



Linde AG / Key word(s): Quarter Results

Linde AG: January to March 2014: Linde achieves a slight increase in revenue - growth slowed by exchange rate effects

06.05.2014 / 07:30

Press Release

January to March 2014: Linde achieves a slight increase in revenue - growth slowed by exchange rate effects

- **Group revenue: EUR 4.045 bn (2013: EUR 3.985 bn); up 7.3 percent after adjusting for exchange rate effects.**
- **Group operating profit : EUR 927 m (2013: EUR 953 m); up 2.8 percent after adjusting for exchange rate effects.**
- **Operating cash flow: EUR 594 m; up 13.8 percent.**
- **2014 Group outlook confirmed:
After adjusting for exchange rate effects: solid revenue growth, moderate improvement in operating profit.**

Munich, 6 May 2014 - The technology company The Linde Group achieved a slight increase in Group revenue in the first quarter of 2014 when compared with the first quarter of 2013. Group operating profit was not quite as high as the figure achieved in the prior-year quarter. "We have made a rather modest start to the new financial year," said Professor Dr Wolfgang Reitzle, Chief Executive Officer of Linde AG. "Economic growth is still anything but strong. Exchange rate effects also continued to have an adverse impact on our business performance."

Linde believes that it is still on track for the full year 2014 and confirms its previous outlook: "After adjusting for exchange rate effects, we expect to achieve solid growth in revenue and a moderate improvement in Group operating profit in the current financial year," declared CEO Reitzle.

On the basis of its robust business model geared towards sustainability and its globally balanced position, Linde is also well-equipped for the medium and long term. For the 2016 financial year, the Group is still seeking to achieve Group operating profit of at least EUR 5 bn and a return on capital employed of around 13 percent (reported ROCE) or around 14 percent (adjusted ROCE). These medium-term targets were founded on the assumption that there would not be any significant shifts in exchange rates compared with those prevailing at 31 December 2012 when the medium-term outlook was formulated. Since then, there have been significant changes in exchange rates which have not been favourable to Linde. If exchange rates over the coming years are as unfavourable as they have been recently, this would reduce Group operating profit in 2016 by around EUR 400 m and might also have an adverse impact on return on capital employed.

In the first quarter of 2014, Linde achieved a slight increase in Group revenue of 1.5 percent to EUR 4.045 bn, when compared to the figure for the first quarter of 2013 of EUR 3.985 bn. Exchange rate effects significantly slowed growth. After adjusting for these effects (which equate to revenue of EUR 215 m), the increase in revenue was 7.3 percent.

Linde generated Group operating profit of EUR 927 m in the three months to 31 March 2014, which was not quite as high as the figure achieved in the prior-year quarter of EUR 953 m. Adverse currency fluctuations also had an impact here. The effect of these distortions was to reduce earnings by EUR 51 m. Without the distortions, Linde would have achieved a 2.8 percent increase in Group operating profit. The operating margin was 22.9 percent (2013: 23.9 percent). It should be noted here that the Engineering Division contributed significantly more to Group revenue in the first quarter of 2014 than was the case in the first quarter of 2013. This business has a lower margin than that achieved by the Gases Division.

Linde generated earnings before tax (EBT) in the first quarter of 2014 of EUR 422 m (2013: EUR 433 m). Profit for the period was EUR 321 m (2013: EUR 340 m). Profit for the period attributable to Linde AG shareholders was EUR 290 m (2013: EUR 318 m). This gives earnings per share of EUR 1.56 (2013: EUR 1.72).

Cash flow from operating activities saw a very positive trend in the reporting period, increasing by 13.8 percent to EUR 594 m (2013: EUR 522 m). This substantial increase was due mainly to more efficient working capital management.

Gases Division

Against a background of unfavourable exchange rate fluctuations, Linde achieved revenue in the Gases Division in the three months to 31 March 2014 of EUR 3.367 bn, which was not quite as high as the figure achieved in the three months to 31 March 2013 of EUR 3.448 bn. If these exchange rate fluctuations had not occurred, Linde would have achieved a 3.9 percent increase in revenue. On a comparable basis (after adjusting in addition for fluctuations in the price of natural gas), Linde would have achieved a 3.1 percent increase in revenue in the Gases Division. Revenue trends have also, as expected, been adversely affected by price adjustments and by supply contracts in the Healthcare business being put out again to tender. Revenue in the Gases Division would have increased by 4.1 percent if an adjustment were also made for these factors.

In the first quarter of 2014, operating profit in the Gases Division fell by 3.1 percent to EUR 913 m (2013: EUR 942 m). Exchange rate fluctuations also had an adverse impact here. If these exchange rate movements had not occurred, Linde would have achieved a 2.2 percent increase in operating profit in the Gases Division. The operating margin remained fairly stable in the reporting period at 27.1 percent (2013: 27.3 percent).

Business trends in the individual segments of the Gases Division varied in each case, depending on prevailing economic conditions.

In the **EMEA segment** (Europe, Middle East, Africa), revenue in the first three months of 2014 of EUR 1.467 bn was slightly below the figure for the prior-year period of EUR 1.497 bn. On a comparable basis, the growth in revenue here was 1.2 percent. Operating profit was EUR 429 m, almost as high as the figure for the prior-year period of EUR 430 m. The operating margin here rose to 29.2 percent (2013: 28.7 percent).

There were positive trends in the on-site business virtually throughout the EMEA region. Against the prevailing background of modest economic growth in the eurozone, revenue in the liquefied gases and cylinder gas business remained at the same level as in the first quarter of 2013. In the Healthcare product area, a number of supply contracts relating to homecare operations acquired by Linde from Air Products in April 2012 were put out again to tender. As expected, due to the reorganisation of supply areas associated with this process, revenue in the Healthcare business in the EMEA segment in the first quarter of 2014 was slightly below the figure for the prior-year period. In accordance with the terms of its purchase agreement with Air Products, Linde is therefore entitled to a compensation payment.

Business trends in the **Asia/Pacific segment** were hampered mainly by unfavourable exchange rate effects. In the South Pacific region, the economic environment in manufacturing industry remained weak and investment in the mining industry declined. Both these factors had an adverse impact on growth. Against this background, Linde generated revenue of EUR 870 m in the Asia/Pacific segment in the three months to 31 March 2014, 6.0 percent below the figure for the prior-year quarter of EUR 926 m. On a comparable basis, revenue rose by 4.6 percent. Operating

profit fell by 6.7 percent to EUR 224 m (2013: EUR 240 m). This gives an operating margin of 25.7 percent (2013: 25.9 percent).

Within the segment, the most positive trends were to be seen in the business in the Greater China region, where the rate of growth was almost into double digits. Linde achieved volume increases here in all product areas.

In the **Americas segment**, there was a slight increase in revenue in the first quarter of 2014 of 0.6 percent to EUR 1.060 bn (2013: EUR 1.054 bn). On a comparable basis, the rise in revenue was 4.3 percent. Operating profit dropped by 4.4 percent to EUR 260 m, compared with a figure of EUR 272 m for the first three months of 2013. The operating margin fell as a result to 24.5 percent (2013: 25.8 percent).

Comparing the figures with those for the first quarter of 2013, it should be noted that in the second half of 2013 government tenders introduced in the healthcare business in North America resulted in reductions in prices. As expected, this had an adverse impact on revenue and earnings trends in this segment. In the run-up to these changes, Linde had already begun to adapt its cost structures.

Higher natural gas prices and inflation in some of the countries in South America also had a negative effect on the operating margin in the Americas segment.

Gases Division - Product areas

Within the Gases Division, revenue in the on-site product area (where Linde supplies gases on site to major customers) rose in the first quarter of 2014 on a comparable basis by 7.2 percent to EUR 928 m (2013: EUR 866 m). In the liquefied gases product area, revenue increased on a comparable basis by 4.1 percent to EUR 784 m (2013: EUR 753 m). On a comparable basis, revenue in the cylinder gas business of EUR 920 m was slightly higher than the figure for the first quarter of 2013 of EUR 917 m.

In the Healthcare product area, Linde generated revenue in the first three months of 2014 of EUR 735 m, which on a comparable basis was slightly higher than the figure for the prior-year period of EUR 730 m. Here, supply contracts being put out again to tender had an adverse impact on business performance. In Europe, the reorganisation of supply areas associated with this process affected the homecare operations acquired by Linde from Air Products in April 2012. In accordance with the terms of its purchase agreement with Air Products, Linde is therefore entitled to a compensation payment. In North America, government tenders introduced in the second half of 2013 led to price reductions in the healthcare market. The growth in Linde's Healthcare business would have been 5.3 percent in the first quarter of 2014 if the events described above had not occurred.

Gases Division - Outlook

Recent economic forecasts indicate that the global gases market will grow at a slightly faster pace in 2014 than was the case in 2013. Linde remains committed to its original target in the gases business of outperforming the market and continuing to increase productivity.

In its on-site business, Linde has a healthy project pipeline which will make a contribution to revenue and earnings in the 2014 financial year and an even more significant contribution to revenue and earnings in subsequent years. The Group is forecasting that its liquefied gases and cylinder gas product areas will perform in line with macroeconomic trends. In the Healthcare product area, solid growth is expected.

Against this background, Linde expects to achieve (after adjusting for exchange rate effects) a moderate increase in revenue and operating profit in the Gases Division in 2014 when compared with the 2013 financial year.

Engineering Division

Revenue and earnings trends in Linde's international plant construction business reflected the progress made on individual projects. The revenue of the Engineering Division in the first quarter of 2014 increased by 27.0 percent to EUR 701 m (2013: EUR 552 m), while operating profit rose by 7.6 percent to EUR 71 m (2013: EUR 66 m). This gives an operating margin of 10.1 percent

(2013: 12.0 percent). This is well above the industry average and equal to the target Linde set itself for the 2014 financial year.

The Group was awarded a number of contracts during the reporting period, especially in the energy and chemical sectors. Order intake in the first quarter of 2014 was EUR 701 m. When comparing this figure with that for the first quarter of 2013, it should be noted that the exceptionally high figure achieved in the prior-year period included a major contract worth EUR 450 m for the construction of six air separation plants for Reliance Industries Limited (RIL) in India.

More than 40 percent of the total order intake in the first quarter of 2014 came from the North America region. New business here again included projects for the efficient exploitation of shale gas reserves. Linde was able to win new orders of around USD 260 m in this market segment. Just over a third of order intake came from Europe and around 16 percent from the Asia/Pacific region.

The order backlog in the Engineering Division has remained at a very high level. At 31 March 2014, it stood at EUR 4.471 bn (31 December 2013: EUR 4.504 bn).

Engineering Division - Outlook

A relatively stable market environment is expected in the international large-scale plant construction business in 2014. Linde is well positioned in the olefin plant, natural gas plant, air separation plant and hydrogen and synthesis gas plant product areas and also has a high order backlog.

Linde expects to achieve solid revenue growth in the Engineering Division in 2014 compared with 2013. The Group anticipates that it will achieve an operating margin of around 10 percent.

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-20140506>

In the 2013 financial year, The Linde Group generated revenue of EUR 16.655 bn, making it the largest gases and engineering company in the world with approximately 63,500 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

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| Listed: | Regulierter Markt in Berlin, Düsseldorf, Frankfurt (Prime Standard), Hamburg, München, Stuttgart; Freiverkehr in Hannover; Terminbörse EUREX; SIX |

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266533 06.05.2014

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