

## Press release

### Positive exchange rate effects have a beneficial impact on Linde's revenue and earnings in the first half of 2015

- Business performance gains some momentum in the second quarter
- Very positive trend in operating cash flow continues
- Group revenue forecast adjusted as a result of persistent weak demand in the plant construction sector

Munich, 29 July 2015 – The technology company The Linde Group achieved a 10.0 percent increase in revenue on the basis of reported figures in the first six months of 2015 to EUR 9.036 bn, compared with revenue of EUR 8.212 bn in the first six months of 2014. After adjusting for exchange rate effects, revenue was similar to the level achieved in the first half of 2014. Operating profit improved by 11.0 percent to EUR 2.104 bn (2014: EUR 1.896 bn). After adjusting for exchange rate effects, operating profit rose by 0.4 percent. The Group operating margin increased from 23.1 percent in the first half of 2014 to 23.3 percent in the first half of 2015. The exceptionally positive trend in operating cash flow continued.

After a modest start to the financial year in the first three months of 2015, Linde once again achieved increases in both Group revenue and Group operating profit in the second quarter after adjusting for exchange rate effects. For the three months ended 30 June 2015, Group revenue rose by 0.7 percent after adjusting for exchange rate effects, while Group operating profit rose by 1.8 percent. In both cases, the comparison is with the figures for the second quarter of 2014.

"In the course of the second quarter, Linde's business performance gained some momentum. The Gases Division, which is by far our largest and most important line of business, has continued to grow," said Dr Wolfgang Büchele, Chief Executive Officer of Linde AG. "We have revised up our forecast for the Gases Division mainly as a result of exchange rate effects. In plant construction, on the other hand, we are feeling the impact of a worldwide reluctance to invest due to the low price of oil," he continued. "Given that weak demand is expected to persist in the second half of 2015 and that sustained growth momentum is not anticipated, the Executive

Board has now revised down the revenue forecast for the Engineering Division to between EUR 2.5 bn and EUR 2.7 bn," explained Büchele as he presented the figures.

In the first six months of 2015, earnings per share before restructuring costs of EUR 138 m (a non-recurring item) was EUR 3.65 (2014: EUR 3.36). Earnings per share was EUR 3.12 (2014: EUR 3.36).

The very positive trend in operating cash flow continued. It rose by 54.9 percent to EUR 1.583 bn when compared with the figure for the prior-year period of EUR 1.022 bn. The main factors contributing to this significant increase were the good operating profit generated by the Group and more efficient working capital management.

#### **Gases Division: Growth improves in the second quarter**

During the reporting period, Linde continued to achieve growth in revenue in the Gases Division. Whereas revenue growth in the first quarter of 2015 was just 1.0 percent on a comparable basis (after adjusting for exchange rate effects and changes in the price of natural gas), Linde was able to achieve revenue growth of 1.9 percent in the first half of 2015. One of the reasons for this increase was the contribution to revenue of EUR 36 m made by an LPG business in Australia acquired by Linde in February 2015. On the basis of reported figures, revenue in the first half of 2015 rose by 10.7 percent to EUR 7.554 bn (2014: EUR 6.825 bn). Revenue was adversely affected not only by the relatively weak macro-economic environment, but also by current low energy costs and the expiry of on-site contracts. Operating profit rose by 12.2 percent to EUR 2.091 bn (2014: EUR 1.863 bn). The operating margin in the first six months of 2015 rose to 27.7 percent (2014: 27.3 percent).

In the **Americas segment**, Linde was able to achieve a significant increase in revenue in the first half of 2015 of 21.8 percent to EUR 2.552 bn (2014: EUR 2.095 bn). On a comparable basis, revenue rose by 7.0 percent. When compared with the prior-year period, operating profit increased by 28.1 percent to EUR 638 m (2014: EUR 498 m). The operating margin rose to 25.0 percent (2014: 23.8 percent).

In the **Asia/Pacific segment**, Linde generated revenue in the six months to 30 June 2015 of EUR 2.086 bn. This was 14.9 percent more than the figure for the first half of 2014 of EUR 1.816 bn.

On a comparable basis, revenue rose by 1.4 percent. This growth was mainly underpinned by the acquisition of an LPG business in Australia. Operating profit rose by 13.0 percent to EUR 538 m (2014: EUR 476 m), giving an operating margin of 25.8 percent (2014: 26.2 percent).

Macroeconomic trends in China remain solid, but the situation in Australia has continued to deteriorate.

In the **EMEA segment** (Europe, Middle East, Africa), Linde generated revenue of EUR 3.005 bn in the first six months of 2015, which was slightly higher than the figure achieved in the first half of 2014 of EUR 2.978 bn. On a comparable basis, revenue fell by 1.5 percent. The expiry of a hydrogen supply contract in Italy had a substantial adverse impact on revenue. At the end of 2014, the plant was transferred to the customer and since that date the plant has ceased to make a contribution to revenue. Operating profit was EUR 915 m, which was 2.9 percent higher than the figure for the first half of 2014 of EUR 889 m. The operating margin increased to 30.4 percent (2014: 29.9 percent).

**Forecast:** Linde has revised up its revenue forecast in the Gases Division from between EUR 14.9 bn and EUR 15.4 bn to between EUR 15.1 bn and EUR 15.5 bn mainly as a result of current trends in exchange rates. Linde is now seeking to achieve operating profit in the Gases Division of between EUR 4.1 bn and EUR 4.3 bn, compared with its previous forecast for operating profit of between EUR 4.05 bn and EUR 4.25 bn. In each case, achievement of the targets is dependent on ongoing trends in industrial production and on exchange rates.

#### **Order backlog in the Engineering Division remains high**

The order backlog in the Engineering Division at 30 June 2015 remained high at EUR 4.191 bn (31 December 2014: EUR 4.672 bn).

As a result of prevailing mood of restraint worldwide towards investment in plant construction, order intake in the six months to 30 June 2015 was EUR 724 m (2014: EUR 1.058 bn). The order intake in the first half of 2015 was evenly spread across the Asia/Pacific, Europe and North America regions, with a third of orders in each region. Around half of new orders are related to natural gas, hydrogen and synthesis gas plants.



Revenue in the Engineering Division fell in the first half of 2015 by 4.7 percent to EUR 1.351 bn (2014: EUR 1.418 bn). Operating profit was EUR 114 m, which was not as high as the figure for the prior-year period of EUR 141 m. The operating margin in the first six months of 2015 was 8.4 percent (2014: 9.9 percent). The operating margin continues to be above the industry average and matches the target Linde set itself for the current financial year.

**Forecast:** Order intake in Linde's Engineering Division in the first half of 2015 was significantly lower than expected as a result of the persistently low price of oil and the resultant faltering demand in plant construction. The revenue forecast in the Engineering Division for the 2015 financial year has therefore been revised down. Linde is now seeking to generate revenue of between EUR 2.5 bn and EUR 2.7 bn, compared with its previous forecast of between EUR 3.0 bn and EUR 3.3 bn. Linde continues to expect to achieve an operating margin of around 8 percent.

### Outlook

"Continuing weak demand will remain the main challenge for us in the second half of 2015. This makes it all the more important now that we continue to act to strengthen our competitive situation," said Büchele.

To coincide with the publication of the interim report, a webcast for analysts will take place today at 2pm German time in English with Georg Denoke, CFO of Linde AG. Journalists will have the opportunity to watch the webcast by following this link: <http://event.mescdn.com/linde/webcast-20150729>

In the 2014 financial year, The Linde Group generated revenue of EUR 17.047 bn, making it the largest gases and engineering company in the world with approximately 65,500 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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