

# Conference Call H1 2018 Results

LeadIng.



THE LINDE GROUP

25 July 2018

## Forward-looking Statements

This discussion may contain forward-looking statements about Linde and its businesses, including statements concerning its strategies, future growth potential of markets and products, profitability in specific areas, future product portfolio, and development of and competition in economics and markets, as well as statements concerning the proposed business combination between Linde and Praxair.

Any such forward-looking statements involve known and unknown risks which may cause actual results to differ significantly from any future results expressed or implied. While we believe that the assumptions made and the expectations reflected in today's discussion are reasonable, no assurance can be given that such assumptions or expectations will prove to have been correct. We undertake no obligation to update or revise the forward-looking statements in today's discussion.

# Agenda



H1 2018 Results & Outlook 2018

Sven Schneider

Appendix

# Performance H1 2018

## Highlights

[EUR]		H1 2017	H1 2018	yoy [%]	yoy [%] adj. for FX and IFRS 15
Revenue	[m]	8,935	8,640	-3.3	+4.7
Operating profit	[m]	2,136	2,210	+3.5	+10.1
Operating margin	[%]	23.9	25.6	+170bp	
Operating cash flow	[m]	1,324	1,275	-3.7	
EPS before special items (undiluted)		3.83	4.66	+20.6	

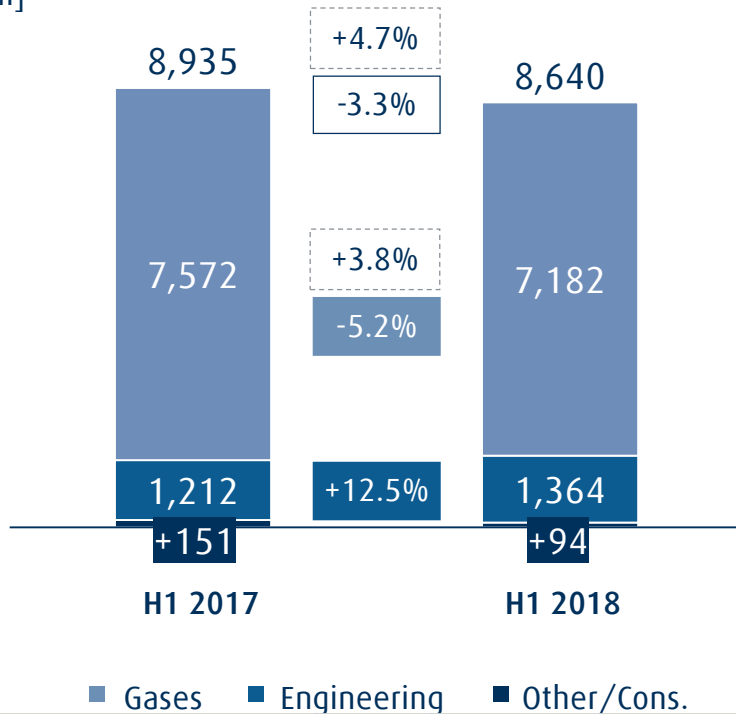
- Underlying revenue improvement driven by both Gases and Engineering
- Significant improvement of operating margin in Gases (+180bp) and Engineering (+200bp) supported by cost savings, growth and portfolio optimisation
- Stable operating cash flow despite higher cash outflow for LIFT restructuring as well as planned merger
- Strong increase in EPS before special items (undiluted) driven by higher operating profit

# Group | Revenue and operating profit by division

## Margin expansion in both Gases and Engineering

### Revenue

[EUR m]



### Gases

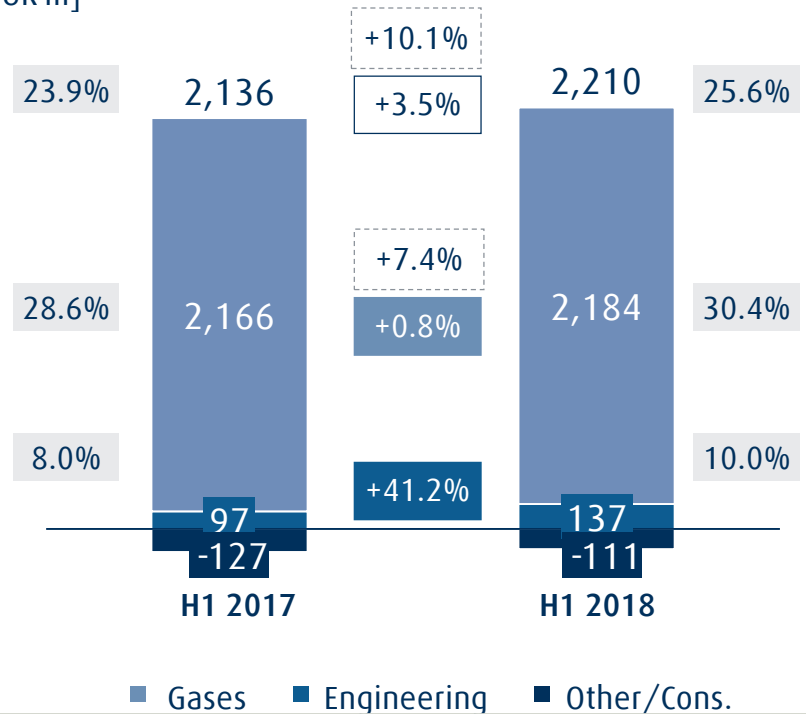
Revenue driven by organic growth but restrained by currency and IFRS 15

### Engineering

Revenue development in line with expected project progress

### Operating profit

[EUR m]



### Gases

110bps margin improvement adjusted for IFRS 15 aided by cost reduction, growth and portfolio optimisation

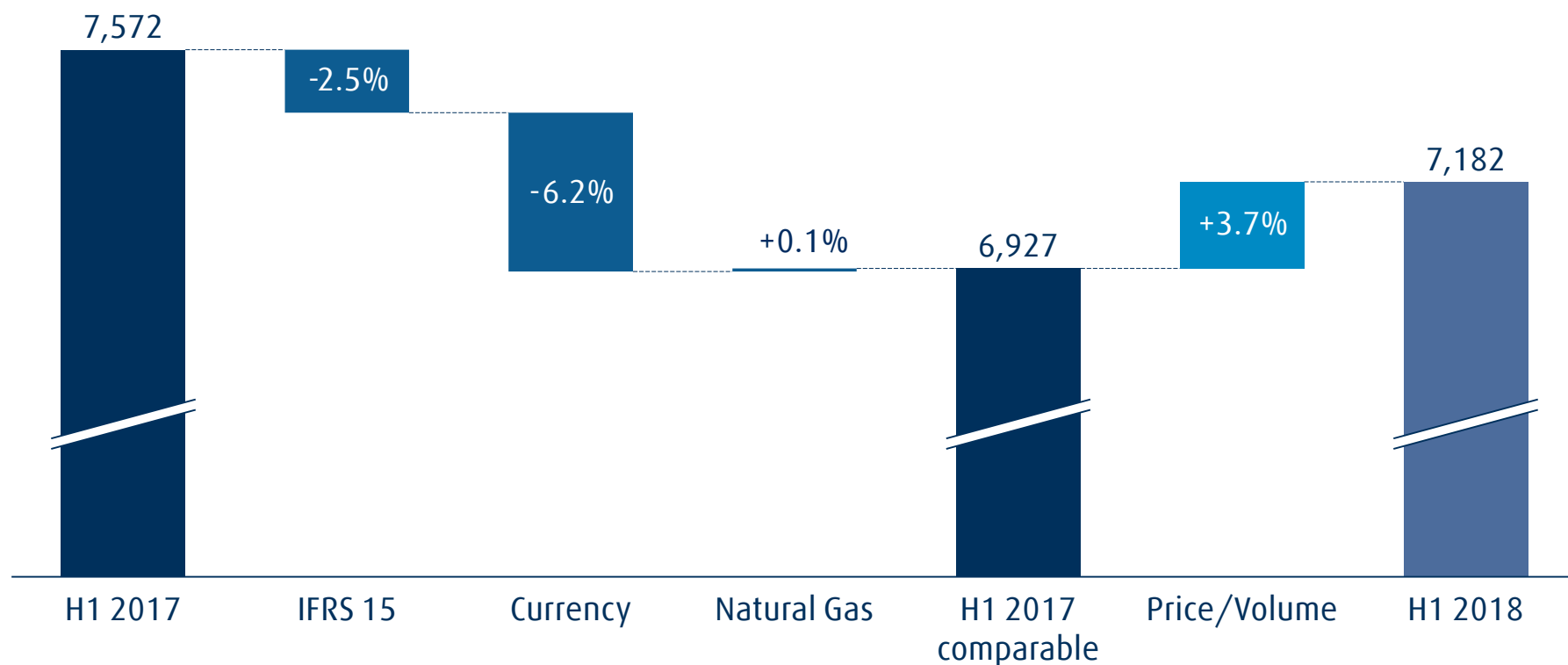
### Engineering

200bps margin improvement due to successful project execution and improved capacity utilisation

# Gases Division | Revenue bridge

Comparable growth in Q2 of +4.7%

[EUR m]

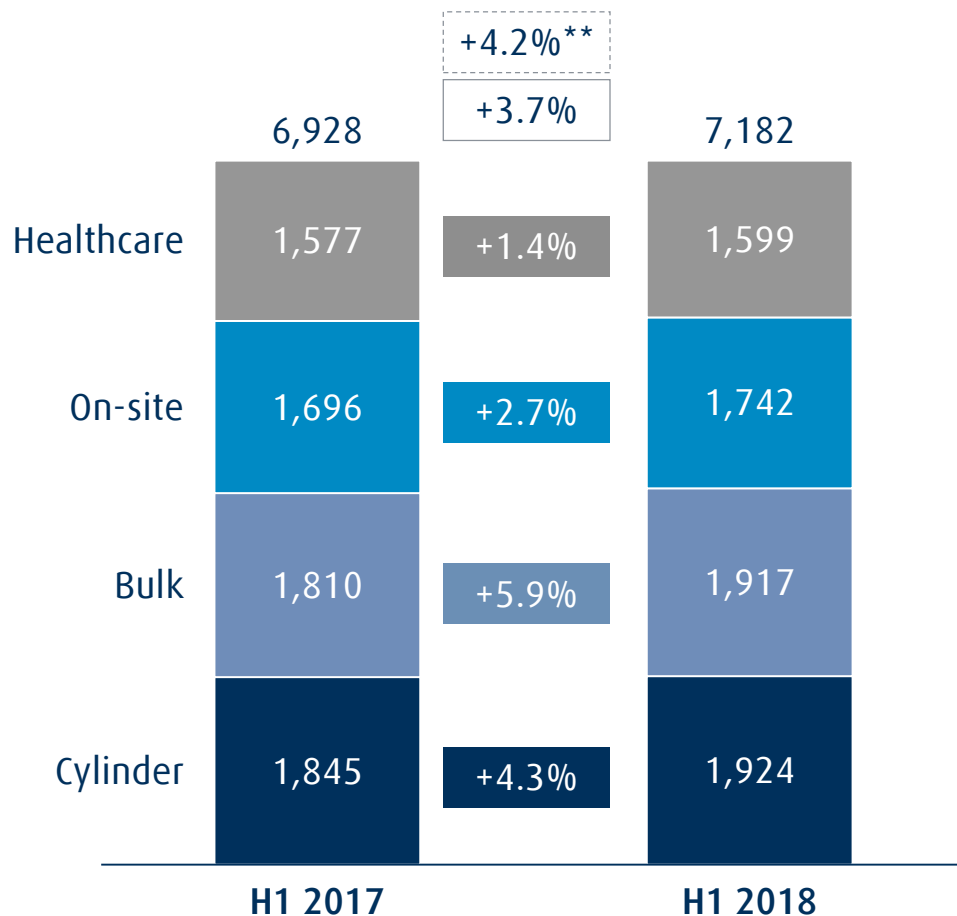


# Gases Division | Revenue by product area

## Solid comparable growth in all product areas

### Comparable growth\*

[EUR m]



\*Excluding currency, natural gas price effects and the first-time application effect of IFRS 15.

\*\*Comparable growth adjusted for portfolio optimisation.

### Comments / Additional effects



#### Healthcare

Continued improvement of Lincare business; growth in all geographies



#### On-site

Growth driven by start-ups and decaptivations but restrained by planned turnarounds and unplanned outage in the Americas



#### Bulk

Strong growth development in all geographies supported by increased pricing activities



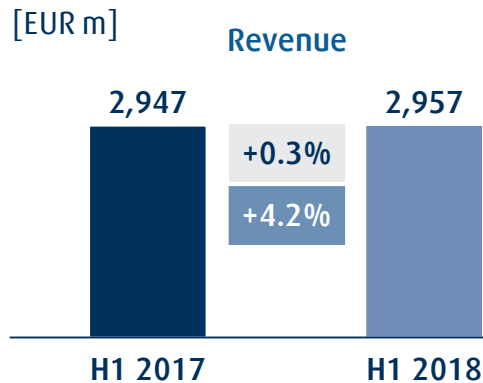
#### Cylinder

Positive growth momentum in EMEA and the Americas from macro-economic environment

# Gases Division | Revenue by operating segment

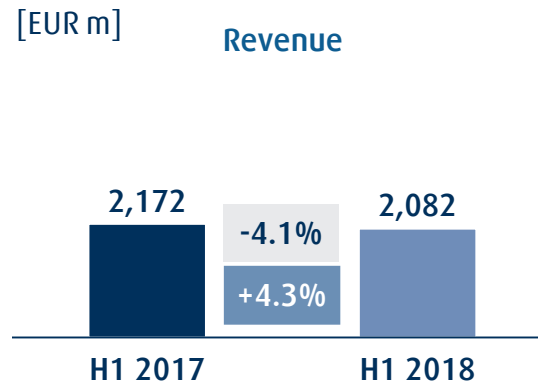
## Comparable growth in all geographies

### EMEA



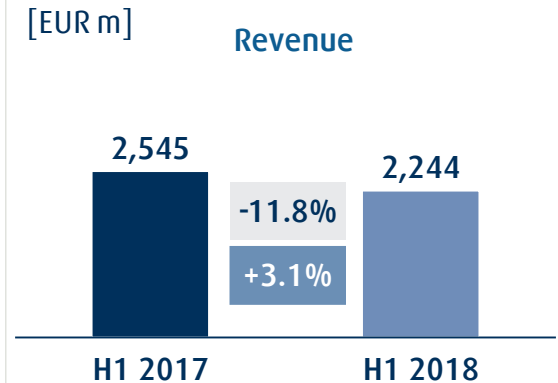
- Solid growth in all geographies
- Bulk and Cylinder development supported by pricing attainment

### ASIA/PACIFIC



- 8.1% comparable growth in Asia
- Strong improvements in pricing in Bulk and volumes in On-site
- Macro-economic situation in South Pacific remains challenging

### AMERICAS



- Comparable growth driven by Bulk and Cylinder but restrained by planned turnarounds and unplanned outage in On-site
- Trend in South America positive but from a low level

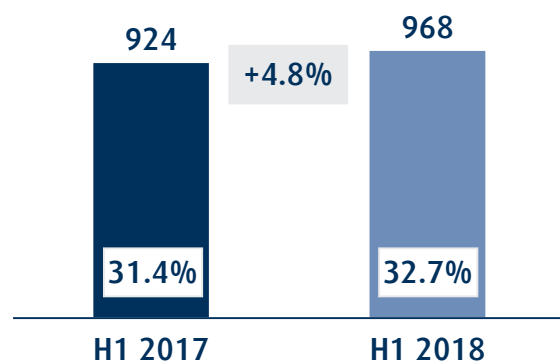


# Gases Division | Operating profit by operating segment

## Margin expansion in all geographies

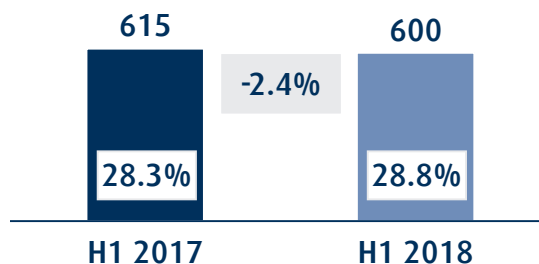
### EMEA

[EUR m] Operating Profit



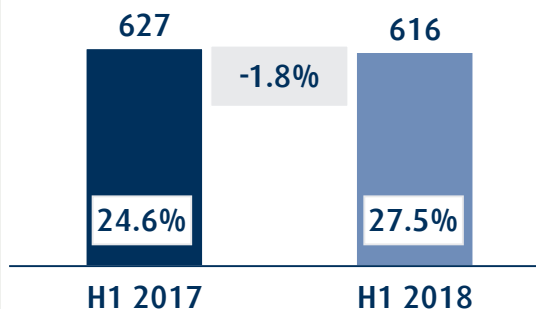
### ASIA/PACIFIC

[EUR m] Operating Profit



### AMERICAS

[EUR m] Operating Profit

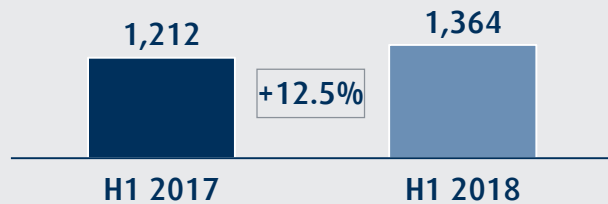


- EMEA margin aided by LIFT savings, growth as well as pricing and portfolio optimisation
- Higher margin in Asia/Pacific supported by pricing, volume growth and restructuring
- Margin in Americas supported by positive Merchant business development and improvement at Lincare

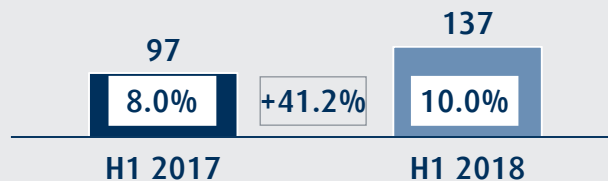
# Engineering Division | Key figures

## Strong margin improvement by 200bp

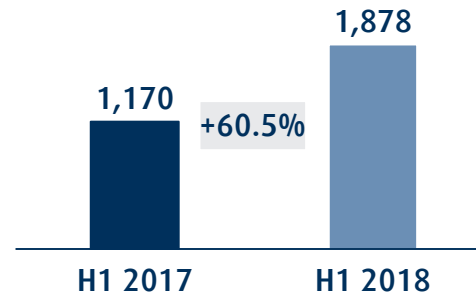
### Revenue [EUR m]



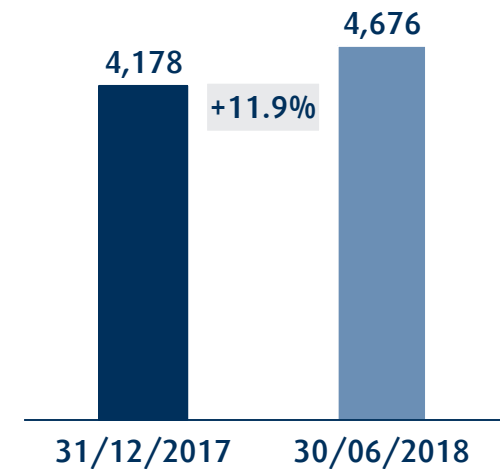
### Operating profit [EUR m]



### Order intake [EUR m]



### Order backlog [EUR m]



- Revenue development in line with expected project progress
- Margin improvement due to successful project execution and improved capacity utilisation
- Further order intake received from PJSC Nischnekamskneftekhim (NKNK) for olefin plant in Nischnekamsk, Republic of Tatarstan, Russian Federation

# Financial performance | Key figures

## Stable operating cash flow & low financial leverage ratio

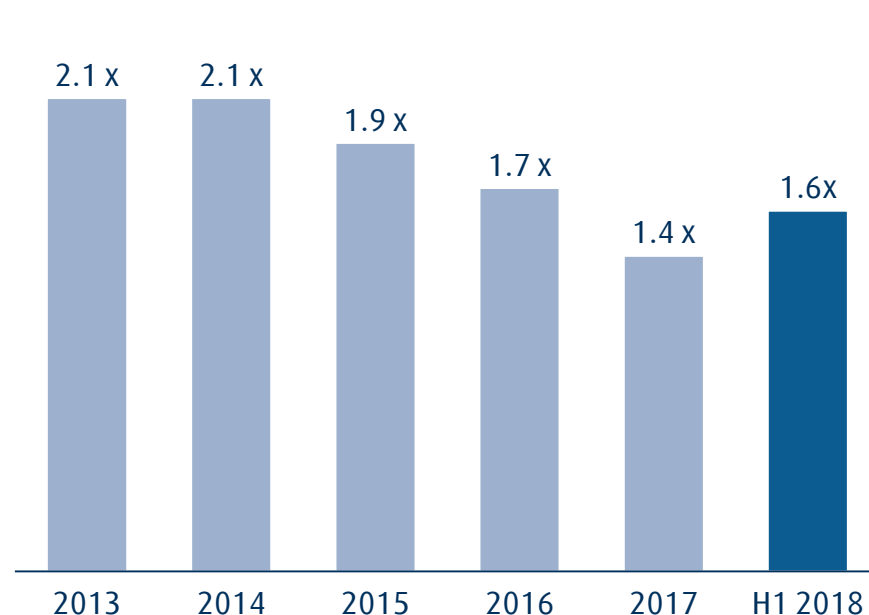


THE LINDE GROUP

### Operating cash flow

[EUR m]	H1 2017	H1 2018
Operating profit	2,136	2,210
Change in working capital	-134	-203
Income taxes paid	-268	-285
Other changes	-410	-447
Operating cash flow	1,324	1,275

### Net debt / operating profit



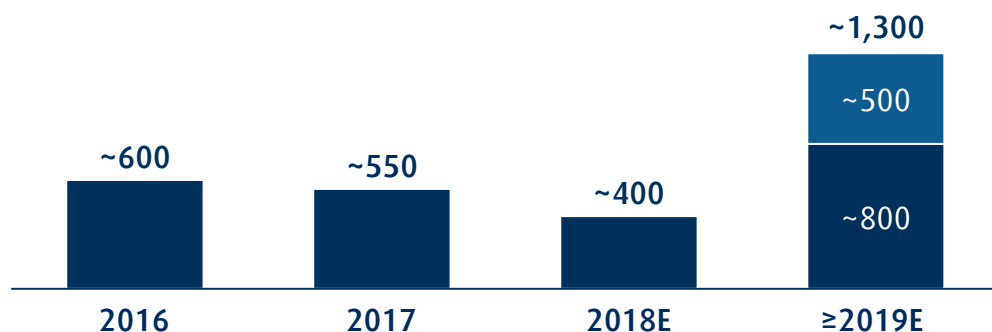
- Stable operating cash flow despite higher other changes (LIFT restructuring, planned merger) and higher cash taxes paid
- Net financial debt of EUR 6.8bn as of 30<sup>th</sup> of June 2018
- Net debt / operating profit still on a low level despite higher dividend payment (EUR 1.4bn)

All figures including Gist.

# Strategic plan | Quality growth

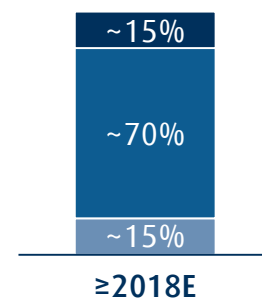
## Increased backlog from new project wins by EUR ~500m

### Total investments for committed projects by on-stream date [EUR m]



Projects > 10m Euros ■ New project wins in H1 2018

### Committed projects by region



■ EMEA ■ APAC ■ Americas

### Major on-streams in H1 2018

- 6<sup>th</sup> JV with Sinopec to supply customer ZRCC and pipeline network in Ningbo cluster, China
- Spectra-N™ on-site nitrogen generators to supply display fabs in Chengdu and Xianyang administered by the China Electronics Corporation
- Decaptivation of hydrogen plant from Pemex refinery in Madero, Mexico

### Major wins in H1 2018

- Spectra-N™ on-site nitrogen generators to support Samsung's continuing expansion in Korea
- Long-term agreement with customer TSMC to supply air gases and hydrogen via new plants and pipeline in Taiwan
- New ASU for Sinochem in Quanzhou, China

◆ 2018

Group

Revenue

±0 to +4% versus 2017 adjusted for FX and IFRS 15

Operating profit

±0 to +5% versus 2017 adjusted for FX

ROCE

Around 10 percent

Gases Division

Revenue

±0 to +4% versus 2017 adjusted for FX and IFRS 15

Operating profit

±0 to +5% versus 2017 adjusted for FX

Engineering Division

Revenue

EUR 2.2 to 2.6 billion

Operating margin

Around 9 percent

The outlook describes the expected performance of The Linde Group on a stand-alone basis. As soon as the proposed merger with Praxair Inc. has been completed and the divestments take effect, the outlook will be adjusted accordingly.  
Please see definitions of key financial figures in the appendix.

# Agenda



H1 2018 Results & Outlook 2018

Sven Schneider

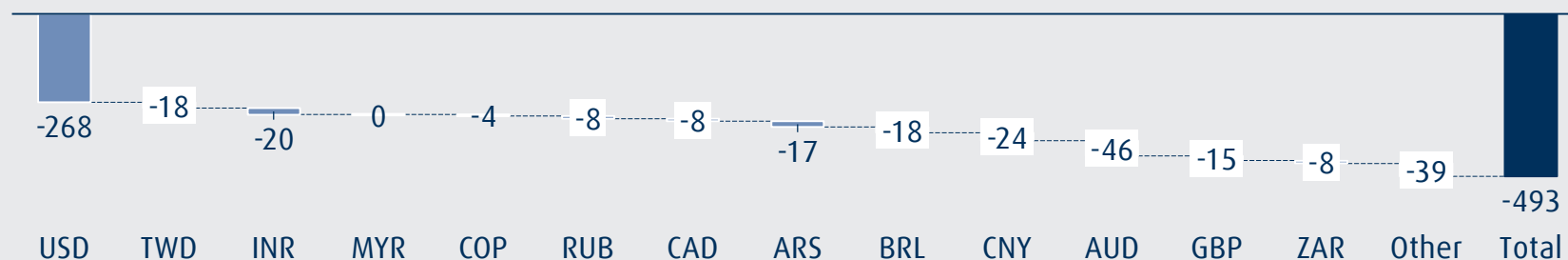
Appendix

# Group | Currency impact

## Impact on revenue and operating profit in H1 2018

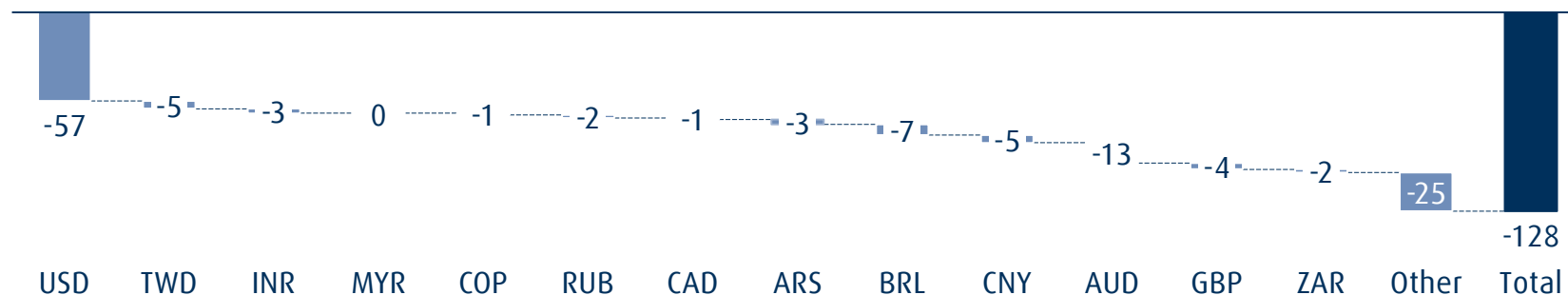
### FX impact on Group revenue in H1 2018

[EUR m]



### FX impact on Group operating profit in H1 2018

[EUR m]

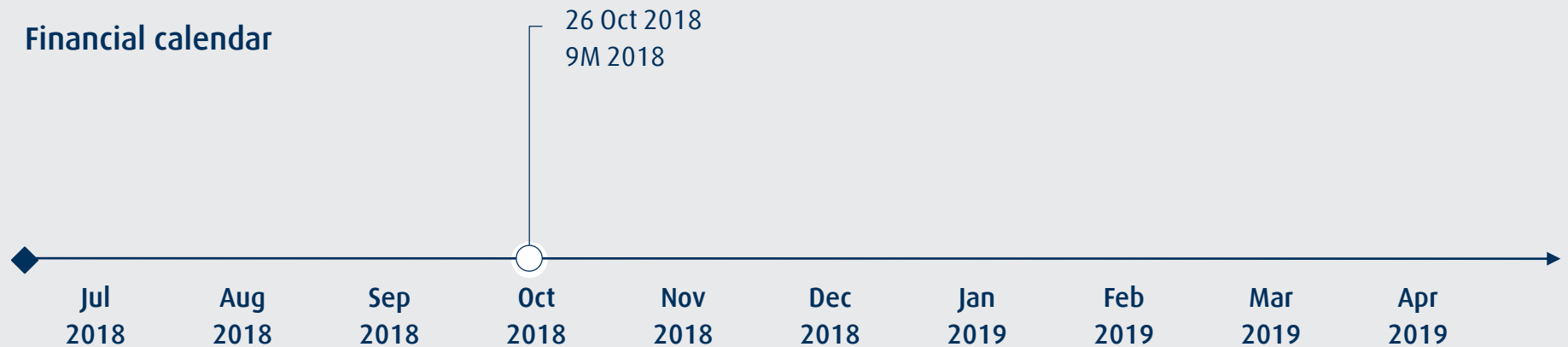


# Group | Definition of key financial figures

Operating Profit	Earnings per Share (EPS) before special items	Earnings per Share (EPS) reported	Return on Capital Employed (ROCE)
Return	Return	Return	Return
EBIT before special items adjusted for amortisation of intangible assets and depreciation of tangible assets	Profit for the period before special items attributable to Linde AG shareholders	Profit for the period attributable to Linde AG shareholders	EBIT before special 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



### Contact

**Phone:**  
+49 89 357 57 1321

**Email:**  
[investorrelations@linde.com](mailto:investorrelations@linde.com)

**Internet:**  
[www.linde.com](http://www.linde.com)



### Linde share (tendered)

**Type of share:**  
Bearer shares

**Stock exchanges:**  
All German stock exchanges

**Security reference number:**  
ISIN DE000A2E4L75  
CUSIP A2E4L7

### Linde share (untendered)

**Type of share:**  
Bearer shares

**Stock exchanges:**  
All German stock exchanges

**Security reference number:**  
ISIN DE0006483001  
CUSIP 648300