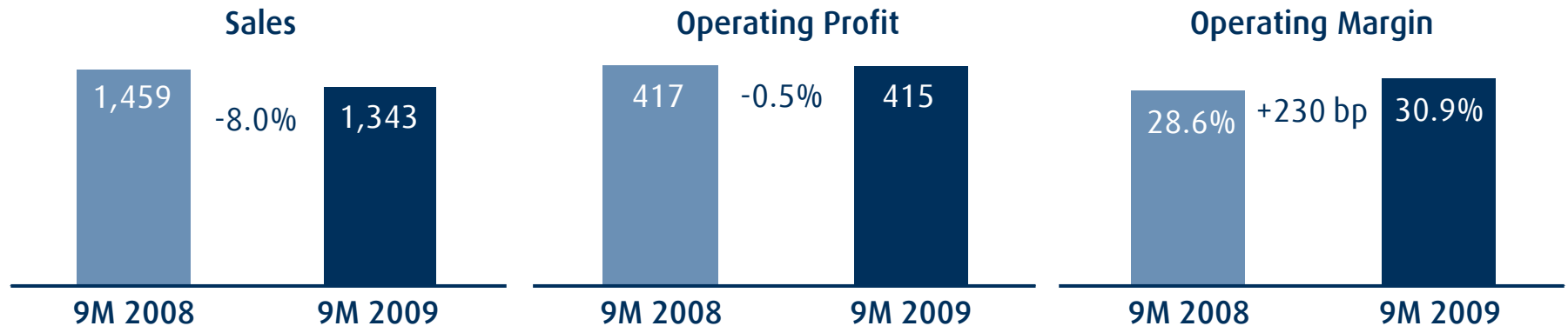
### 9M highlights

- Comparable sales development of -8.3%
- Further stabilisation, with initial signals of a potential recovery in some end markets
- North America: sequential improvements (esp. in tonnage), but volumes still below 2008
- South America: fared quite well through the crisis, underlying growth in healthcare and cylinder
- Substantial margin improvement supported by an early implementation of HPO and pricing

# Gases Division, operating segments

## Asia & Eastern Europe

in € million, as reported



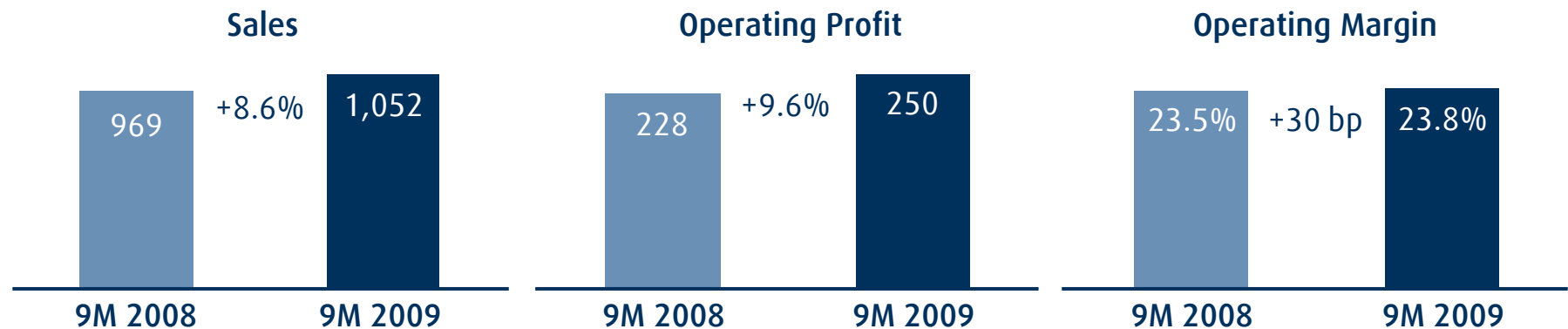
### 9M highlights

- Comparable sales development of -6.4%
- First indications of a slight recovery in sales run rates from the end of H1 were confirmed
- Trends in tonnage keep improving, in particular China back to high capacity usage levels
- Eastern Europe stabilised, but lagging recovery momentum versus other emerging markets
- Margin improved again, reflecting our HPO initiatives and JV contributions

# Gases Division, operating segments

## South Pacific & Africa

in € million, as reported



### 9M highlights

- Comparable sales development of -6.1%
- Elgas consolidation more than offsets translation effect from Australian Dollar weakness
- Very robust business performance in South Pacific throughout the crisis
- First slight signs of a market recovery visible in Africa
- Margin development reflects positive pricing and our cost initiatives

# Gases Division, Joint Ventures

Consolidation effect, but strong operational performance



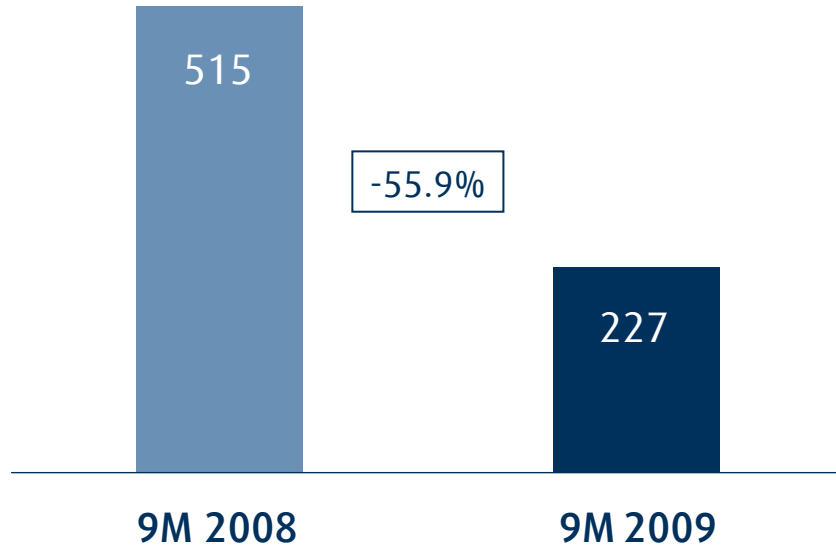
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in € million

## Proportionate Sales

(not incl. in the Group top-line)

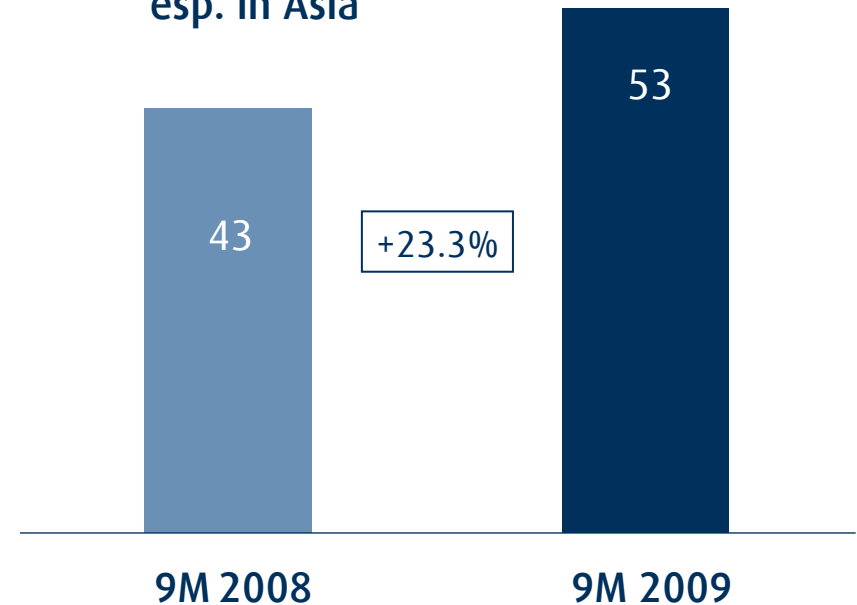
Reduction due to full consolidation of former JV Elgas as of Oct 2, 2008



## Share of Net Income

(contribution to operating profit)

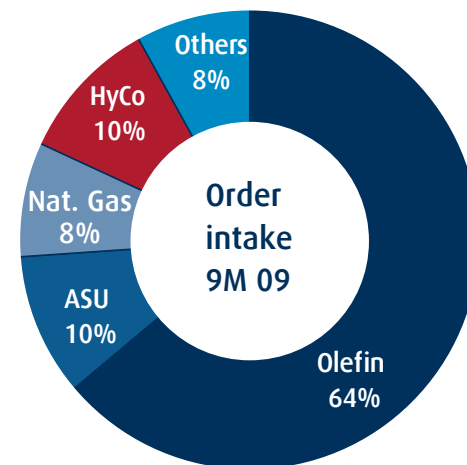
Driven by new plant start-ups, esp. in Asia



# Engineering Division

## Order backlog of € 3.9 billion

- Order backlog of € 3.911 bn (year-end 2008: € 4.436 bn)
- Margin of 8.6% above target level of 8%
- Increased activity level of project development especially in Emerging Markets



in € million	9M 08	9M 09	Δ yoy
Order intake	2,295	1,514	-34.0%
Sales	2,063	1,677	-18.7%
Operating profit*	183	145	-20.8%
Margin	8.9%	8.6%	-30 bp

\*EBITDA before special items and incl. share of net income from associates and joint ventures

# Group, FY 2008

## Key P&L items

in € million	2007	2008	Δ in %
Sales	12,306	12,663	+2.9
Operating profit	2,424	2,555	+5.4
Margin	19.7%	20.2%	+50bp
EBIT before special items and PPA depreciation	1,591	1,703	+7.0
Special items	607	59	-
PPA depreciation	-446	-371	-
EBIT	1,752	1,391	-
Financial Result	-377	-385	-
Taxes	-379	-230	-
Net income – Part of shareholders Linde AG	952	717	-
Net income adjusted	814	917	+12.7
EPS in €	5.87	4.27	-
EPS in € adjusted	5.02	5.46	+8.8

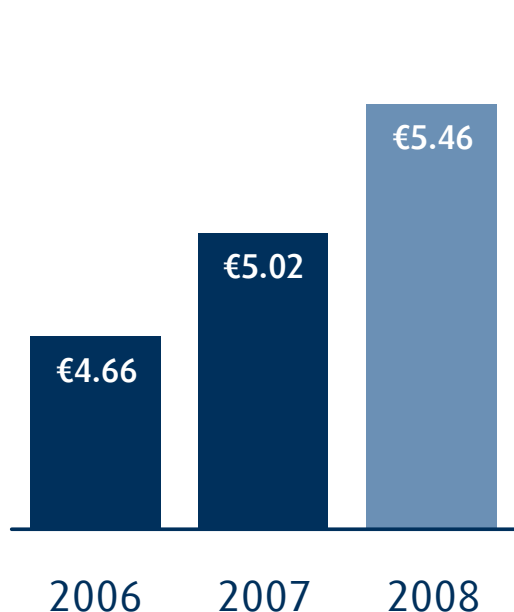
### Further improvement in all our three key financial indicators

Profitable growth for our shareholders: adjusted EPS increase of 8.8%

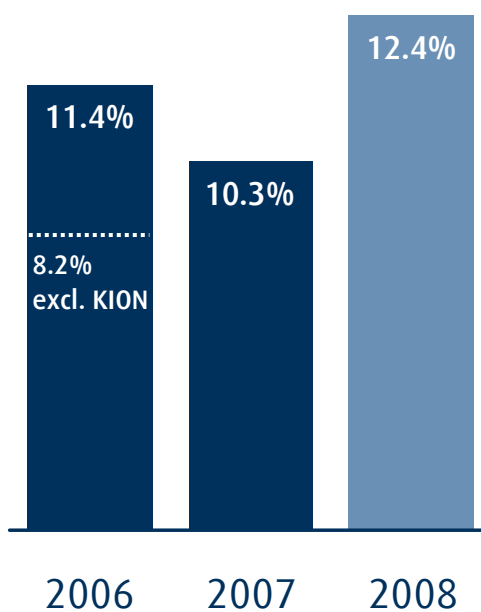
Further improvement in capital returns: ROCE improvement of 210 bp

Strong cash flow generation maintained in weakening environment: OCF up by 7.7%

#### Adjusted EPS

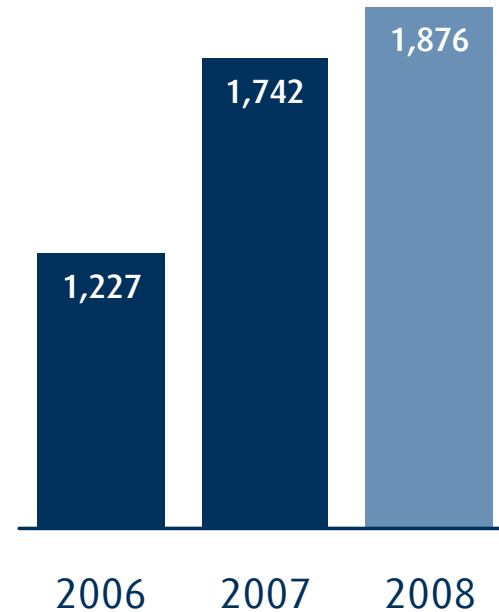


#### Adjusted ROCE



#### Operating Cash Flow

in € m, as reported



# Group, FY 2008

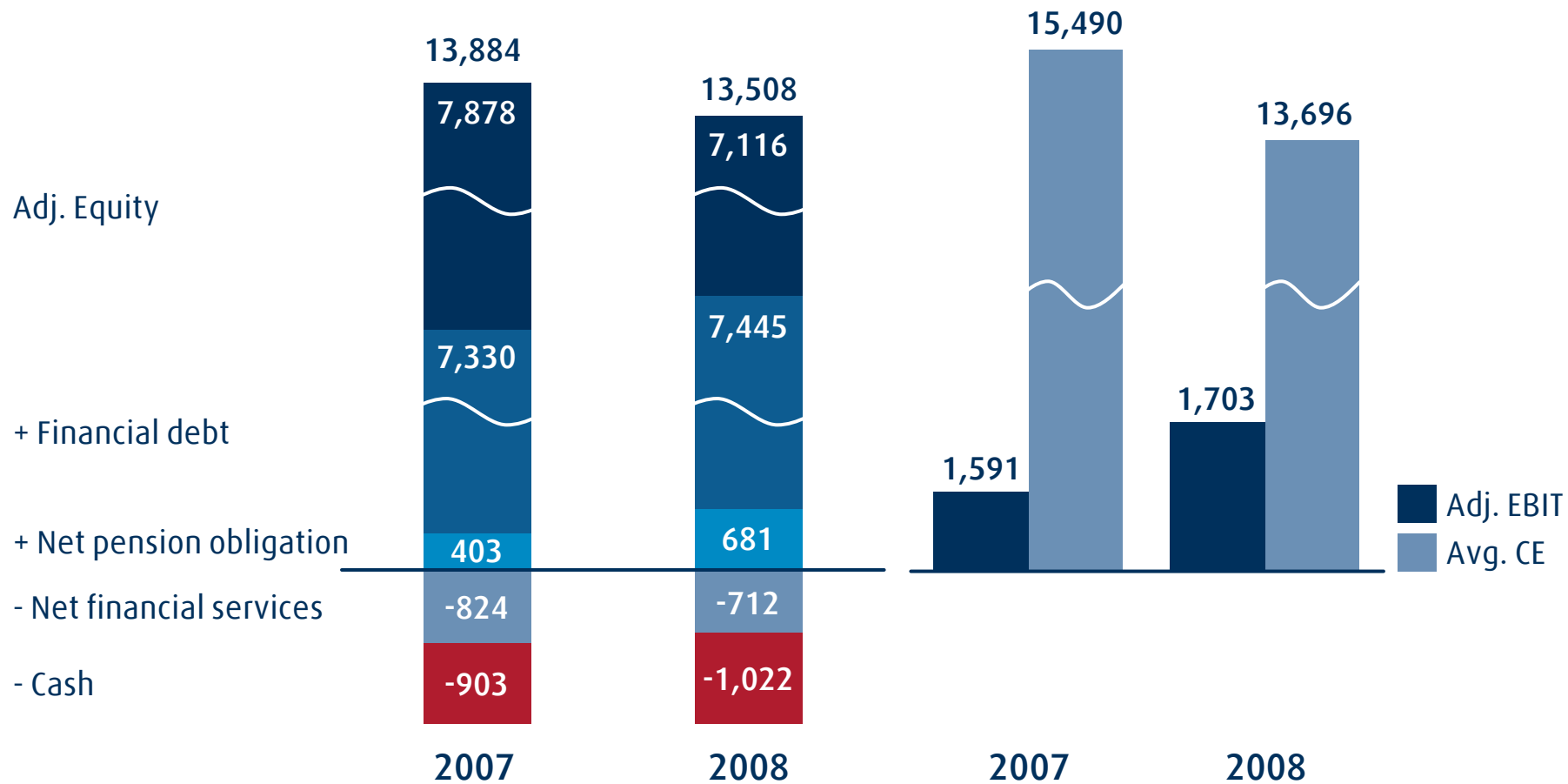
## Adjusted ROCE

in € million

### Capital Employed (B/S date)

Adj. ROCE  
10.3%

Adj. ROCE  
12.4%





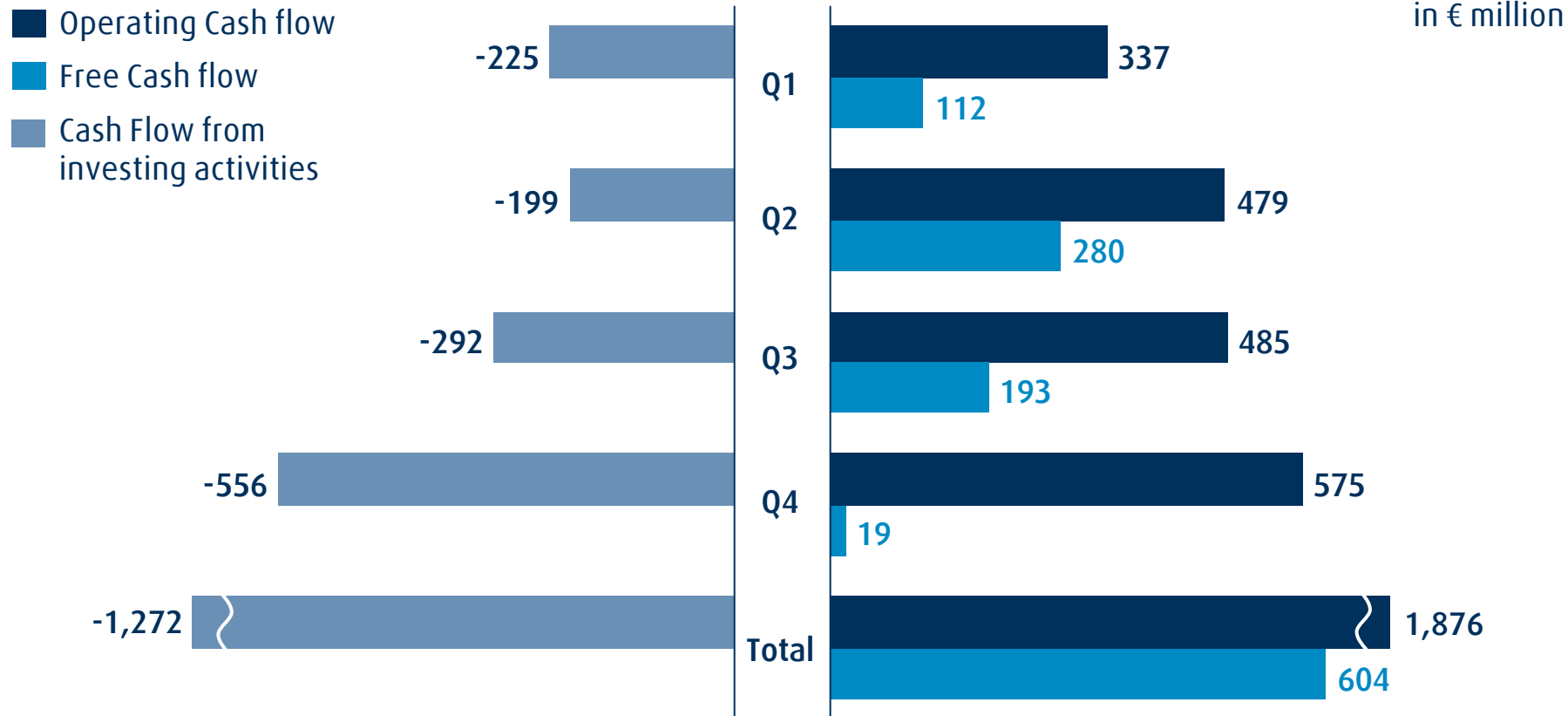
# Group, FY 2008

## Cash flow statement

in € million	Q1/08	Q2/08	Q3/08	Q4/08	2008	2007
Operating Profit	602	656	652	645	2,555	2,424
Change in Working Capital	-199	17	-59	44	-197	-114
<b>Funds from operations</b>	<b>403</b>	<b>673</b>	<b>593</b>	<b>689</b>	<b>2,358</b>	<b>2,310</b>
Paid taxes	-38	-77	-86	-28	-229	-336
Other changes	-28	-117	-22	-86	-253	-232
<b>Operating Cash flow</b>	<b>337</b>	<b>479</b>	<b>485</b>	<b>575</b>	<b>1,876</b>	<b>1,742</b>
Disposals	38	93	0	22	153	3,533
Acquisitions	0	-54	-20	-139	-213	-576
Net investments	-261	-240	-272	-439	-1,212	-871
<b>Investment Cash flow</b>	<b>-223</b>	<b>-201</b>	<b>-292</b>	<b>-556</b>	<b>-1,272</b>	<b>2,086</b>
<b>Free Cashflow before financing</b>	<b>114</b>	<b>278</b>	<b>193</b>	<b>19</b>	<b>604</b>	<b>3,828</b>

# Group, FY 2008

## Free cash flow after investments

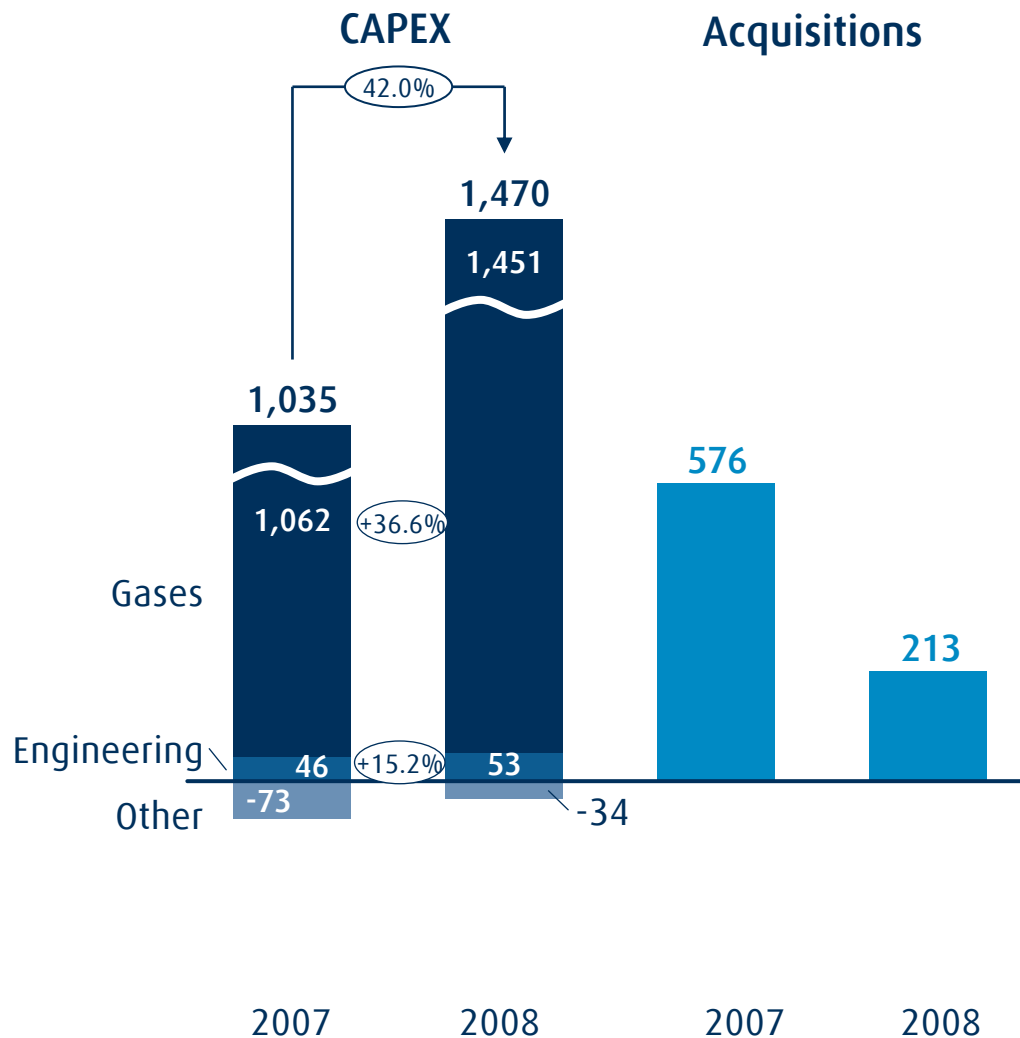
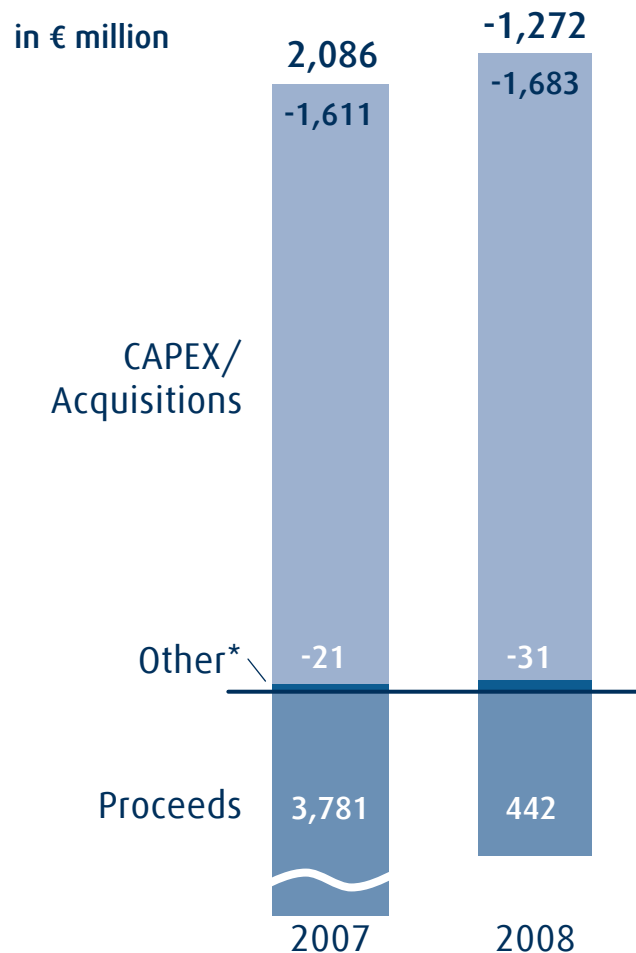


- Strong development of operating CF in Q4
- High investment activities in Q4 for bolt-on acquisition and on-site projects

# Group, FY 2008

## Capital expenditure and acquisitions

### Cash Flow from investing activities

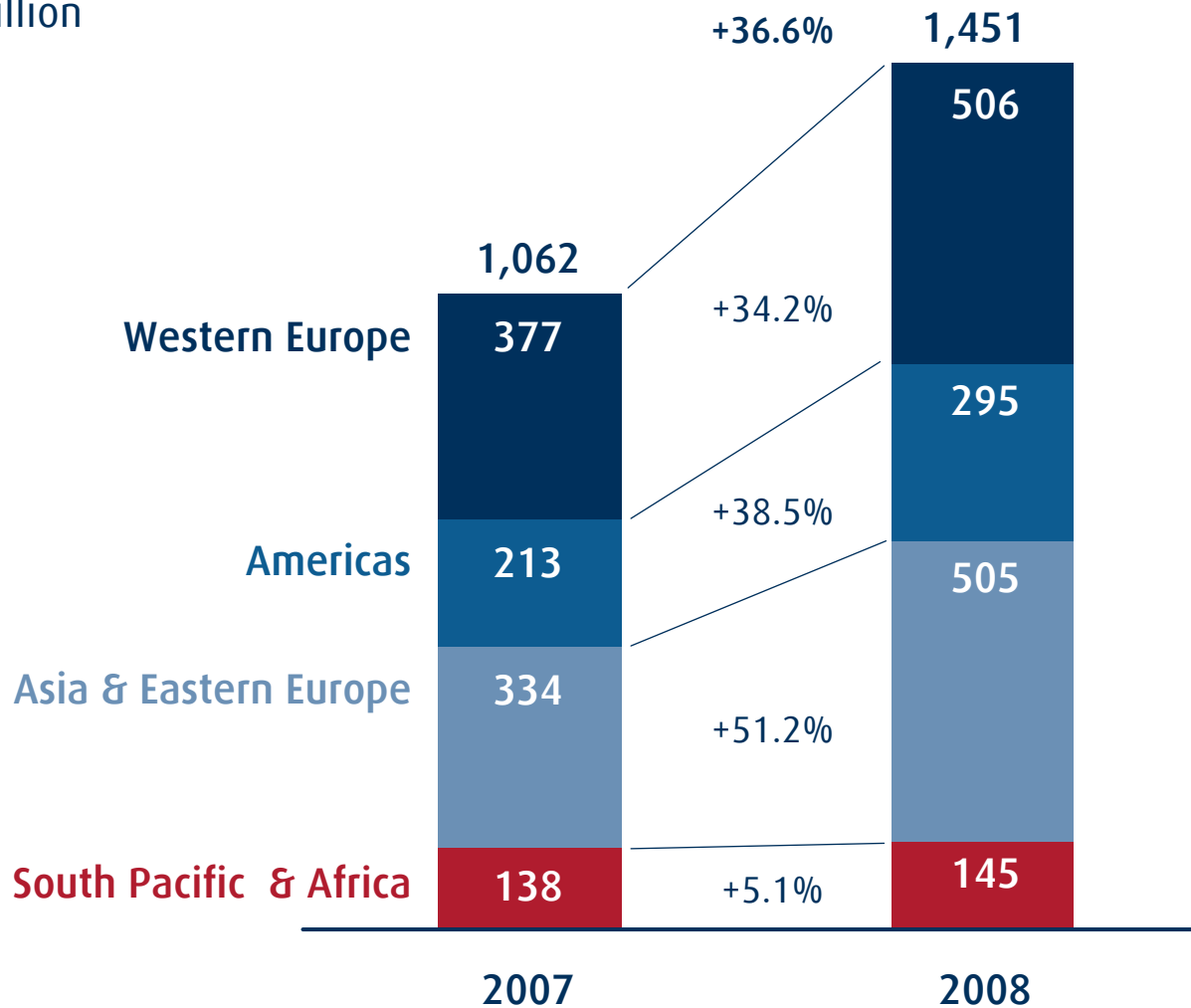


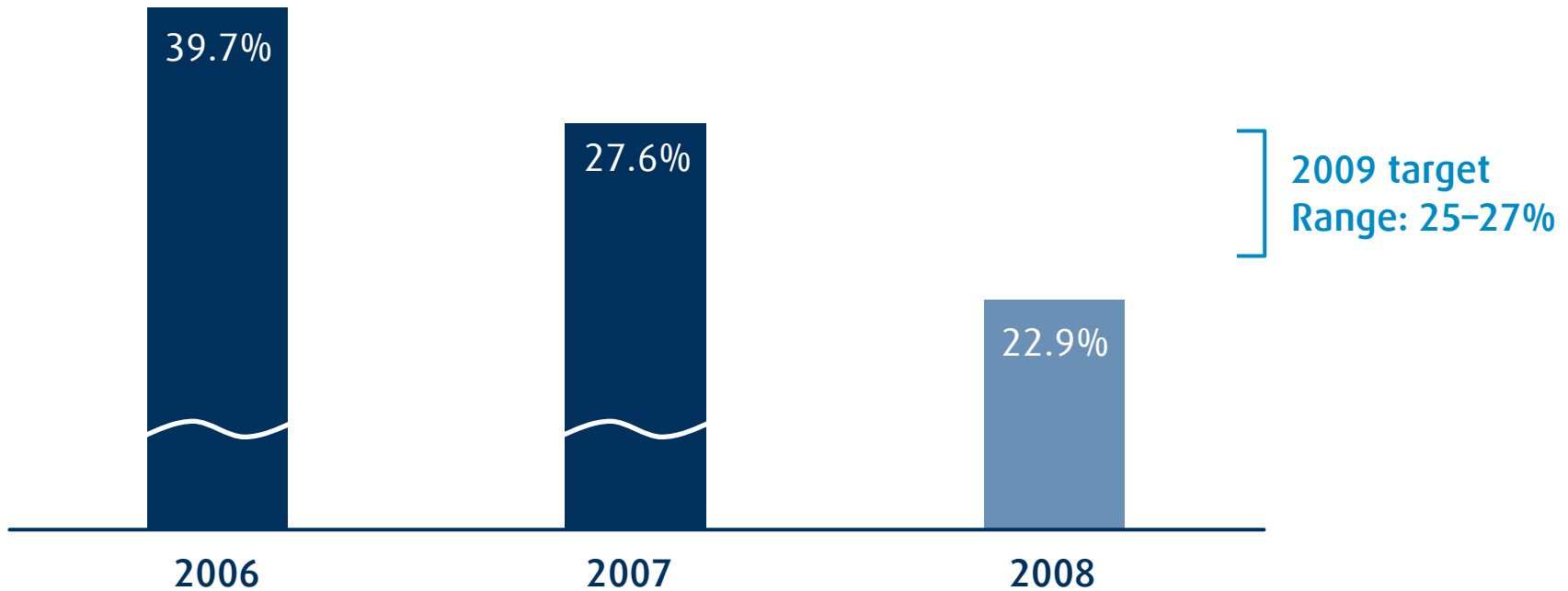
\* Includes payments for investments in current financial assets; and reconciliation of posted capex and the cash out for capex

# Gases Division, FY 2008

## Capital expenditure

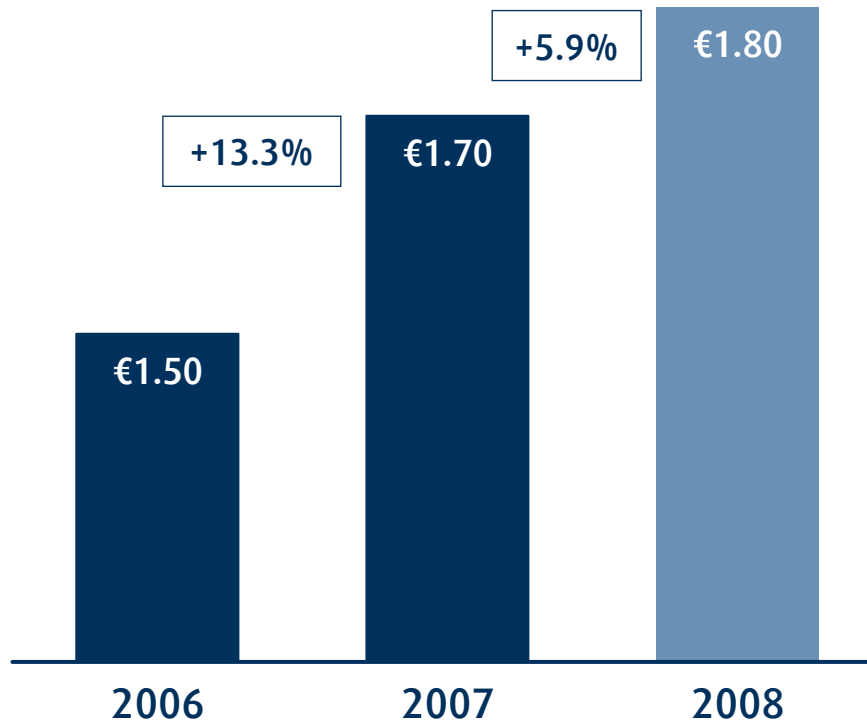
in € million





- Post-acquisition restructuring fully effective in 2008
- Positive impact of tax rate changes
- Strong performance of the Group in countries with lower tax rates

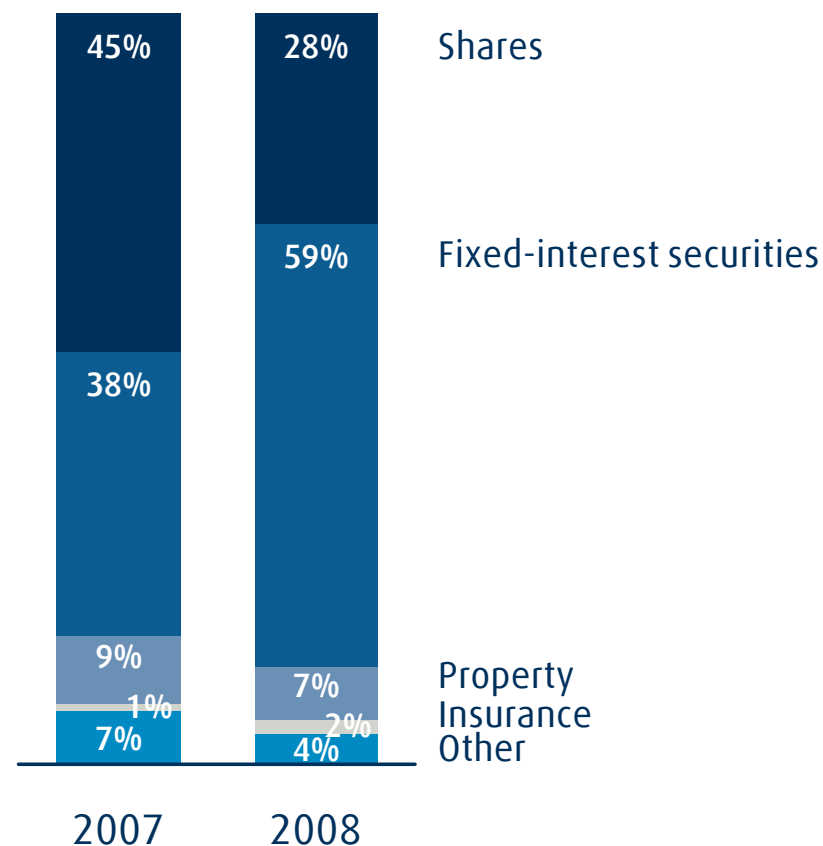
**Consistent dividend policy:** dividend development in line with growth of operating profit



### Net obligation increases due to actuarial gains/losses

in € million	DBO	Plan asset	Net obligation
01.01.2008	5,152	4,813	339
Service costs	106		106
Net financing	272	296	-24
Actuarial gains/losses	-500	-947	447
Contributions/payments	-242	-25	-217
FX	-714	-701	-13
Other	23	17	6
31.12.2008	4,097	3,453	644

### Further actuarial losses of approx. € 400 m avoided due to early optimization of the plan assets portfolio structure



# Group, Purchase Price Allocation

## Expected depreciation & amortisation

### Development of depreciation and amortisation (in € million)

Impact in 2008: € 371 million

#### Expected range

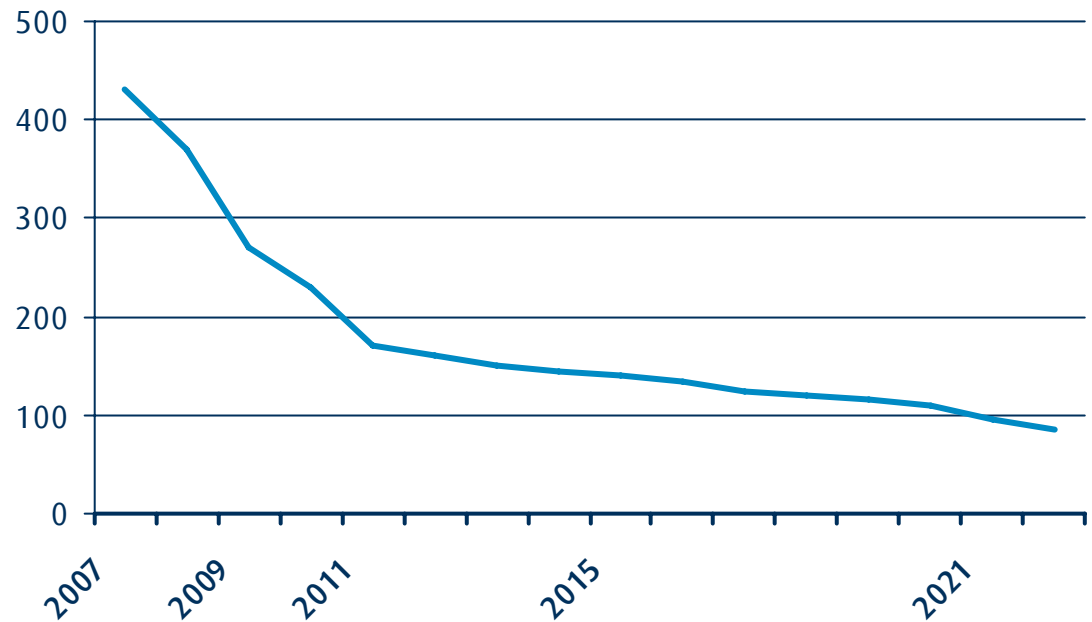
2009	> 275 – 325
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2010	> 200 – 250
------	-------------

2011	> 175 – 225
------	-------------

...

2022	< 100
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### Purchase Price Allocation (PPA)

Impact in 9M 2009: € 221 m (9M 08: € 277 m)

Expected impact FY 2009: €275-325 m

#### Background:

- The difference between the purchase cost of BOC and related acquisitions in Asia and their net asset value has been allocated to assets on the Linde balance sheet (for BOC, see Linde 2007 annual report, p. 99).
- The revaluation of these assets leads to additional depreciation and amortisation charges according to the useful life of the assets.
- Goodwill is not amortised but subject to a yearly impairment test.
- Depreciation & Amortisation from PPA is excluded from the calculation of Adjusted EPS.

### IFRIC 4: Embedded Finance Lease (EFL)

Impact\* in 9M 2009: € -94 m (9M 08: € -95 m)

Expected impact\* FY 2009: €-118 m \*(on Sales and EBITDA)

#### Background:

- Tonnage contracts dedicated to one single customer (> 95% of sales), who covers all major market risks, have to be treated under IFRS like an embedded finance lease.
- The related cash flow streams are therefore no more booked as sales and operating profit but recognised as amortisation of financial receivables in the balance sheet and financial income in the P&L.
- EBITDA multiple comparison with peers needs to be adjusted for IFRIC 4
- Very minor impact on EPS, no impact on Free Cash Flow

# Group

## Definition of financial key indicators



THE LINDE GROUP

<b>Operating Profit</b>	<b>Return</b>	EBITDA (incl. IFRIC 4 adjustment) excl. finance costs for pensions excl. special items incl. share of net income from associates and joint ventures
	<b>adjusted ROCE</b>	Operating profit - depreciation / amortisation excl. depreciation/amortization from purchase price allocation
	<b>Average Capital Employed</b>	equity (incl. minorities) + financial debt + liabilities from financial services + net pension obligations - cash and cash equivalents - receivables from financial services
<b>adjusted EPS</b>	<b>Return</b>	earnings after tax and minority interests + depreciation/amortization from purchase price allocation +/- special items
	<b>Shares</b>	average outstanding shares

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