

Press release

Linde launches wide-ranging efficiency programme/ 9-month figures in line with expectations

- Plan to achieve additional cost savings of around EUR 370 m per annum from 2019
- Group revenue of EUR 12.967 bn affected by exchange rate effects
- Group operating profit¹ of EUR 3.066 bn, slightly higher than in first nine months of 2015 after adjusting for exchange rate effects
- Operating margin continues to improve
- 4.7 percent increase in operating cash flow
- Group outlook for 2016 confirmed

Munich, 28 October 2016 – The Linde Group is launching “LIFT”, a Group-wide efficiency programme, to ensure that it can act more rapidly and more efficiently in the global competitive environment of industrial gases. From this three-year programme together with measures introduced from 2015 onwards, Linde wants to achieve cost savings of around EUR 550 m per annum from 2019. “LIFT” alone should generate cost savings of around EUR 370 m per annum. In 2016 and 2017, one-off restructuring costs relating to this programme totalling around EUR 400 m will be incurred.

Dr Wolfgang Büchele, Chief Executive Officer of Linde AG, said “We have conducted a review of the strategic focus and structures of the entire Group across all organisational units. Overall, the company is on the right track. By applying a variety of additional measures, the LIFT programme will enable us to deliver greater efficiency. Our clear vision for Linde is to ensure that we become one of the most profitable suppliers in the industrial gases and engineering business, a preferred partner for customers and that we sustain this over the long term. We will continue to pursue a growth trajectory.”

¹ EBIT (before non-recurring items) adjusted for the amortisation of intangible assets and the depreciation of tangible assets

By improving its internal processes and reducing complexity and hierarchies, Linde wants to increase significantly both the speed of its decision-making and its efficiency. Linde will remain committed to its very solid balance sheet structure and its attractive dividend policy. Therefore, as in the past, it intends to continue with its policy of increasing its dividend when compared with the prior year.

January to September 2016: Business performance in line with expectations

The technology company The Linde Group generated Group revenue in the first nine months of 2016 of EUR 12.967 bn, 4.3 percent below the revenue of the prior-year period of EUR 13.552 bn. Operating profit dropped by 2.3 percent to EUR 3.066 bn (2015: EUR 3.137 bn). Linde confirms the outlook for the whole year.

These decreases were due to the lower contribution made to revenue and earnings by the Engineering Division as well as to adverse exchange rate movements. After adjusting for exchange rate effects arising solely on translation, Group revenue was 1.1 percent below the figure for the prior-year period. Group operating profit rose by 0.8 percent after adjusting for exchange rate effects. At 23.6 percent, the Group operating margin was higher than the figure of 23.1 percent in the first nine months of 2015. Contributing to this improvement were the efficiency measures already introduced back in 2015. In the course of the nine months to 30 September 2016, costs relating to efficiency measures rose to a total of EUR 50 m and they have therefore been classified as a non-recurring item.

Once again during the reporting period there was a positive trend in cash flow from operating activities. In the first nine months of 2016, it increased by 4.7 percent to EUR 2.503 bn (2015: EUR 2.390 bn).

Gases Division: Slight increase in revenue on a comparable basis

Revenue in the Gases Division in the first nine months of 2016 was EUR 11.016 bn, which was 3.3 percent below the figure for the prior-year period of EUR 11.387 bn. After adjusting for exchange rate effects, revenue increased by 0.2 percent. On a comparable basis (after also adjusting for changes in the price of natural gas), the growth in revenue was 0.8 percent. Operating profit was EUR 3.098 bn, which was below the figure for the first nine months of 2015

of EUR 3.131 bn. After adjusting for exchange rate effects, operating profit increased by 1.9 percent. The operating margin rose to 28.1 percent (2015: 27.5 percent), due in part to lower prices for natural gas.

In the **EMEA segment** (Europe, Middle East, Africa), the Group generated revenue of EUR 4.272 bn in the first nine months of 2016, which was 5.4 percent below the figure for the first nine months of 2015 of EUR 4.515 bn. On a comparable basis, revenue was slightly below the figure for the prior-year period. Operating profit was EUR 1.358 bn (2015: EUR 1.350 bn). Operating profit includes income from changes to pension plans and profits on the disposal of non-current assets. The operating margin rose to 31.8 percent (2015: 29.9 percent).

In the **Asia/Pacific segment**, Linde generated revenue in the nine months to 30 September 2016 of EUR 3.027 bn, which was 3.4 percent below the figure for the first nine months of 2015 of EUR 3.133 bn. On a comparable basis, revenue increased by 1.1 percent. Operating profit fell by 1.4 percent to EUR 793 m (2015: EUR 804 m), while the operating margin rose to 26.2 percent (2015: 25.7 percent). In this segment, positive trends for all product areas were to be seen in particular in South & East Asia and in China. In the South Pacific, the prevailing weak economic environment in manufacturing and declining investment in the mining industry had an adverse impact on growth. Appropriate structural and organisational countermeasures were implemented as part of the Customer Focus Initiative. These should lead to cost savings and a higher rate of profitability in the region. Further cost reduction measures have already been identified as part of the newly-launched efficiency programme and will be implemented in the coming months.

In the **Americas segment**, revenue fell in the first nine months of 2016 by 0.8 percent to EUR 3.847 bn (2015: EUR 3.878 bn). On a comparable basis, revenue rose by 2.2 percent. Operating profit fell by 3.1 percent to EUR 947 m (2015: EUR 977 m). The operating margin dropped to 24.6 percent (2015: 25.2 percent). In the Healthcare business in North America, price reductions as a result of government tenders came into force at the beginning of 2016, an effect which intensified as expected after 1 July. It is expected that the adverse impact of these price reductions will be countered by the acquisition of the company American HomePatient, Inc.,

which specialises in respiratory therapies and by the increase in the number of patients cared for by Linde.

Engineering Division: Increase in order intake

Order intake in the Engineering Division for the first nine months of 2016 was EUR 1.587 bn, which was higher than the figure for the first nine months of 2015 of EUR 1.128 bn. The order backlog at 30 September 2016 remained solid at EUR 4.269 bn (31 December 2015: EUR 4.541 bn). Slack demand continues to be seen in the plant construction sector as a result of the prevailing low price of oil.

Revenue in the Engineering Division fell by 13.1 percent to EUR 1.739 bn (2015: EUR 2.002 bn). Operating profit here also dropped to EUR 146 m (2015: EUR 169 m). The operating margin remained the same at 8.4 percent, which continues to be above the industry average.

To coincide with the publication of the interim report, a webcast for analysts will take place today at 2pm German time in English with Dr Wolfgang Büchele, CEO of Linde AG, and Dr Sven Schneider, interim CFO of Linde AG. Journalists will have the opportunity to watch the webcast by following this link: <https://event.mescdn.com/linde/results-conference-call-9m-2016>

In the 2015 financial year, The Linde Group generated revenue of EUR 17.944 bn, making it one of the leading gases and engineering companies in the world, with approximately 65,000 employees working in more than 100 countries worldwide. The strategy of The Linde Group is geared towards long-term profitable growth and focuses on the expansion of its international business, with forward-looking products and services. Linde acts responsibly towards its shareholders, business partners, employees, society and the environment in every one of its business areas, regions and locations across the globe. The company is committed to technologies and products that unite the goals of customer value and sustainable development.

For more information, see The Linde Group online at www.linde.com

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