



## January to September 2014: Linde generates a slight increase in revenue despite unfavourable exchange rate effects – Growth targets adjusted to reflect the weakening in the economic outlook

- Group revenue up 0.9 percent to EUR 12.584 bn (2013: EUR 12.468 bn); up 4.8 percent after adjusting for exchange rate effects.
- Group operating profit<sup>1</sup>: EUR 2.898 bn (2013: EUR 2.996 bn); up 0.4 percent after adjusting for exchange rate effects.
- 2014 Group outlook:
  - Revenue: Solid growth after adjusting for exchange rate effects.
  - Operating profit: Similar level to 2013 after adjusting for exchange rate effects and non-recurring items.
- Group medium-term targets for 2017:
  - Operating profit: EUR 4.5 bn to EUR 4.7 bn.
  - ROCE<sup>2</sup>: 11 percent to 12 percent.

**Munich, 30 October 2014** – In the nine months to 30 September 2014, the technology company Linde achieved a slight increase in Group revenue despite unfavourable exchange rate effects. Group operating profit, on the other hand, was not as high as the figure achieved in the first nine months of 2013. "Although global economic growth slowed down in the course of the year, we held our own pretty well," said Dr Wolfgang Büchele, Chief Executive Officer of Linde AG. "At the same time, we have recognised some impairment losses, which were required due to changed conditions in some regions in the Gases Division."

Given these impairment losses, Linde will no longer be able to achieve the target it had set itself for the 2014 financial year of around 10 percent for return on capital employed (reported ROCE). The Group now expects to achieve a similar level of Group operating profit (EBIT before non-recurring items adjusted for the

amortisation of intangible assets and the depreciation of tangible assets) in the 2014 financial year as in 2013, after adjusting for exchange rate effects. Until now, Linde had anticipated that it would achieve a moderate improvement in Group operating profit. The Group continues to expect to achieve solid growth in revenue in 2014 after adjusting for exchange rate effects.

As regards the Group's medium-term targets, CEO Büchele explained: "We will continue to implement our strategy which is geared towards profitability and sustainability. However, we have to take account of the fact that economic growth has been much weaker than we all expected. In addition, future prospects for global economic trends have recently dulled." Seen from today's standpoint, Linde therefore assumes that it will not be able to achieve the earnings target it originally set itself for 2016 until 2017. Depending on economic trends, Linde expects to achieve Group operating profit of EUR 4.5 bn to EUR 4.7 bn and a reported ROCE of 11 percent to 12 percent in 2017, based on current exchange rates.

### **January to September 2014 – Group**

In the first nine months of 2014, Linde achieved a slight increase of 0.9 percent in Group revenue to EUR 12.584 bn (2013: EUR 12.468 bn). Exchange rate effects had a significant adverse impact on revenue, especially in the first half of 2014. In the third quarter, the exchange rate effects became less unfavourable to Linde. After adjusting for exchange rate effects (which equated to revenue of EUR 462 m during the reporting period), the increase in revenue for the Group in the first nine months of 2014 was 4.8 percent.

Group operating profit of EUR 2.898 bn was not as high as the figure achieved by Linde in the first nine months of 2013 of EUR 2.996 bn. Adverse exchange rate effects also need to be considered here. The effect of these distortions was to reduce earnings by EUR 109 m. Without these distortions, the Group would have achieved a 0.4 percent increase in Group operating profit. The Group operating margin for the first nine months of 2014 was 23.0 percent (2013: 24.0 percent). When considering the fall in the margin, it should be noted that the Engineering Division (as expected) contributed more to Group revenue in the reporting period than was the case in the first nine months of 2013. Linde's engineering business has a lower margin than its gases operations.

The Group generated earnings before interest and taxes (EBIT) in the nine months to 30 September 2014 of EUR 1.400 bn, which was below the figure for the prior-year period of EUR 1.644 bn. This significant fall was the result of non-recurring items. Non-recurring items comprised impairment losses of EUR 229 m recognised in the Gases Division. After adjusting for non-recurring items, EBIT in the reporting period was EUR 1.629 bn.

Earnings before tax (EBT) in the first nine months of 2014 amounted to EUR 1.138 bn (2013: EUR 1.356 bn). Profit for the period was EUR 863 m (2013: EUR 1.078 bn). Profit for the period attributable to Linde AG shareholders was EUR 818 m (2013: EUR 997 m). This gives earnings per share of EUR 4.41 (2013: EUR 5.38). Earnings per share before non-recurring items stood at EUR 5.31 (2013: EUR 5.38).

### **January to September – Gases Division**

As a result of unfavourable exchange rate fluctuations, Linde's revenue in the Gases Division in the first nine months of 2014 of EUR 10.398 bn was somewhat lower than the figure of EUR 10.510 bn achieved in the prior-year period. If an adjustment were to be made for these exchange rate effects, Linde would have achieved a 3.3 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 its gases business.

In the first nine months of 2014, operating profit in the Gases Division fell by 2.6 percent to EUR 2.837 bn (2013: EUR 2.913 bn). Exchange rate fluctuations also had a significant influence here. If these exchange rate movements had not occurred, Linde would have achieved a 1.1 percent increase in operating profit. The operating margin in the gases business in the nine months to 30 September 2014 was 27.3 percent (2013: 27.7 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 nine months of 2014 was EUR 4.497 bn, just below the figure for the prior-year period of EUR 4.569 bn. On a comparable basis, revenue rose slightly, by 0.8 percent. Operating profit increased by 2.3 percent to EUR 1.344 bn (2013: EUR 1.314 bn). The operating margin in the EMEA segment rose to 29.9 percent (2013: 28.8 percent). Proceeds on the sale of non-current assets also contributed to this increase.

Within the EMEA region, Linde achieved double-digit growth rates in its on-site business in the UK and in the Middle East. In Continental Europe, on the other hand, business performance in this product area in the first nine months of 2014 was temporarily affected by the stoppage for repairs of a hydrogen plant in Italy. Against the prevailing background of modest economic growth in the eurozone, revenue in the liquefied gases and cylinder gas business in the EMEA region was only slightly above the figure achieved in the first nine months 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 nine months 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 was entitled to appropriate compensation which it duly received in the third quarter of 2014.

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.

In the third quarter of 2014, Linde had to recognise an impairment loss of EUR 100 m in China relating to parts of a plant complex in the Chongqing Chemical Park. It was necessary to recognise this impairment loss due to a change in the structural organisation at this site, which had an impact on both the raw gas available as feedstock and the purchase volumes of the plant complex. As a result of changed conditions in a sub-region of the South & East Asia region and in Australia, Linde also recognised an impairment loss during the reporting period of EUR 29 m.

The Group generated revenue in the nine months to 30 September 2014 in the Asia/Pacific segment of EUR 2.822 bn, almost the same as the figure for the prior-year period of EUR 2.843 bn. On a comparable basis, Linde achieved an increase in revenue here of 5.4 percent. Operating profit fell slightly by 1.3 percent to EUR 737 m (2013: EUR 747 m). The operating margin remained virtually static at 26.1 percent (2013: 26.3 percent).

Within the segment, the most positive trends were to be seen in business operations in the Greater China region. Boosted by volume increases in all product areas, Linde was able to achieve double-digit revenue growth here.

In the **Americas segment**, Linde generated revenue of EUR 3.172 bn in the first nine months of 2014, around the same level as that achieved in the first nine months of 2013 (EUR 3.190 bn). On a comparable basis, revenue increased by 4.3 percent. Whereas growth in North America was stable, the economic climate in some countries in South America, especially Brazil, continued to worsen as the year progressed. Given this trend, Linde recognised a further impairment loss of

EUR 100 m in Brazil during the reporting period.

Operating profit dropped by 11.3 percent in the Americas segment to EUR 756 m, compared with a figure of EUR 852 m for the first nine months of 2013. The operating margin fell as a result to 23.8 percent (2013: 26.7 percent). Higher natural gas prices in North America and inflation in some of the countries in South America had an adverse impact on earnings and on the margin. In addition, it should be noted that during the reporting period Linde generated a lower amount of income from an operating company in which it holds an investment than in the prior-year period.

When comparing the figures for the Americas with those for the prior-year period, a number of other factors should also be considered. Government tenders introduced in the healthcare business in North America in the second half of 2013, for example, resulted in reductions in prices, which as expected had an adverse impact on revenue and earnings in this segment. Linde had already begun to adapt its cost structures and in the course of the reporting period was increasingly seeing the benefits of this approach. Higher natural gas prices and inflation in some of the countries of South America, on the other hand, had an adverse impact on the operating margin. In addition, it should be noted that during the reporting period the Venezuelan government introduced a new exchange rate system with significant changes in exchange rates. Linde has felt the impact of these exchange rate effects since it started to apply the new system on 1 April 2014 and this is one of the factors which has had an influence on the revenue and operating profit of 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 nine months to 30 September 2014 on a comparable basis by 5.4 percent to EUR 2.765 bn (2013: EUR 2.623 bn). In the liquefied gases product area, revenue increased on a comparable basis by 3.8 percent to EUR 2.476 bn (2013: EUR 2.385 bn). On a comparable basis, revenue in the cylinder gas business of EUR 2.917 bn increased slightly to 0.3 percent above the figure for the first nine months of 2013 of EUR 2.907 bn.

Trends in the Healthcare product area improved in the course of the reporting period from quarter to quarter. Linde generated revenue here in the first nine months of 2014 of EUR 2.240 bn. This was an increase of 3.0 percent when compared with the figure for the first nine months of 2013 of EUR 2.174 bn. A point to note is that supply contracts were again put out to tender. 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 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 in the first nine months of 2014 would have been 6.4 percent 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, although the rate of growth will not be as dynamic as was expected at the beginning of the year. Linde remains committed to its original target in the gases business of outperforming the market and continuing to increase productivity.

Linde is still expecting a moderate improvement in revenue in the Gases Division in the 2014 financial year when compared with 2013 after adjusting for exchange rate effects. It is now anticipating that it will achieve a slight improvement in operating profit after adjusting for exchange rate effects and non-recurring items.

## January to September 2014 – Engineering Division

Revenue and earnings trends in Linde's international plant construction project business reflected the progress made on individual projects. The revenue of the Engineering Division in the first nine months of 2014 increased by 7.6 percent to EUR 2.226 bn (2013: EUR 2.068 bn), while operating profit of EUR 216 m was not as high as the figure for the first nine months of 2013 of EUR 225 m. This gives an operating margin of 9.7 percent (2013: 10.9 percent), which is well above the industry average and equal to the target of around 10 percent Linde had set itself for the current financial year.

Order intake in the first nine months of 2014 was EUR 2.665 bn (2013: EUR 3.661 bn). It was characterised by a major contract awarded to Linde in the third quarter of 2014 by SIBUR LLC, one of the leading petrochemical companies in Russia. Linde will be responsible for the engineering and for the procurement of components for one of the largest ethylene plants in the world which is to be built in Tobolsk in western Siberia. The exceptionally high figure for order intake in the first nine months of 2013 included a major contract to build a large ethylene plant for ExxonMobil in Houston, Texas, USA. Linde's partner in this significant project is engineering company Bechtel.

More than 60 percent of the order intake in the first nine months of 2014 came from Europe. This is mainly due to the major contract awarded to Linde by SIBUR. Just under a quarter of new business came from North America, where the market continued to be characterised by projects relating to the exploitation and processing of shale gas reserves. In the nine months to 30 September 2014, Linde was able to win new orders in this segment worth around USD 474 m. Approximately 10 percent of new orders came from the Asia/Pacific segment. The order backlog in the Engineering Division at 30 September 2014 was EUR 5.021 bn. This exceeded the very high figure for the order backlog at 31 December 2013 of EUR 4.504 bn.

## Engineering Division – Outlook

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

To coincide with the publication of the nine months financial report, a webcast for analysts will take place today at 2pm German time in English with Dr Wolfgang Büchele, CEO of Linde AG, and Georg Denoke, CFO of Linde AG. Journalists will have the opportunity to watch the [webcast](#).

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](http://www.linde.com)

<sup>1</sup> EBIT before non-recurring items adjusted for the amortisation of intangible assets and the depreciation of tangible assets.

<sup>2</sup> Return on capital employed as reported.

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