

## Press release

### January to June 2018: Linde business performs well in the first half-year – significant increase in Group earnings

- Group revenue: EUR 8.640 bn (up 4.7 percent after adjusting for exchange rate effects and the impact of the first-time application of IFRS 15)
- Group operating profit<sup>1</sup>: EUR 2.210 bn (up 10.1 percent after adjusting for exchange rate effects)
- Earnings per share adjusted for special items: EUR 4.66 (2017: EUR 3.83)
- Group outlook for 2018 confirmed
- Completion of merger with Praxair remains planned for the second half of 2018

Munich, 25 July 2018 – The business of technology company The Linde Group performed well in the first half of 2018. After adjusting for exchange rate effects and for the first-time application of new accounting standard IFRS 15, revenue rose by 4.7 percent compared with the first half of 2017. Group operating profit increased by 10.1 percent after adjusting for exchange rate effects. At 25.6 percent, the Group operating margin was also significantly higher than the figure for the first half of 2017 of 23.9 percent.

"Linde is on the right track. We are seeing encouraging growth in revenue and were able once again to achieve a significant increase in our Group margin," said Professor Dr Aldo Belloni, Chief Executive Officer of Linde AG. "We are working consequently to ensure that the efficiency improvement measures we introduced are being successfully implemented and that we continue to optimise our portfolio."

#### **Linde Group: Increase in operating profit, Group margin continues to rise**

In the first half of 2018, Group revenue was EUR 8.640 bn (2017: EUR 8.935 bn).<sup>2</sup> Exchange rate effects and the first-time application of IFRS 15 had a negative impact on revenue. After adjusting for both, Group revenue was 4.7 percent above the figure for the prior-year period.

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<sup>1</sup> EBIT (before special items) adjusted for amortisation of intangible assets and depreciation of tangible assets.

Group operating profit rose by 3.5 percent to EUR 2.210 bn (2017: EUR 2.136 bn). After adjusting for exchange rate effects, the increase was even 10.1 percent. At 25.6 percent, the Group operating margin was significantly higher than the figure for the first half of 2017 of 23.9 percent. Factors contributing to this improvement included not only the measures introduced as part of the Group-wide efficiency programme LIFT, portfolio optimisation and good macroeconomic conditions, but also the impact of the first-time application of IFRS 15.

Linde generated earnings per share in the first six months of 2018 of EUR 4.37 (2017: EUR 3.19). Earnings per share adjusted for special items increased to EUR 4.66 (2017: EUR 3.83). Operating cash flow was EUR 1.275 bn, slightly below the figure for the first half of 2017 of EUR 1.324 bn. It should be noted here that payments of around EUR 180 m were made in the reporting period for restructuring costs and costs related to the proposed merger with Praxair (2017: around EUR 90 m).

**Gases Division: Revenue increases on a comparable basis, operating margin well above figure for first half of 2017**

In the Gases Division, Linde generated revenue in the first half of 2018 of EUR 7.182 bn, a decrease of 5.2 percent below the previous year (EUR 7.572 bn). After adjusting for exchange rate effects and for the impact of the first-time application of IFRS 15, revenue in the Gases Division increased by 3.8 percent. On a comparable basis (after also adjusting for changes in the price of natural gas), revenue growth was 3.7 percent. Operating profit was EUR 2.184 bn, which was 0.8 percent higher than the figure for the prior-year period of EUR 2.166 bn. After adjusting for exchange rate effects, operating profit increased by 7.4 percent. At 30.4 percent, the operating margin was well above the figure for the first half of 2017 of 28.6 percent.

In the **EMEA segment**, Linde's largest sales market, the Group generated revenue in the first six months of 2018 of EUR 2.957 bn, which was 0.3 percent higher than the figure achieved in the first half of 2017 of EUR 2.947 bn. On a comparable basis, revenue rose by 4.2 percent.

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<sup>2</sup> In the reporting period, the Executive Board of Linde AG decided that it would no longer disclose the business of logistics services provider Gist as a discontinued operation. The sales negotiations with potential buyers were abandoned in the second quarter of 2018 and thus a sale is no longer deemed to be highly probable. The figures for the prior-year period have been adjusted accordingly.



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Operating profit was EUR 968 m, an increase of 4.8 percent when compared with the figure for the first half of 2017 of EUR 924 m. After adjusting for exchange rate effects, the increase was 7.2 percent. The operating margin rose to 32.7 percent (2017: 31.4 percent). Efficiency improvement measures also contributed towards this increase. Moreover, in the first quarter of 2018, Linde recognised a gain on deconsolidation of around EUR 40 m on the sale of its subsidiary Tega – Technische Gase und Gasetechnik GmbH.

Positive trends were to be seen in the EMEA segment in all product areas. In the liquefied gases and cylinder gas product areas in particular, revenue increased in virtually all regions. In the on-site business, there were volume reductions resulting from the sale of parts of a production facility.

In the **Asia/Pacific segment**, Linde generated revenue in the six months to 30 June 2018 of EUR 2.082 bn, which was 4.1 percent below the figure for the first half of 2017 of EUR 2.172 bn. On a comparable basis, revenue increased by 4.3 percent. At EUR 600 m, operating profit was 2.4 percent below the figure for the prior-year period of EUR 615 m. After adjusting for exchange rate effects, the increase in operating profit achieved by Linde was 4.9 percent. It should be noted here that in 2017 there was a one-off effect from the sale of assets of EUR 70 m. The operating margin rose to 28.8 percent (2017: 28.3 percent).

In the Asia/Pacific segment as well, positive trends were to be seen in particular in the on-site and liquefied gases business. One of the factors contributing to this growth was the start-up of multiple air separation plants 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 revenue growth. However, the measures introduced as part of the LIFT efficiency programme had a positive impact on the earnings trend.

In the **Americas segment**, revenue fell by 11.8 percent in the first half of 2018 to EUR 2.244 bn (2017: EUR 2.545 bn). On a comparable basis, revenue rose by 3.1 percent. When compared with the prior-year period, operating profit decreased by 1.8 percent to EUR 616 m (2017: EUR 627 m). After adjusting for exchange rate effects, Linde achieved a significant increase in operating profit of 10.6 percent. There was a substantial increase in the operating margin to 27.5 percent (2017: 24.6 percent). It should be noted that factors which had a positive impact on



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the margin included not only the first-time application of IFRS 15, but also the measures introduced as part of the Group-wide efficiency programme LIFT, as well as one-off effects.

There were positive trends in the liquefied gases and cylinder gas business in North America. Revenue in the Healthcare business in North America also remained stable. However, opposing trends were to be seen here. Although the business achieved volume increases, price reductions imposed by private health insurers continued to have a negative impact. In the on-site business, the stoppage of a plant in the first quarter led to a decline in revenue.

### **Engineering Division: Increase in operating profit, higher order intake**

Revenue in the Engineering Division rose in the first half of 2018 by 12.5 percent to EUR 1.364 bn (2017: EUR 1.212 bn). Operating profit increased by 41.2 percent to EUR 137 m (2017: EUR 97 m). At 10.0 percent, the operating margin was above the figure for the first half of 2017 of 8.0 percent and exceeded the target of around 9 percent which Linde Engineering has set itself for the 2018 financial year. This was due not only to higher earnings from individual plant construction projects, but also to improved capacity utilisation.

The market for international large-scale plant construction remains volatile and subject to intense competition. Nevertheless, the Engineering Division was able to increase its order intake by 60.5 percent to EUR 1.878 bn (2017: EUR 1.170 bn). The order backlog increased to EUR 4.676 bn (31 December 2017: EUR 4.178 bn).

### **Outlook confirmed<sup>3</sup>**

After adjusting for the impact of IFRS 15 and for exchange rate effects, Group revenue in 2018 is expected to be similar to that achieved in 2017 or to increase by up to 4 percent. Group operating profit after adjusting for exchange rate effects is expected to lie within a range from the prior-year figure to 5 percent higher. In the 2018 financial year, Linde will seek to achieve a return on capital employed of around 10 percent. Linde is seeking to achieve the following targets in the Gases Division. After adjusting for the impact of IFRS 15 and for exchange rate effects, revenue is expected to lie between the

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<sup>3</sup> 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.

2017 figure and a figure which is 4 percent higher. Operating profit after adjusting for exchange rate effects is expected to lie within a range from the prior-year figure to 5 percent higher.

Linde assumes that it will generate revenue in the Engineering Division in the 2018 financial year of between EUR 2.2 bn and EUR 2.6 bn. It is expecting to achieve an operating margin here of around 9 percent.

#### **Proposed merger with Praxair, Inc.**

The merger control and regulatory processes are in full swing. Merger approvals have already been received for several countries. Moreover, in the previous week, Linde has entered into an agreement with a consortium comprising companies of German industrial gases manufacturer Messer Group and CVC Capital Partners Fund VII to sell the majority of the gases business in North America and certain business activities in South America. Linde considers a divestiture of such business necessary in order to allow merger clearance of the proposed business combination by the relevant competition agencies. This sale is still subject to the completion of the proposed business combination of Linde and Praxair and regulatory approvals. Linde is in constructive talks with the remaining authorities. Linde and Praxair continue to assume that they will be able to complete the business combination in the second half of 2018 following the timely receipt of all the required approvals.

To coincide with the publication of the interim report, a webcast for analysts will take place today at 2 p.m. German time in English with Dr Sven Schneider, CFO of Linde AG. Journalists will have the opportunity to watch the webcast by following this link:

<https://event.mescdn.com/linde/h1-2018-results-conference-call>

In the 2017 financial year, The Linde Group generated revenue of EUR 17.113 bn, making it one of the leading gases and engineering companies in the world, with approximately 58,000 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](http://www.linde.com)



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### Forward-looking Statements

This communication includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on our beliefs and assumptions on the basis of factors currently known to us. These forward-looking statements are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, potential, forecast, and similar expressions. These forward-looking statements include, but are not limited to, statements regarding benefits of the proposed business combination, integration plans and expected synergies, and anticipated future growth, financial and operating performance and results. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted or expected. No assurance can be given that these forward-looking statements will prove accurate and correct, or that projected or anticipated future results will be achieved. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to: the expected timing and likelihood of the completion of the contemplated business combination, including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the contemplated business combination that could reduce anticipated benefits or cause the parties to abandon the transaction; the occurrence of any event, change or other circumstances that could give rise to the termination of the business combination agreement; the ability to successfully complete the proposed business combination and the exchange offer; regulatory or other limitations imposed as a result of the proposed business combination; the success of the business following the proposed business combination; the ability to successfully integrate the Praxair and Linde businesses; risks related to disruption of management time from ongoing business operations due to the proposed business combination; the risk that the announcement or consummation of the proposed business combination could have adverse effects on the market price of Linde’s or Praxair’s common stock or the ability of Linde and Praxair to retain customers, retain or hire key personnel, maintain relationships with their respective suppliers and customers, and on their operating results and businesses generally; the risk that Linde plc may be unable to achieve expected synergies or that it may take longer or be more costly than expected to achieve those synergies; state, provincial, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an effect on rate structure, and affect the speed at and degree to which competition enters the industrial gas, engineering and healthcare industries; outcomes of litigation and regulatory investigations, proceedings or inquiries; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates; general economic conditions, including the risk of a prolonged economic slowdown or decline, or the risk of delay in a recovery, which can affect the long-



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term demand for industrial gas, engineering and healthcare and related services; potential effects arising from terrorist attacks and any consequential or other hostilities; changes in environmental, safety and other laws and regulations; the development of alternative energy resources; results and costs of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general market and economic conditions; increases in the cost of goods and services required to complete capital projects; the effects of accounting pronouncements issued periodically by accounting standard-setting bodies; conditions of the debt and capital markets; market acceptance of and continued demand for Linde's and Praxair's products and services; changes in tax laws, regulations or interpretations that could increase Praxair's, Linde's or Linde plc's consolidated tax liabilities; and such other factors as are set forth in Linde's annual and interim financial reports made publicly available and Praxair's and Linde plc's public filings made with the SEC from time to time, including but not limited to those described under the headings "Risk Factors" and "Forward-Looking Statements" in Praxair's Form 10-K for the fiscal year ended December 31, 2017, which are available via the SEC's Web site at [www.sec.gov](http://www.sec.gov). The foregoing list of risk factors is not exhaustive. These risks, as well as other risks associated with the contemplated business combination, are more fully discussed in the proxy statement/prospectus and the offering prospectus included in the Registration Statement on Form S-4 filed by Linde plc with the SEC and in the offering document and/or any prospectuses or supplements filed with BaFin in connection with the contemplated business combination. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than Linde, Praxair or Linde plc has described. All such factors are difficult to predict and beyond our control. All forward-looking statements included in this document are based upon information available to Linde, Praxair and Linde plc on the date hereof, and each of Linde, Praxair and Linde plc disclaims and does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.