

Conference Call FY 2017 Results

LeadIng.



THE LINDE GROUP

08 March 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



Part 1 – Strategic plan

Aldo Belloni

- Performance focus
- Quality growth
- Value creation

Part 2 – FY 2017 Results

Sven Schneider

Part 3 – Outlook 2018

Sven Schneider

Appendix

Performance FY 2017

Highlights

[EUR]		FY 2016	FY 2017	yoy [%]	yoy [%] adj.for FX
Revenue	[m]	16,948	17,113	+1.0	+2.1
Operating profit	[m]	4,098	4,213	+2.8	+4.1
Operating margin	[%]	24.2	24.6	+40bp	
Operating cash flow	[m]	3,400	3,478	+2.3	
EPS before special items (undiluted)		7.00	9.04	+29.1	

- Revenue growth driven by industrial gases business and higher contribution from Engineering
- Improved operating margin in Gases (+20bp) and Engineering (+90bp)
- Higher Group cash flow supported by increase in Q4 of +28% versus prior year quarter
- Increase in EPS before special items (undiluted) due to one-time deferred tax income of EUR 250m resulting from reduction in the US tax rate
- ROCE up from 9.4% to 10.2%

All figures from continuing operations.
Please see definitions of key financial figures in the appendix.

Strategic plan | Performance focus

Ahead of plan to deliver targeted savings

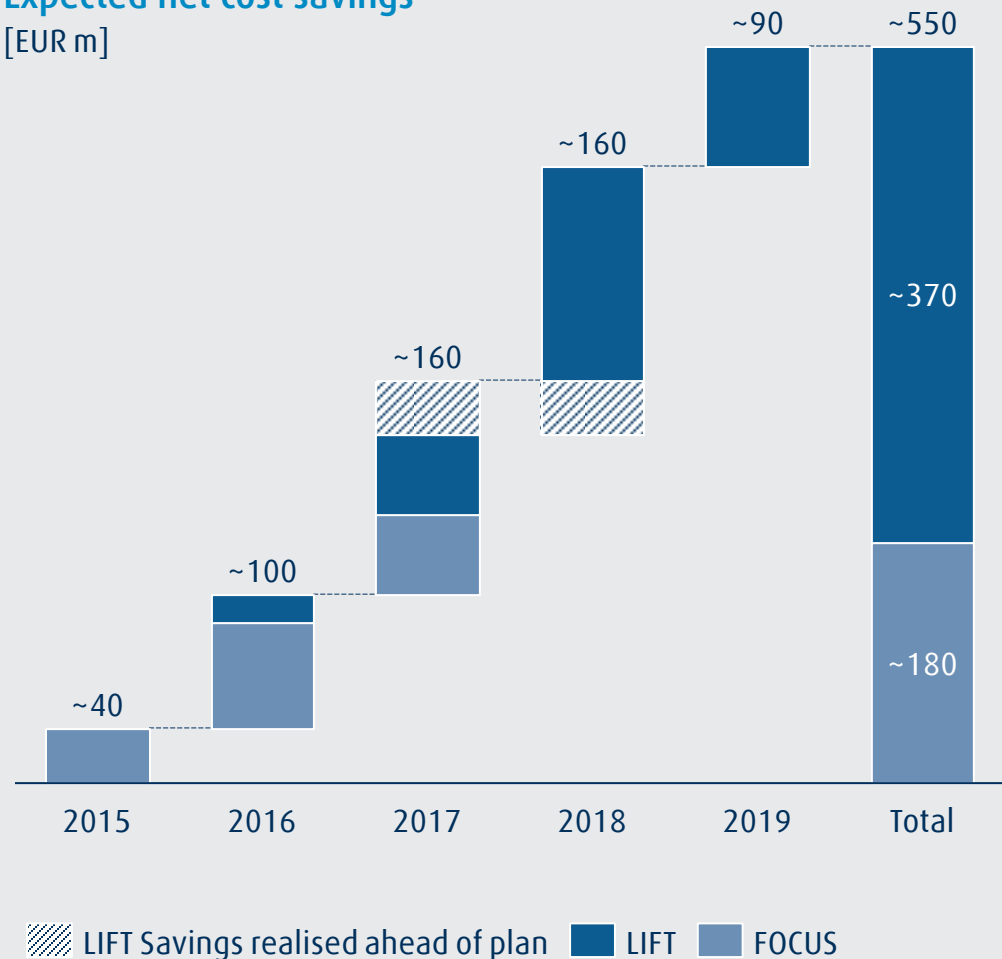
LIFT (2016 – 2019)

- Implementation of LIFT measures ahead of plan: EUR 40m of savings planned for 2018 realised in 2017
- SG&A expenditures before special items down year on year by 7.4% in FY 2017
- Number of employees reduced by 2,110 versus year-end 2016
- Total restructuring costs of EUR 396m recognized as special items during 2016-2017 in line with expectations

FOCUS (2015 – 2017)

- Achieved targeted cost savings of EUR ~180m by end of 2017

Expected net cost savings [EUR m]



Strategic plan | Quality growth

Using innovation to drive efficiency and open new markets



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Automated Filling Plants



3 pilot plants on-stream in 2017

- Automation of sorting, inspecting, transporting and filling
- End-to-end cylinder processing time reduced to only 40 minutes
- Savings from consolidation of filling plants

Modular and scalable concept

- Adaptable to local market situation (i.e. customer requirements, competitive landscape, cost conditions)

Digitalisation



Predictive maintenance

- Leverage decades of experience in plant engineering and apply proprietary build algorithms on big data from Remote Operating Centres
- Pilots running, targeting millions in savings in 2018

EVOS DCi

- Integrated, cloud-based tracking of cylinder location and status
- Benefits include reduced costs, higher efficiency and improved safety & handling

Hydrogen Mobility



World's first hydrogen train

- Partnership with Alstom for emission-free commuter trains running in Lower Saxony (Germany)
- Linde awarded long-term hydrogen fuel supply contract

Hydrogen fueling stations

- Acquired new customers for filling station technology in Europe, US, China and South Korea

Strategic plan | Quality growth

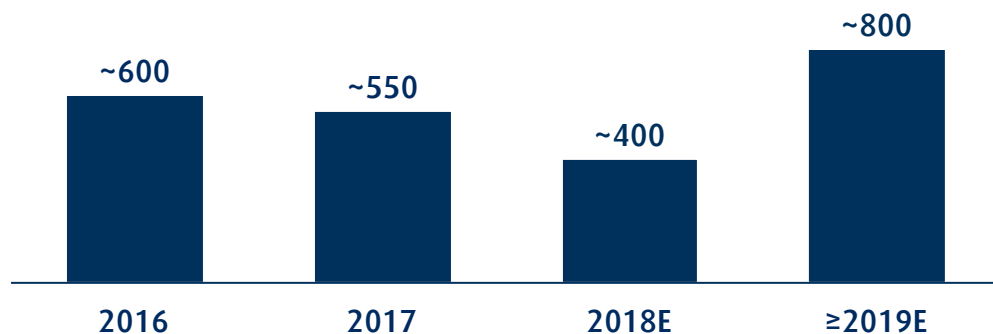
Increased backlog from project wins of EUR ~600m in 2017



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Total investments for committed projects by on-stream date

[EUR m]



Projects > 10m Euros

Committed projects by region



EMEA APAC Americas

Major on-streams in FY 2017

- ASU for ArcelorMittal steelworks in Eisenhüttenstadt, Germany
- JV to supply JSC KuibyshevAzot's chemicals production in Samara, Russia
- Spectra plant to supply Electronics customer BOE's new display production in Fujian, China

Major wins in FY 2017

- 6th JV with Sinopec to supply customer ZRCC and pipeline network in Ningbo cluster, China
- New ASU to expand on-site production capacity in central Malaysia to support economic and export growth
- Additional ASU for ArcelorMittal in Temirtau, Kazakhstan

Expected major on-streams in 2018

- JV with Erdemir Group for new ASU in Iskenderun, Turkey
- Decaptivation of 2 ASUs via Sinopec JV for ZRCC in Ningbo, China
- Spectra-N™ on-site nitrogen generators to supply display fabs in Chengdu and Xianyang administered by the China Electronics Corporation

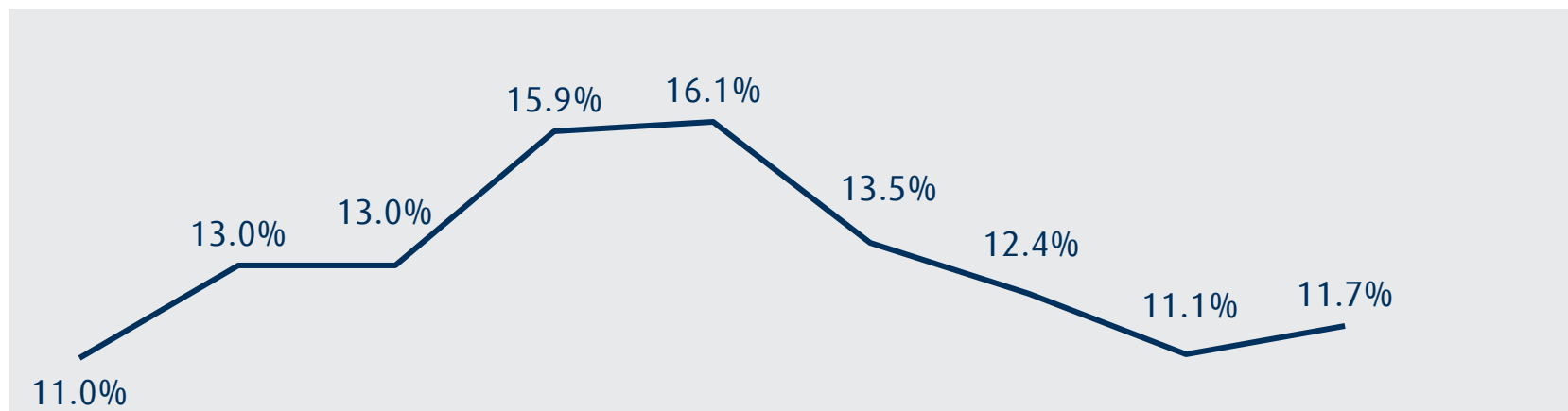
Strategic plan | Quality growth

Gases capex/sales ratio of 12-14% in 2018

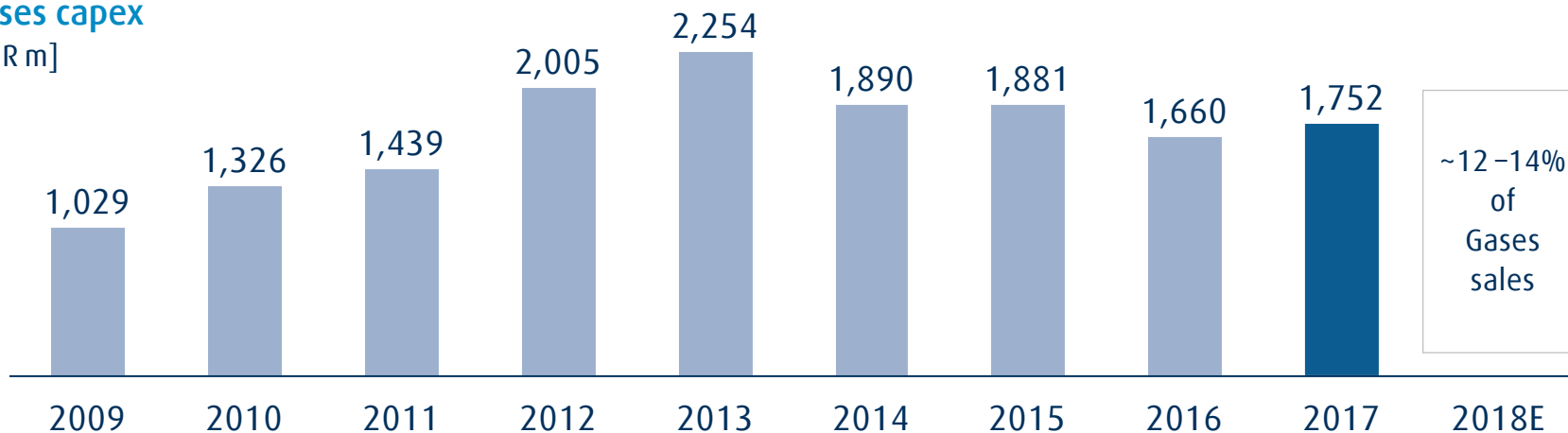


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Gases capex/sales ratio



Gases capex [EUR m]



Strategic plan | Sound financial position

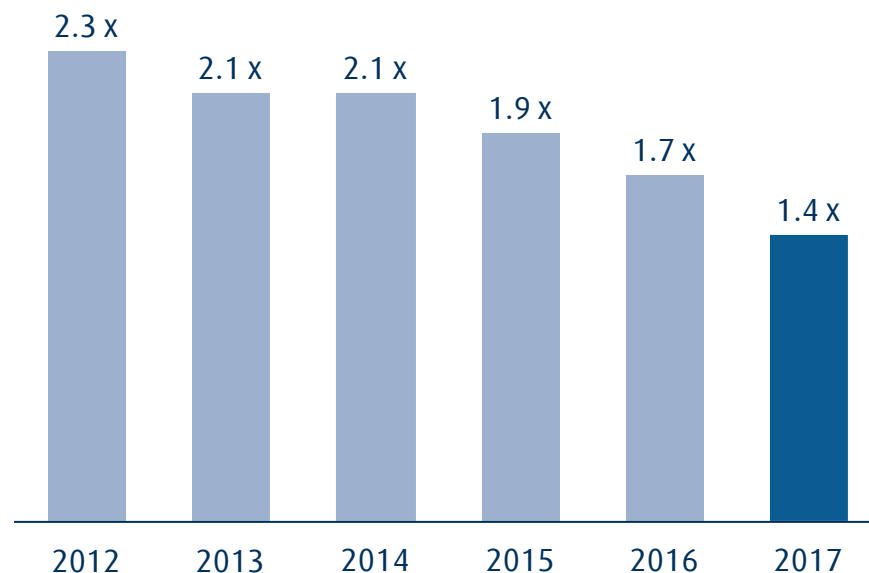
Strong operating cash flow & further deleveraging in 2017

Operating cash flow

[EUR m]

	FY 2016	FY 2017
Operating profit	4,098	4,213
Change in working capital	+279	+216
Income taxes paid	-446	-453
Other changes	-531	-498
Operating cash flow from continuing operations	3,400	3,478

Net debt / operating profit



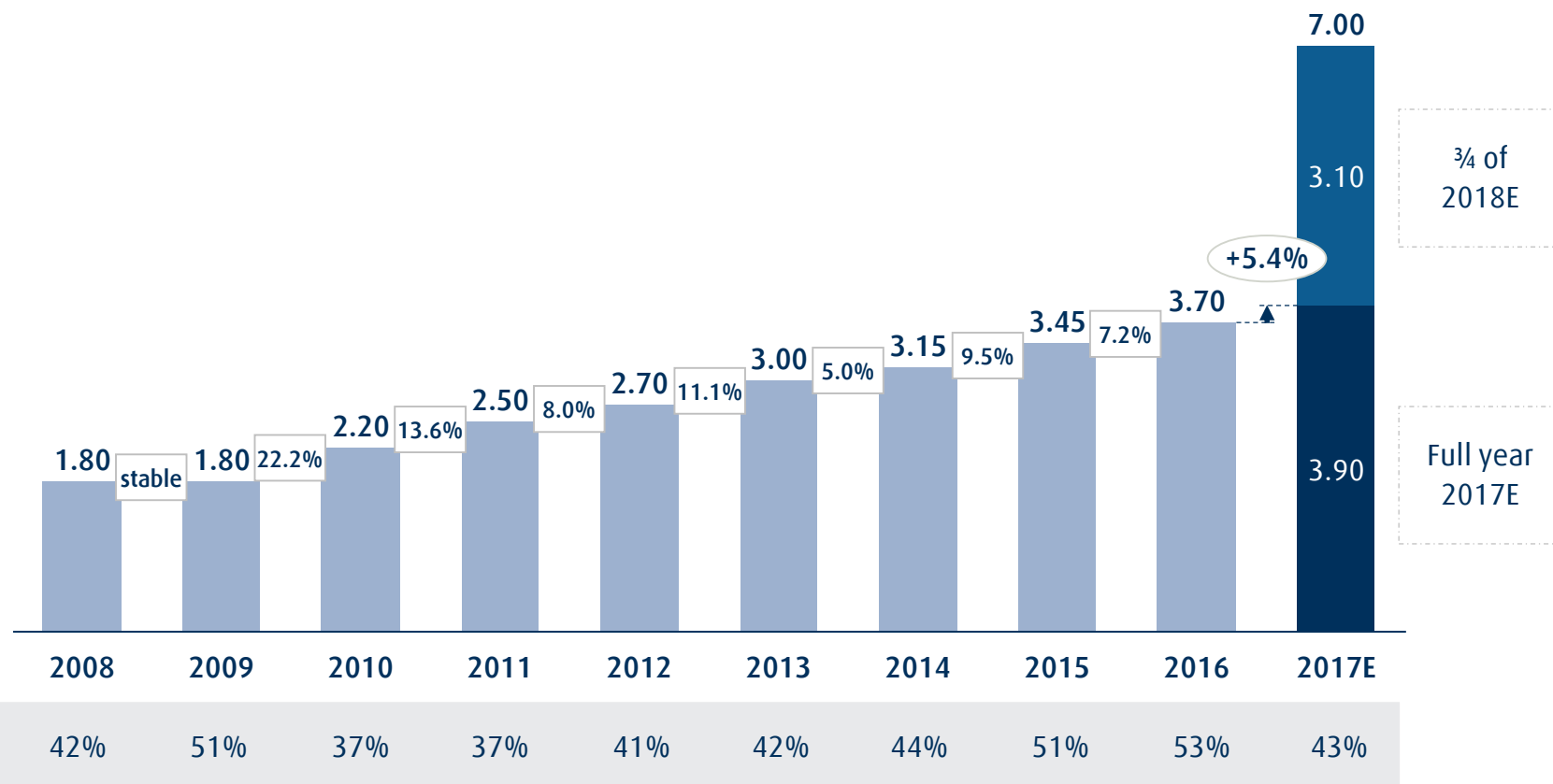
- Group cash flow up year-on-year by 2.3% supported by higher operating profit and efficient working capital management
- Other changes include special items related to restructuring and planned merger
- Financing activities in 2017 include issue of EUR 1bn senior bond (5 year duration, 0.25% fixed coupon) and redemption of EUR 1bn and NOK 2bn bonds
- Net financial debt of EUR 5.9bn as of 31st of December 2017

Strategic plan | Value creation

Proposed dividend of EUR 7.00 includes 2017E & $\frac{3}{4}$ of 2018E

Dividend development

[EUR per share]



2015, 2016 and 2017 figures from continuing operations.

*Based on EPS before special items for each respective year.

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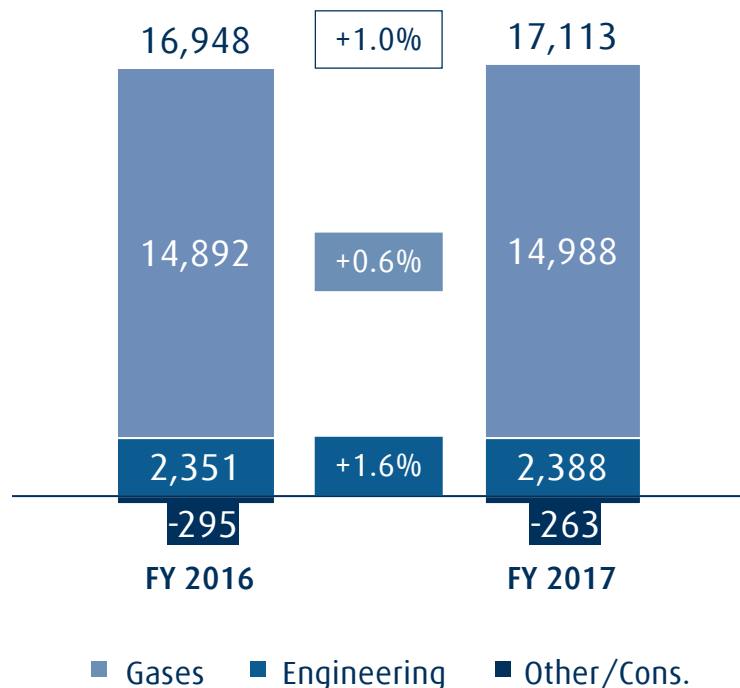
Appendix

Group | Revenue and operating profit by division

Margin expansion in both Gases and Engineering

Revenue

[EUR m]



Gases

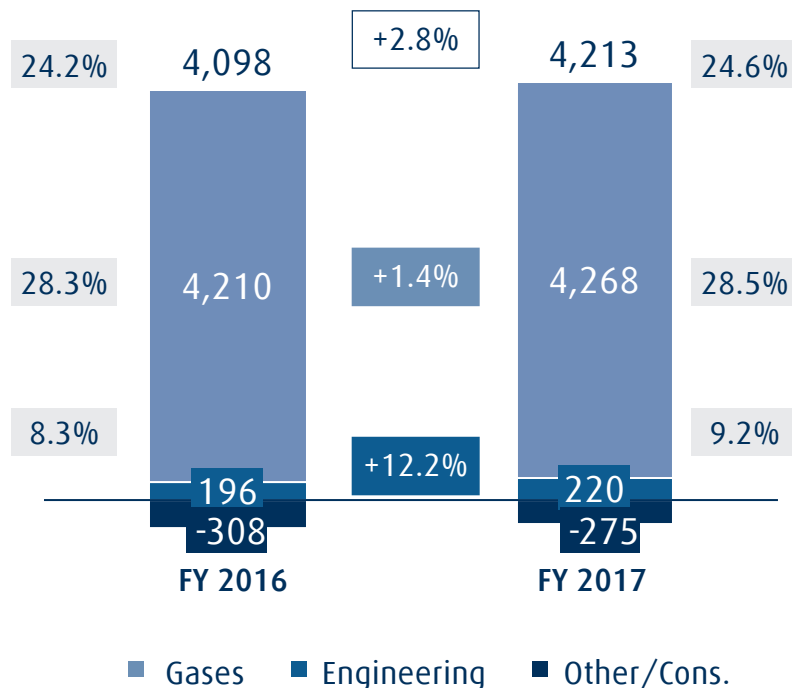
Revenue driven by organic growth and natural gas price effects but restrained by currency

Engineering

Revenue at upper end of guidance range

Operating profit

[EUR m]



Gases

Margin improvement of 40bp to 28.7% after adjusting for higher natural gas prices

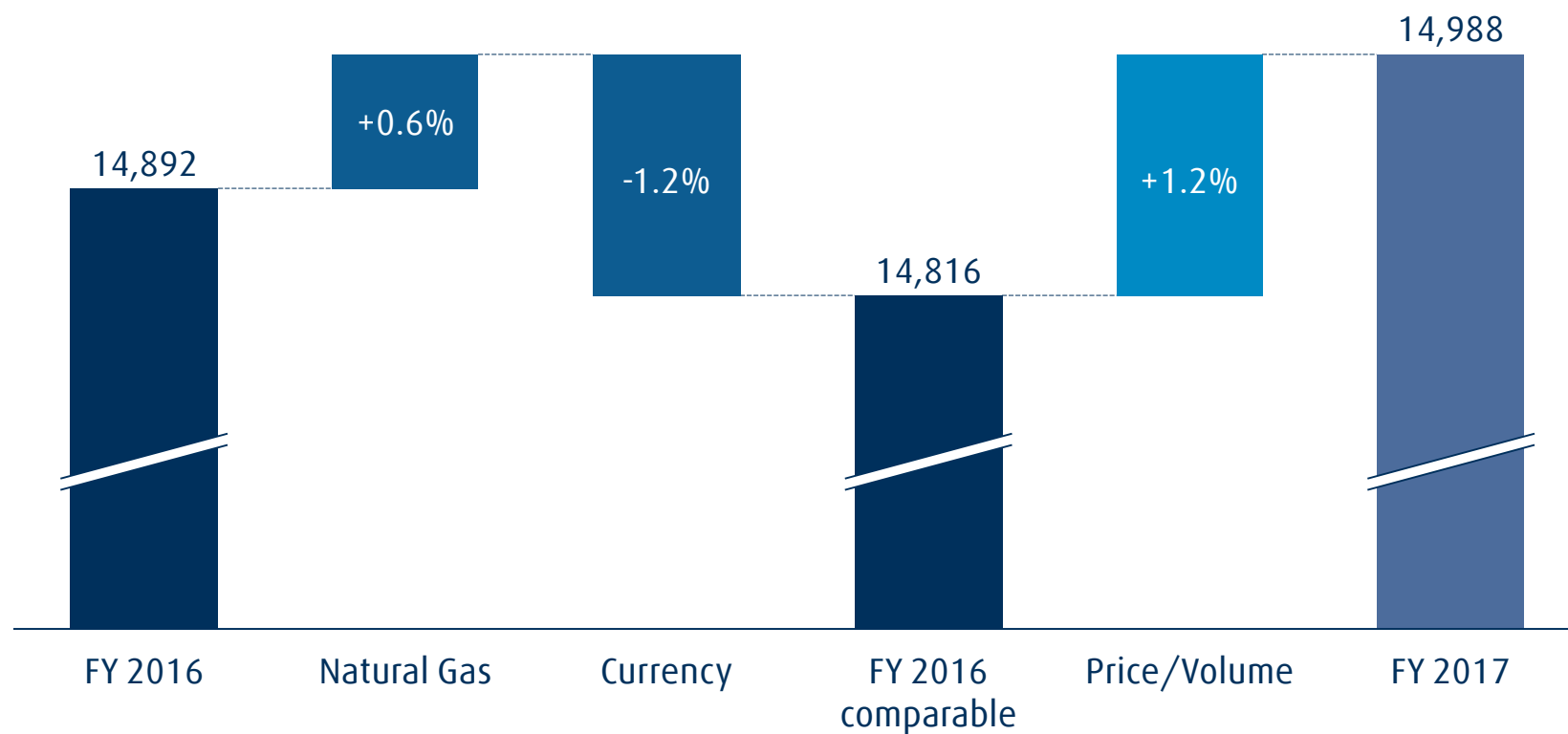
Engineering

Margin improvement due to successful project execution and improved capacity utilisation

Gases Division | Revenue bridge

Price/Volume increase of +1.5% in Q4

[EUR m]



Gases Division | Revenue by product area

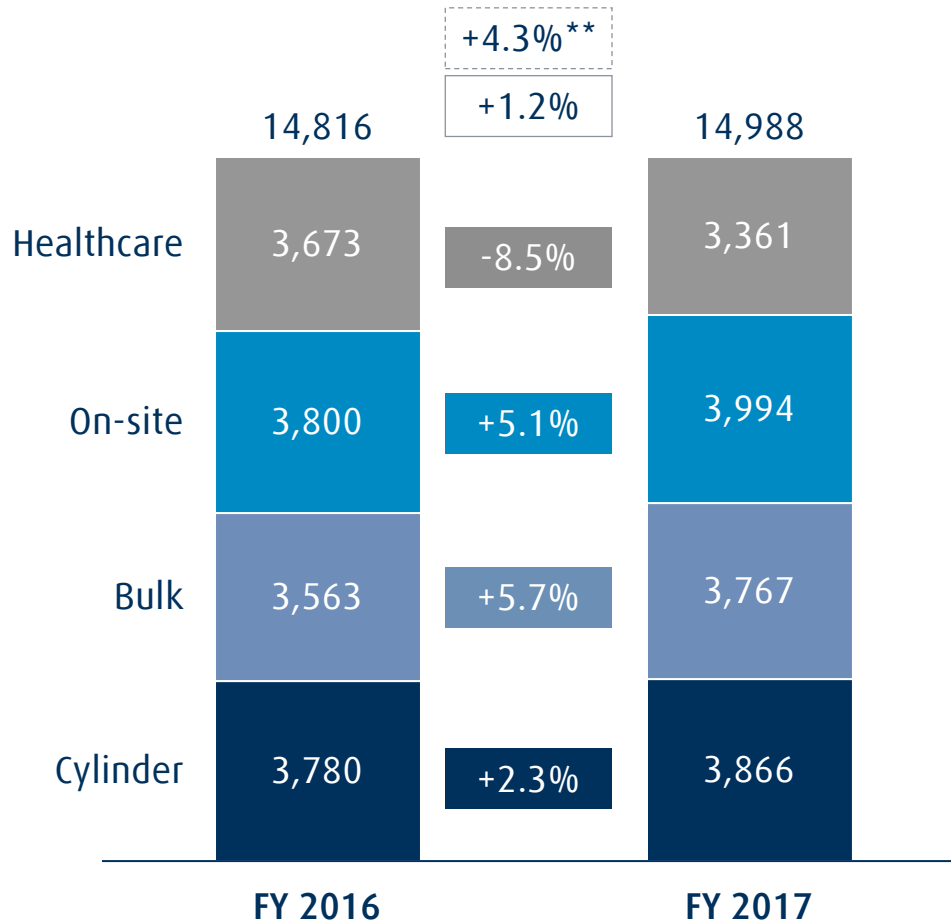
Comparable growth excluding Healthcare of +4.3%



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Comparable growth*

[EUR m]



*Excludes currency and natural gas price effects.

**Comparable growth excluding Healthcare.

Comments / Additional effects



Healthcare

Development impacted by Competitive Bidding and divestment of Specialty Pharma, -5.7% excluding consolidation effects



On-site

Solid growth from start-ups and ramp-ups in all operating segments



Bulk

Positive growth development in all geographies, most notably in Asia



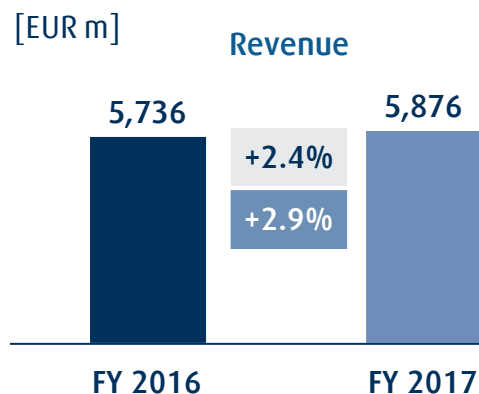
Cylinder

Positive growth momentum in EMEA and Asia

Gases Division | Revenue by operating segment

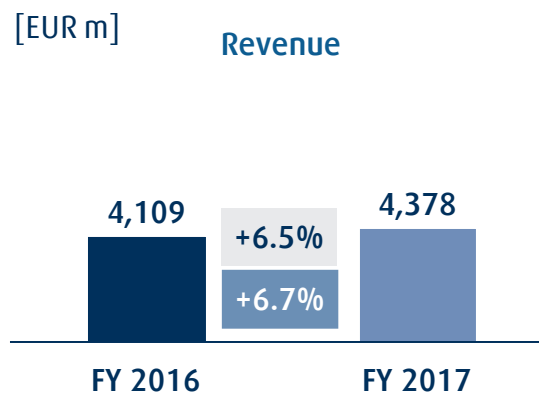
Solid comparable growth in EMEA and Asia

EMEA



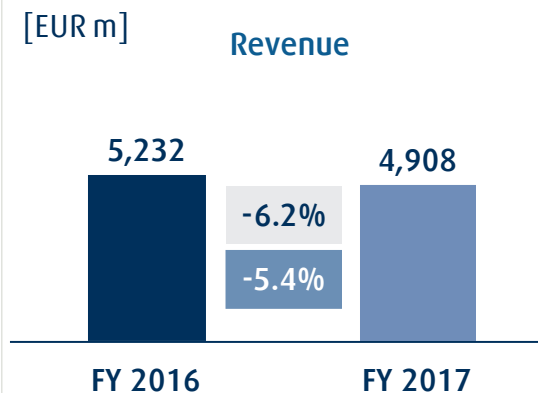
- Highest growth contribution from Northern Europe, Middle East and Eastern Europe
- Positive growth development in all areas

ASIA/PACIFIC



- Positive growth development in Bulk and On-site in all regions
- 9.3% comparable growth in Asia
- Situation in South Pacific has stabilised on a low level

AMERICAS



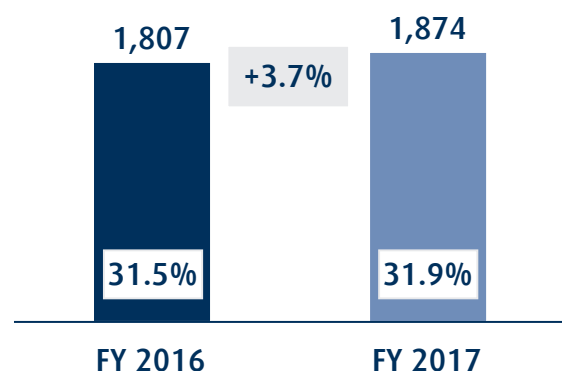
- Positive development in On-site and Bulk in North America
- Macro-economic situation in South America remains tepid
- Significant headwinds from Competitive Bidding, Specialty Pharma and Specialty Gases

Gases Division | Operating profit by operating segment

Operating profit margin of 28.5 percent

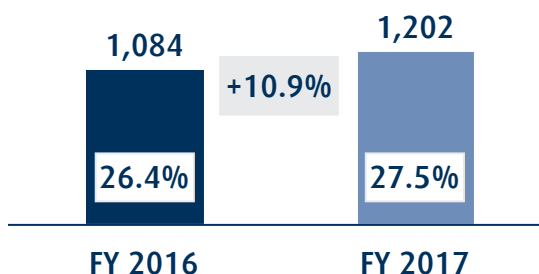
EMEA

[EUR m] Operating Profit



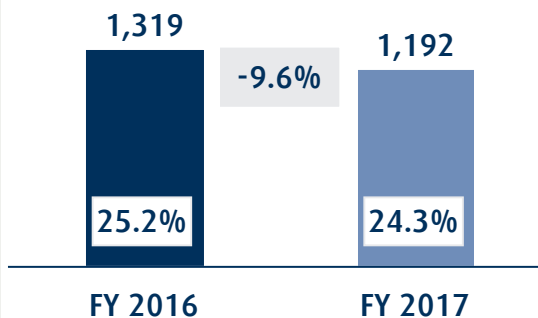
ASIA/PACIFIC

[EUR m] Operating Profit



AMERICAS

[EUR m] Operating Profit



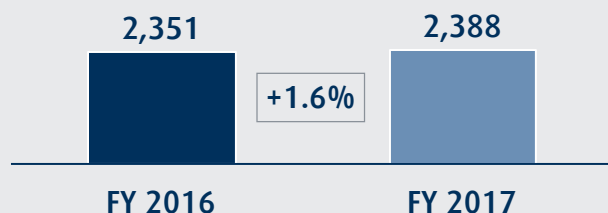
- EMEA margin up by 40bp aided by LIFT savings, growth as well as pricing
- Higher margin in Asia/Pacific supported by volume growth, pricing, restructuring and sale of assets
- Margin in Americas supported by positive On-site and Bulk development but impacted by headwinds from Competitive Bidding, higher natural gas prices as well as Specialty Gases

Engineering Division | Key figures

Strong margin improvement by 90bp

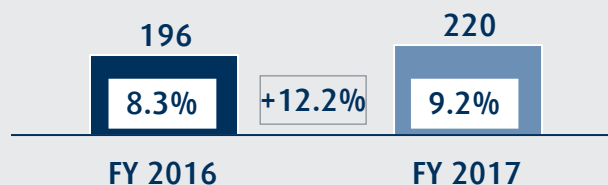
Revenue

[EUR m]



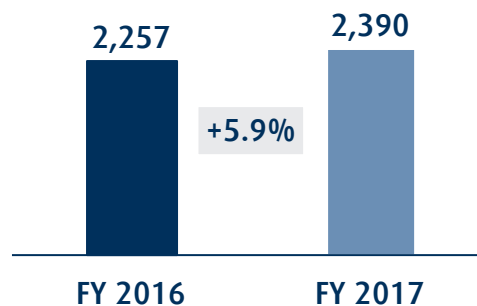
Operating profit

[EUR m]



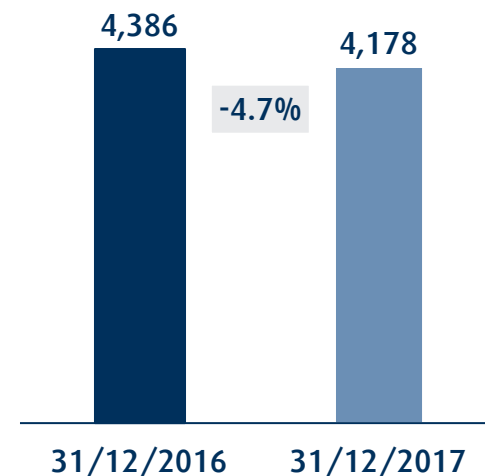
Order intake

[EUR m]



Order backlog

[EUR m]



- Revenue development in line with progress of projects
- Margin improvement due to successful project execution and improved capacity utilisation
- New project wins including polypropylene production for Braskem America in La Porte, Texas, USA and natural gas plants related to third phase of Gazprom's Amur GPP project

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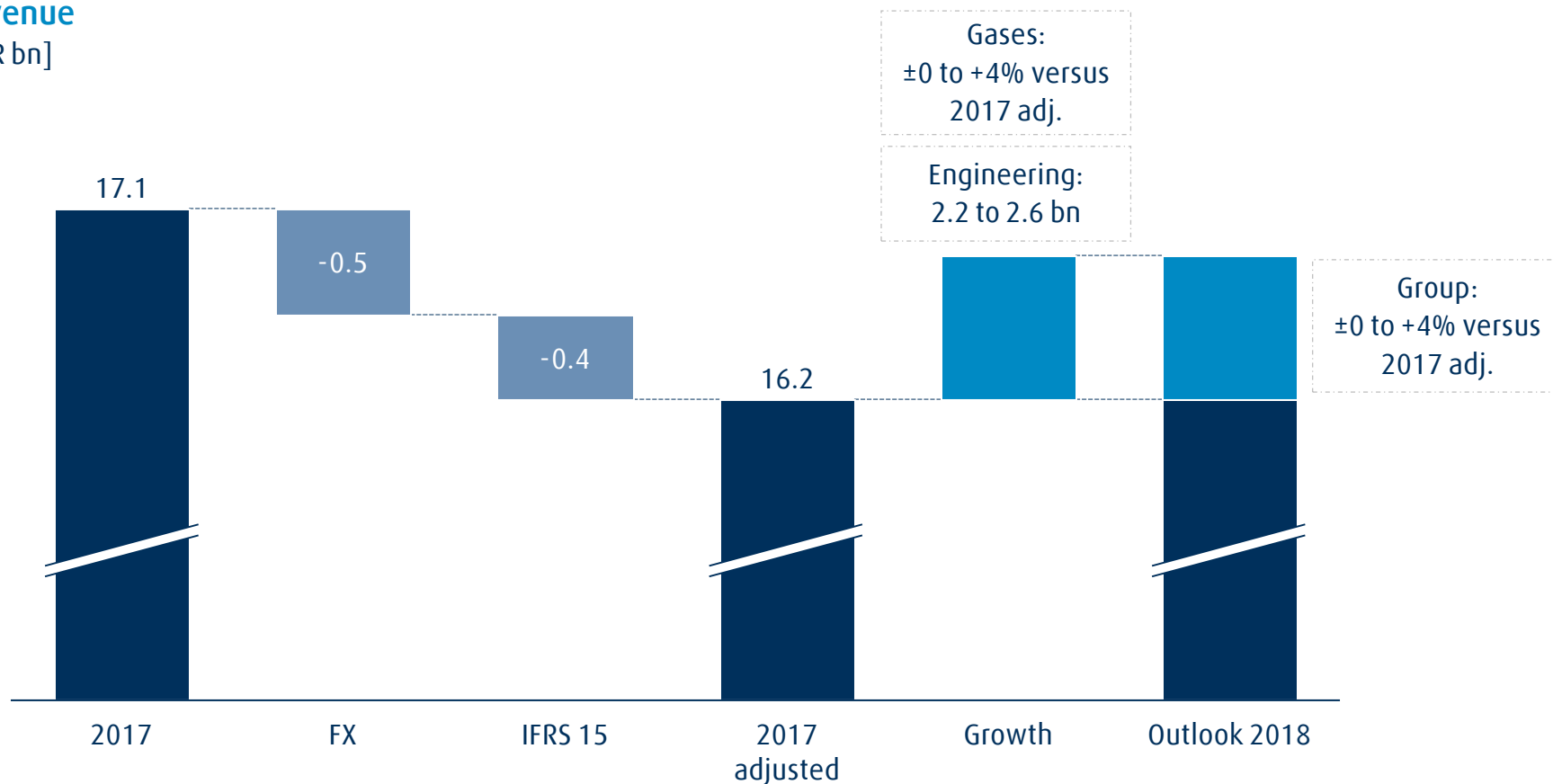
Part 3 – Outlook 2018

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Appendix

Revenue

[EUR bn]



 Dependent on economic development

◆ 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

Strategic plan

Focus on LIFTing margins, returns and shareholder value



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Performance focus

Cost management

- LIFT programme ahead of plan to deliver savings targets

Portfolio optimisation

- Gases: Global portfolio optimisation and selective M&A
- Engineering: Realised capacity adjustments and efficiency gains
- Gist classified as discontinued operation

Quality growth

Leverage strengths

- Innovative initiatives for efficiency and growth in the fields of automation, digitalisation and hydrogen mobility
- Added EUR ~600m of growth projects to pipeline in 2017

Sound financial position

- Strong operating cash flow of EUR 3,478bn in FY 2017
- Financial flexibility from strong cash flow and balance sheet

Value creation

Further increase in dividend

- 2017 proposed dividend up year on year by +5.4%

LIFT operating profit margin
LIFT return on capital employed

LIFT shareholder value

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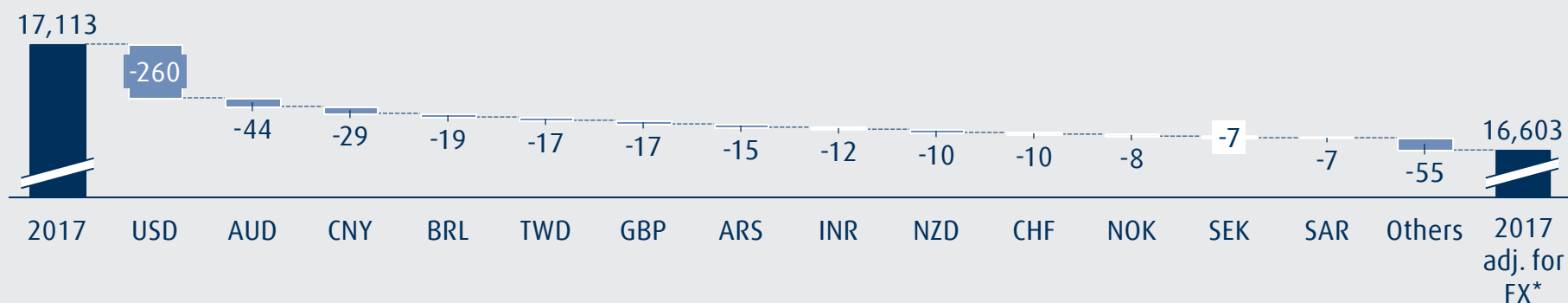
Appendix

Group | Potential currency impact

Potential impact on revenue and operating profit in 2018

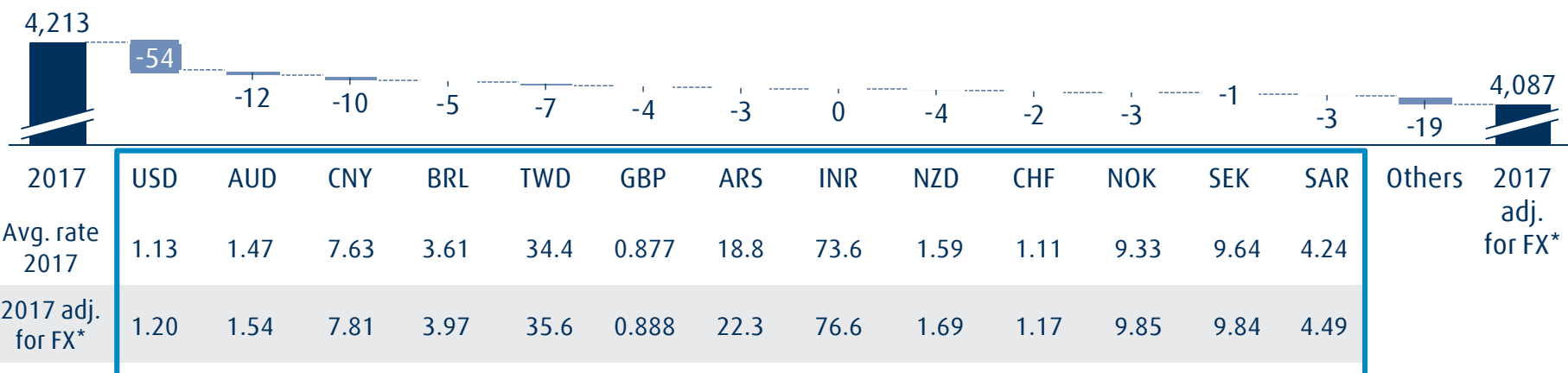
Group revenue adjusted for FX*

[EUR m]



Group operating profit adjusted for FX*

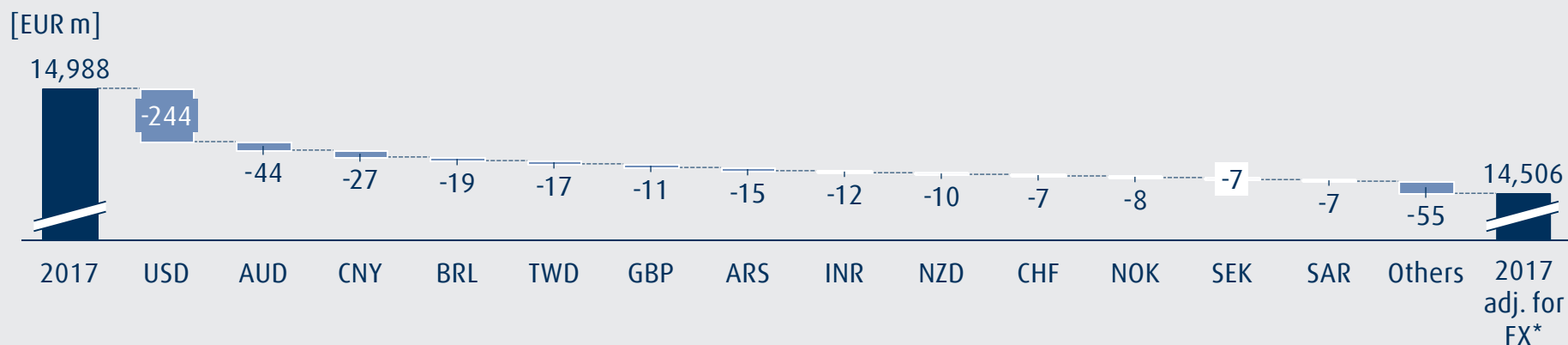
[EUR m]



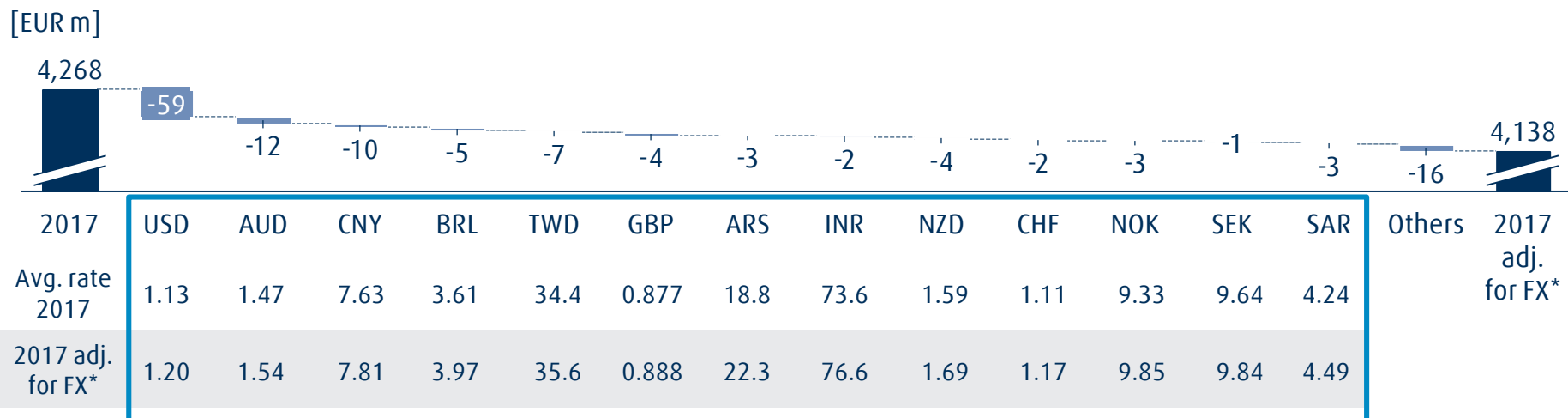
Gases Division | Potential currency impact

Potential impact on revenue and operating profit in 2018

Gases revenue adjusted for FX*



Gases operating profit adjusted for FX*

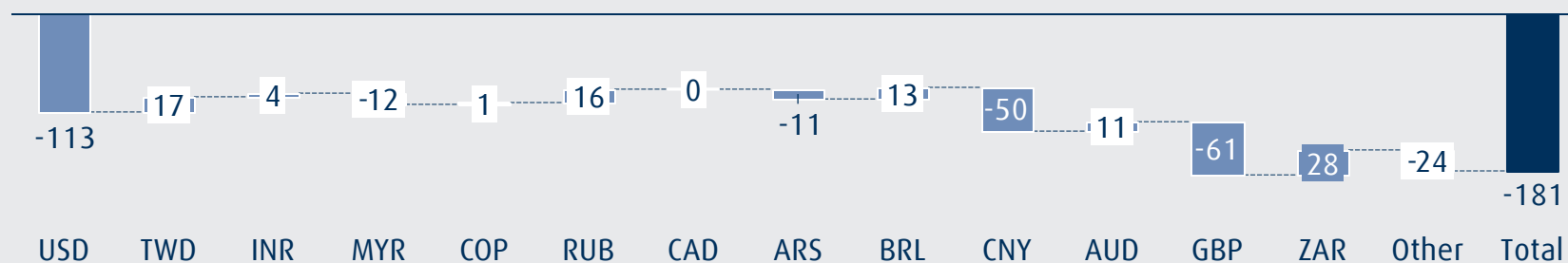


Group | Currency impact

Impact on revenue and operating profit in 2017

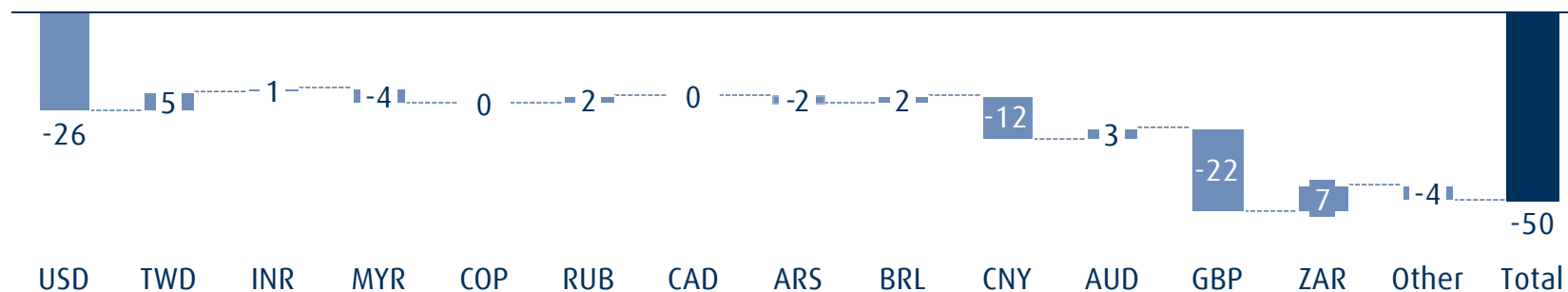
FX impact on Group revenue in FY 2017

[EUR m]



FX impact on Group operating profit in FY 2017

[EUR m]



Group | BOC PPA

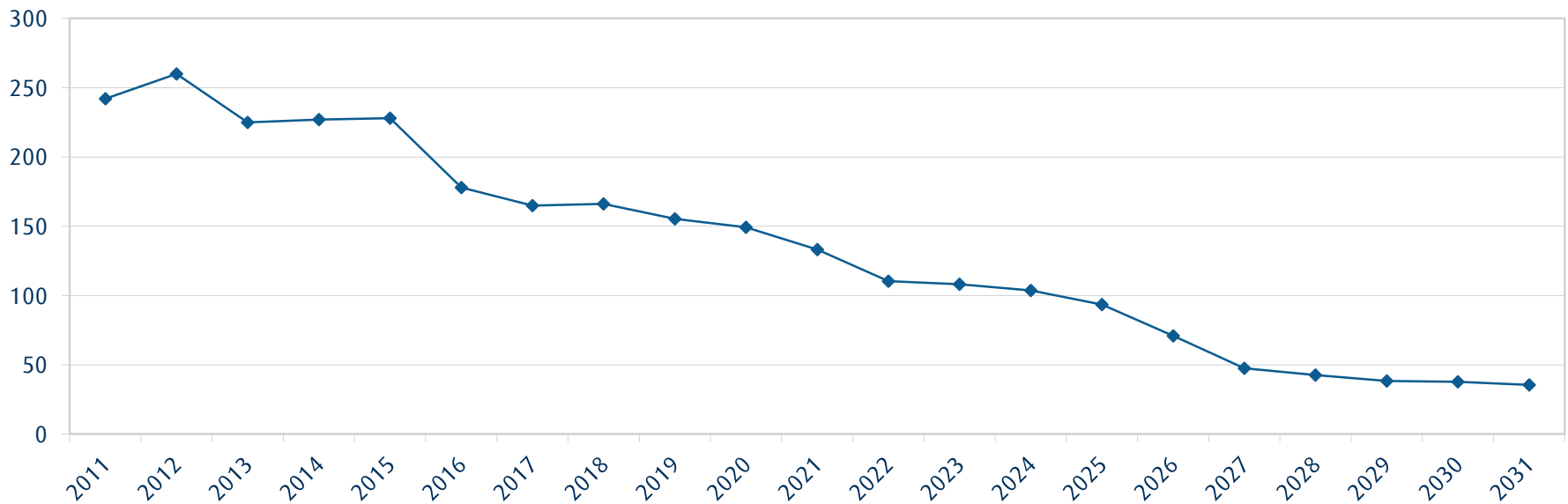
Expected depreciation & amortisation

- Development of depreciation and amortisation
- Impact in 2017: EUR 165m
- Expected range adjusted due to exchange rate effects

Expected range [EUR m]

2018	155 - 165
2019	140 - 155
...	
2022	< 120

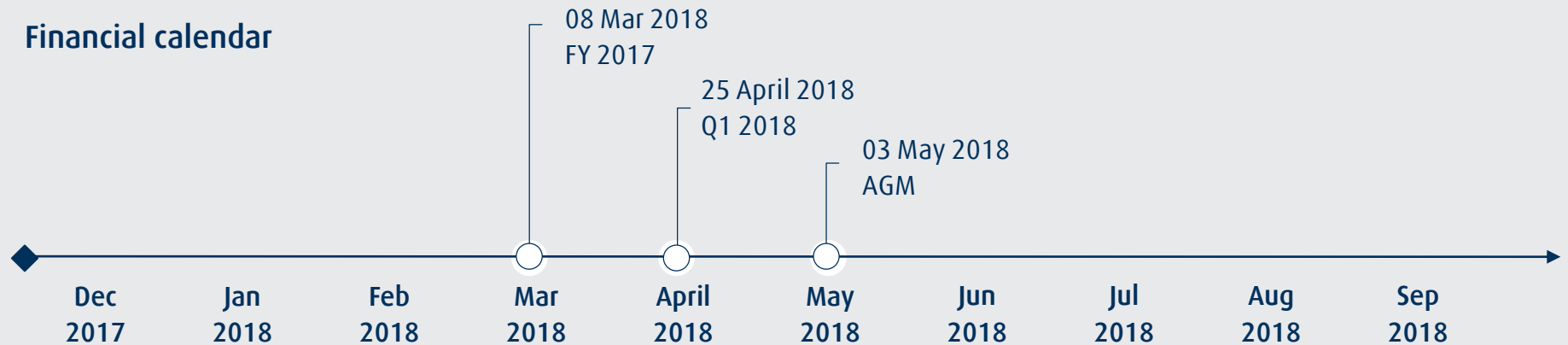
BOC PPA Depreciation Planning [EUR m]



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



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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