

# Quarterly statement

## January to September 2018

- Group revenue: EUR 13.050 bn (up 4.8 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 3.301 bn (up 9.0 percent after adjusting for exchange rate effects)
- Group operating margin: 25.3 percent (up 140 bp)
- Outlook for 2018: Revenue and earnings expected to be at the top end of their projected ranges

Munich, 14 November 2018 – The merger between Linde AG and Praxair was successfully completed at the end of October following the antitrust clearance received from the FTC. The exchange offer of Linde plc to Linde AG shareholders was settled at 31 October 2018. 92 percent of the shares have been submitted for exchange. The shares of the new group are listed on both the Frankfurt and New York stock exchanges.

However, the business review set out below for the period January to September 2018 relates solely to The Linde Group on a stand-alone basis.

Group revenue in the nine months to 30 September 2018 fell by 1.7 percent to EUR 13.050 bn (2017: EUR 13.281 bn).<sup>2</sup> This was due mainly to exchange rate effects. The first-time application of IFRS 15 also had a negative impact on revenue. After adjusting for exchange rate effects arising solely from translation and for the impact of the first-time application of IFRS 15, Group revenue was 4.8 percent higher than in the first nine months of 2017.

Group operating profit rose by 4.2 percent to EUR 3.301 bn (2017: EUR 3.169 bn). After adjusting for exchange rate effects, the increase was even greater at 9.0 percent. At 25.3 percent, the Group

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

<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 figures for the prior-year period have been adjusted accordingly.



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operating margin was significantly higher than the figure for the first nine months 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.

### Gases Division

In the Gases Division, Linde generated revenue in the first nine months of 2018 of EUR 10.908 bn, which was 3.0 percent below the figure for the prior-year period of EUR 11.244 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 4.5 percent. On a comparable basis (after also adjusting for changes in the price of natural gas), revenue growth was 4.2 percent. Operating profit was EUR 3.260 bn, which was 1.7 percent higher than the figure for the first nine months of 2017 of EUR 3.207 bn. After adjusting for exchange rate effects, operating profit increased by 6.5 percent. At 29.9 percent, the operating margin was well above the figure for the prior-year period of 28.5 percent.

In the **EMEA segment**, Linde's largest sales market, the Group generated revenue in the first nine months of 2018 of EUR 4.410 bn, which was 0.5 percent higher than the figure achieved in the first nine months of 2017 of EUR 4.386 bn. On a comparable basis, revenue rose by 3.9 percent. Operating profit was EUR 1.393 bn, an increase of 0.7 percent when compared with the figure for the first nine months of 2017 of EUR 1.383 bn. After adjusting for exchange rate effects, the increase was 2.7 percent. At 31.6 percent, the operating margin was similar to the figure for the prior-year period of 31.5 percent. The first-time application of IFRS 15 and efficiency improvement measures had a positive impact on the margin. A gain on deconsolidation of around EUR 40 m recognised in the first quarter of 2018 on the sale of its subsidiary Tega – Technische Gase und Gasetechnik GmbH also had a positive impact on the margin. Factors which had a negative impact on the margin were different trends in specific product areas in the various EMEA regions and higher energy and natural gas prices.

In the **Asia/Pacific segment**, Linde generated revenue in the nine months to 30 September 2018 of EUR 3.212 bn, which was 1.9 percent below the figure for the first nine months of 2017 of EUR 3.273 bn. On a comparable basis, revenue increased by 5.1 percent. At EUR 930 m, operating profit was 1.8 percent above the figure for the prior-year period of EUR 914 m. After adjusting for exchange rate effects, the growth in operating profit achieved by Linde was 7.4 percent. It should



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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 29.0 percent (2017: 27.9 percent).

In the **Americas segment**, revenue in the first nine months of 2018 fell by 7.6 percent to EUR 3.437 bn (2017: EUR 3.719 bn). On a comparable basis, revenue rose by 4.4 percent. When compared with the prior-year period, operating profit improved by 3.0 percent to EUR 937 m (2017: EUR 910 m). After adjusting for exchange rate effects, Linde achieved a substantial increase in operating profit of 11.5 percent. There was a substantial rise in the operating margin to 27.3 percent (2017: 24.5 percent). It should be noted that factors which had a positive impact on 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.

### Engineering Division

Revenue in the Engineering Division in the nine months to 30 September 2018 rose by 11.2 percent to EUR 2.011 bn (2017: EUR 1.809 bn). Operating profit improved to EUR 205 m (2017: EUR 152 m). At 10.2 percent, the operating margin was significantly higher than the figure for the first nine months of 2017 of 8.4 percent and exceeded the target of around 9 percent which Linde Engineering had 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 from EUR 1.969 bn in the first nine months of 2017 to EUR 2.943 bn in the first nine months of 2018. The order backlog increased to EUR 4.988 bn (31 December 2017: EUR 4.178 bn).

### Outlook<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

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<sup>3</sup> The outlook describes the expected performance of The Linde Group on a stand-alone basis. The divestments planned to take effect in the course of the completion of the merger will probably not have an impact on the key figures projected in the outlook.



figure to 5 percent higher. In the 2018 financial year, Linde is seeking to achieve a return on capital employed of around 10 percent.

Linde is seeking to achieve the following targets in the Gases Division in 2018. After adjusting for the impact of IFRS 15 and for exchange rate effects, revenue is expected to lie between the 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.

On the basis of current developments, Linde expects that revenue and earnings for the Group and for the Gases Division will be at the top end of their projected ranges.

The Group assumes that it will generate revenue in the Engineering Division in the 2018 financial year of around EUR 2.6 bn. Until now, it was assumed that revenue here would lie within a range from EUR 2.2 bn to EUR 2.6 bn. The operating margin of the Engineering Division is now expected to be around 10 percent. Previously it was forecasted to be around 9 percent.

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 contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. 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 business combination, integration plans and expected synergies, and anticipated future growth, financial and operating performance and



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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: regulatory or other limitations imposed as a result of the business combination; the ability to successfully integrate the Praxair and Linde businesses; the risk that the consummation of the business combination could have adverse effects on the market price of Linde's or Linde plc's shares or the ability of the companies 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-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 the companies' 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 heading "Risk Factors" in Linde plc's European Listing Prospectus, published on October 24, 2018, and Item 8.01 of Linde plc's Current Report filed with the SEC on October 31, 2018, which is available via the SEC's Web site at [www.sec.gov](http://www.sec.gov). The foregoing list of risk factors is not exhaustive. 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.