

21. DIRK-Konferenz – Frankfurt

Linde tender offer - the importance of IR in German takeover offers

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THE LINDE GROUP

05 June 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.

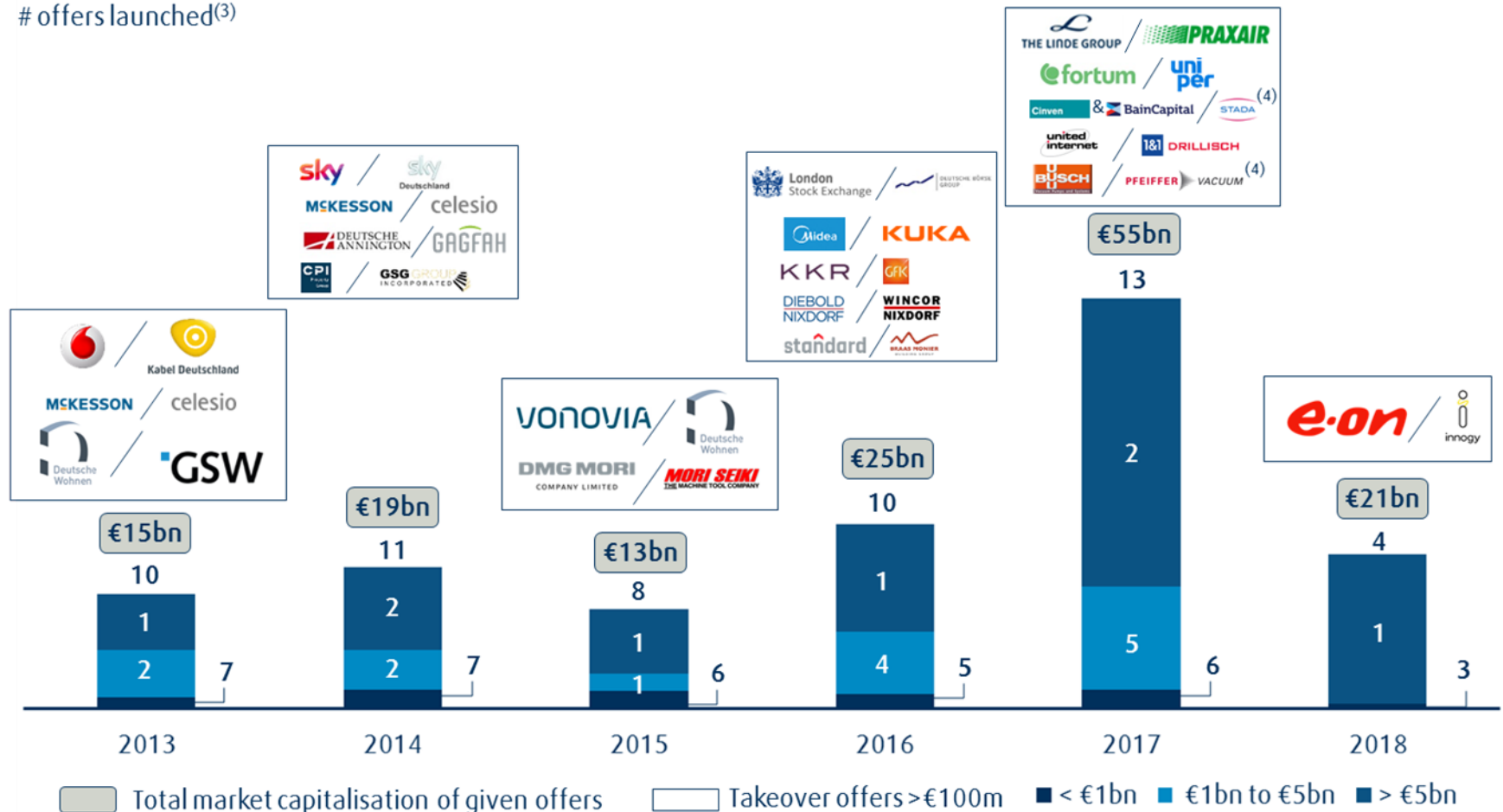
1. Takeover offers in Germany – a growing trend
2. „Takeover IR” versus “Normal IR”
3. Mechanics of German tender offers
4. The Linde takeover offer: a case study

Takeover offers in Germany – a growing trend

Involved ~14% of listed companies⁽¹⁾ across all sizes

German public takeovers launched since 2013 (market capitalisation at offer >€100m)⁽²⁾

offers launched⁽³⁾



- (1) Relative comparison of 52 takeover attempts launched during 2013-17 versus 371 listed companies in Germany with market capitalisation >€100m according to Capital IQ as of 30 April 2018
- (2) Including successful, pending and failed offers; initial bidder ownership <95%
- (3) Bar size indicates total market capitalisation of targets in a given year at offer date
- (4) Revised takeover offer launched after initial offer unsuccessful

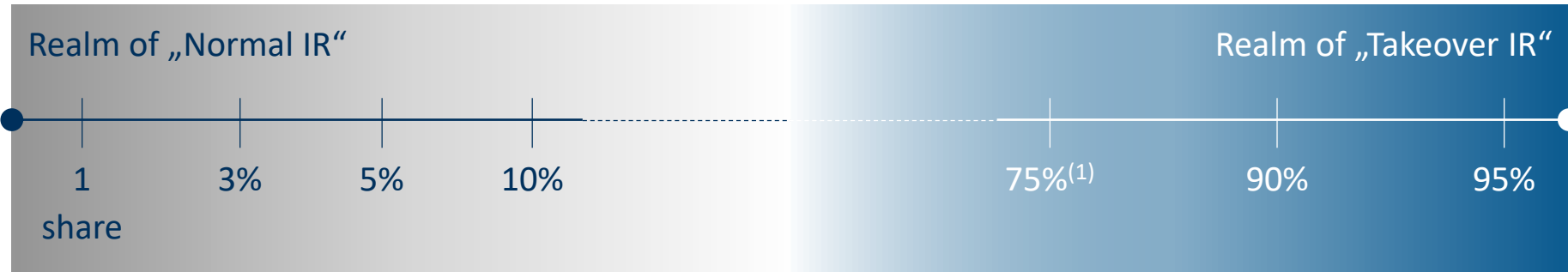
„Takeover IR“ versus „Normal IR“

Significantly higher level of shareholder involvement needed



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Overview of shareholding thresholds



Description of example shareholding thresholds⁽²⁾

- 1 share: make motions and counter-proposals within scope of agenda for general meeting, proposing auditors, challenge shareholder resolutions in court (*Anfechtungsklage*), right of information during general meeting (*Auskunftsrecht*), etc.
- Disclosure of voting rights at 3% (shares only), <5% (shares+derivatives), 10% (publish intention and source of funds), ...
- 5% of nominal capital/shares: amendment of agenda of general meeting by additional items, application to competent court to appoint different statutory auditor, convening of a general meeting
- ...
- 75% of capital present and voting in shareholders' meeting: resolutions on amendment of articles of association, transfer of all assets, capital increase/decrease, mergers, demergers and change of legal form, dissolution of the company, domination and profit and loss pooling agreements, etc.
- 90% of nominal capital: merger based squeeze-out of minority shareholders into another German stock corporation
- 95% of nominal capital: takeover or stock corporation based squeeze-out

(1) Reference to acceptance of ≥75% of capital present and voting in shareholders' meeting required to implement domination and profit & loss transfer agreement

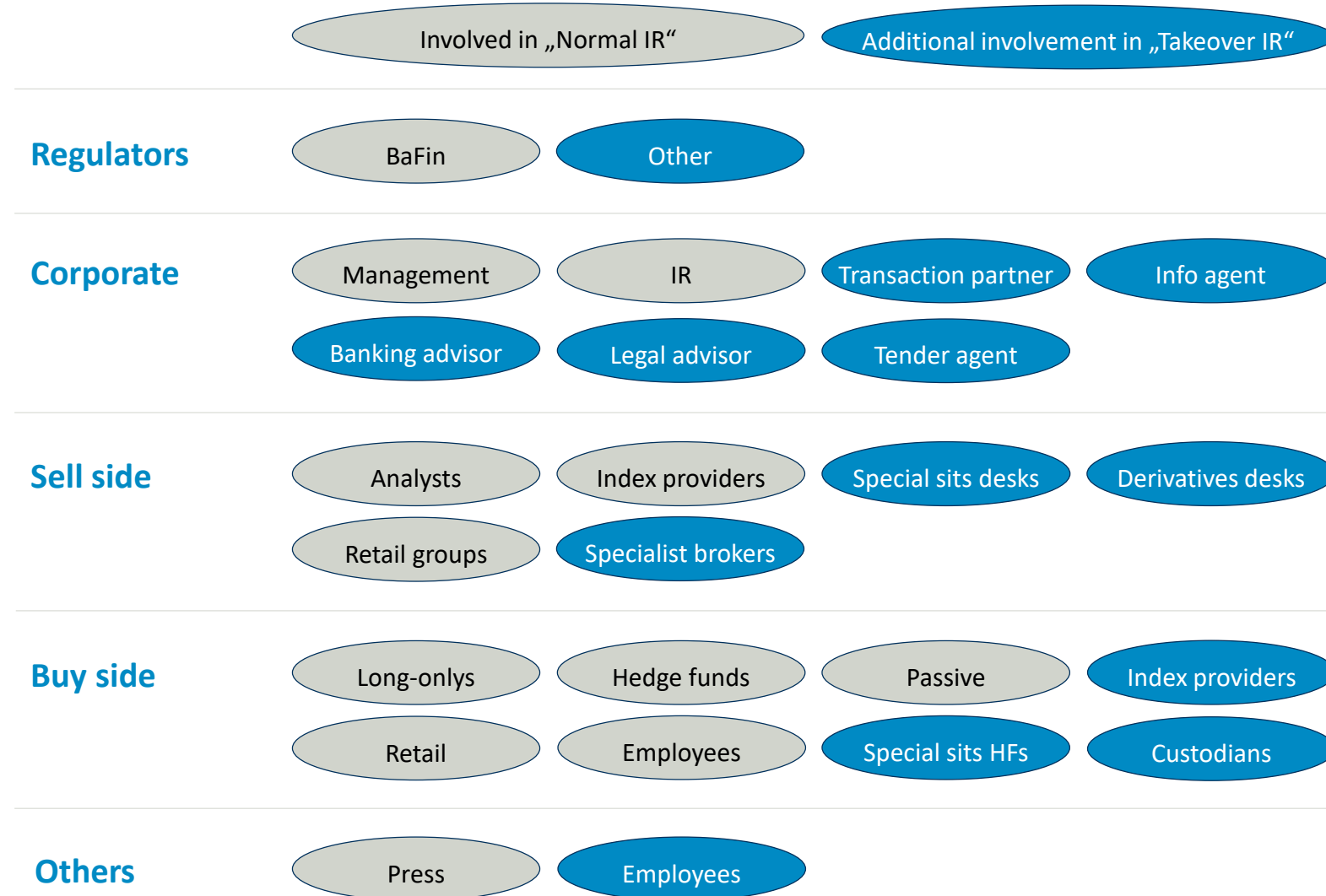
(2) List of thresholds and associated descriptions not comprehensive

„Takeover IR“ versus „Normal IR“

Increased complexity of stakeholders involved



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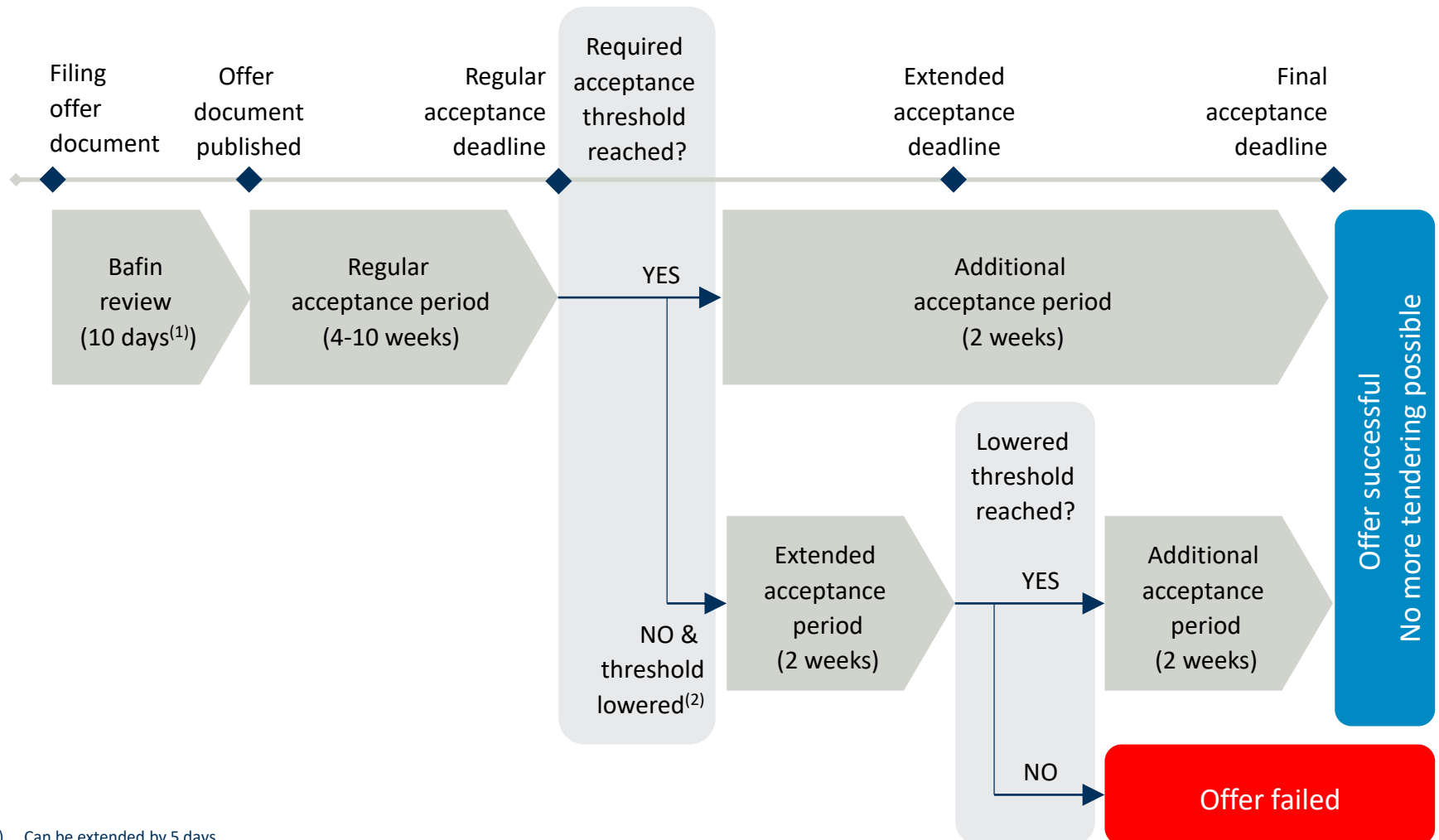
Mechanics of German tender offer

A long, complicated process with different paths



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Tender offer timeline



(1) Can be extended by 5 days

(2) Can be lowered within the last two weeks of the acceptance period

Mechanics of German tender offer

High dependency on timing, investor style, psychology, etc.



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Transaction mechanics

- Each shareholder can decide for themselves how many shares they want to tender for the offer
- Unlike a proxy vote at an AGM, the right to tender cannot be delegated
- Possible delay of several days between shareholder decision and final execution by custodian
- Derivatives (i.e. swaps & options): since ownership of these underlying shares belongs to the counterparty (i.e. broker), it is the counterparty that decides on if and when to tender

All investors

- Human error: since tendering is an active decision, shareholder must be aware of offer and decide to act in a timely manner; thus lack of awareness and procrastination are common issues
- Chicken-egg dilemma: concerns about lack of liquidity in the tendered line causes reluctance to tender early, resulting in limited stock availability / liquidity
- Principal-agent problem creates delays: funds must get approval by clients, then funds give instructions to custodians

Passive/index investors

- Index funds mechanically track indices they are replicating with no incentive to outperform; reluctance to tender early due to concerns about tracking error and liquidity
- Index providers only switch to tendered line after certain thresholds are crossed (i.e. 50% for DAX)

Retail investors

- Fragmented, diverse group with limited knowledge of complex process makes outreach difficult
- Local regulations restrict outreach (i.e. no solicitation) and participation (i.e. ADRs cannot tender)

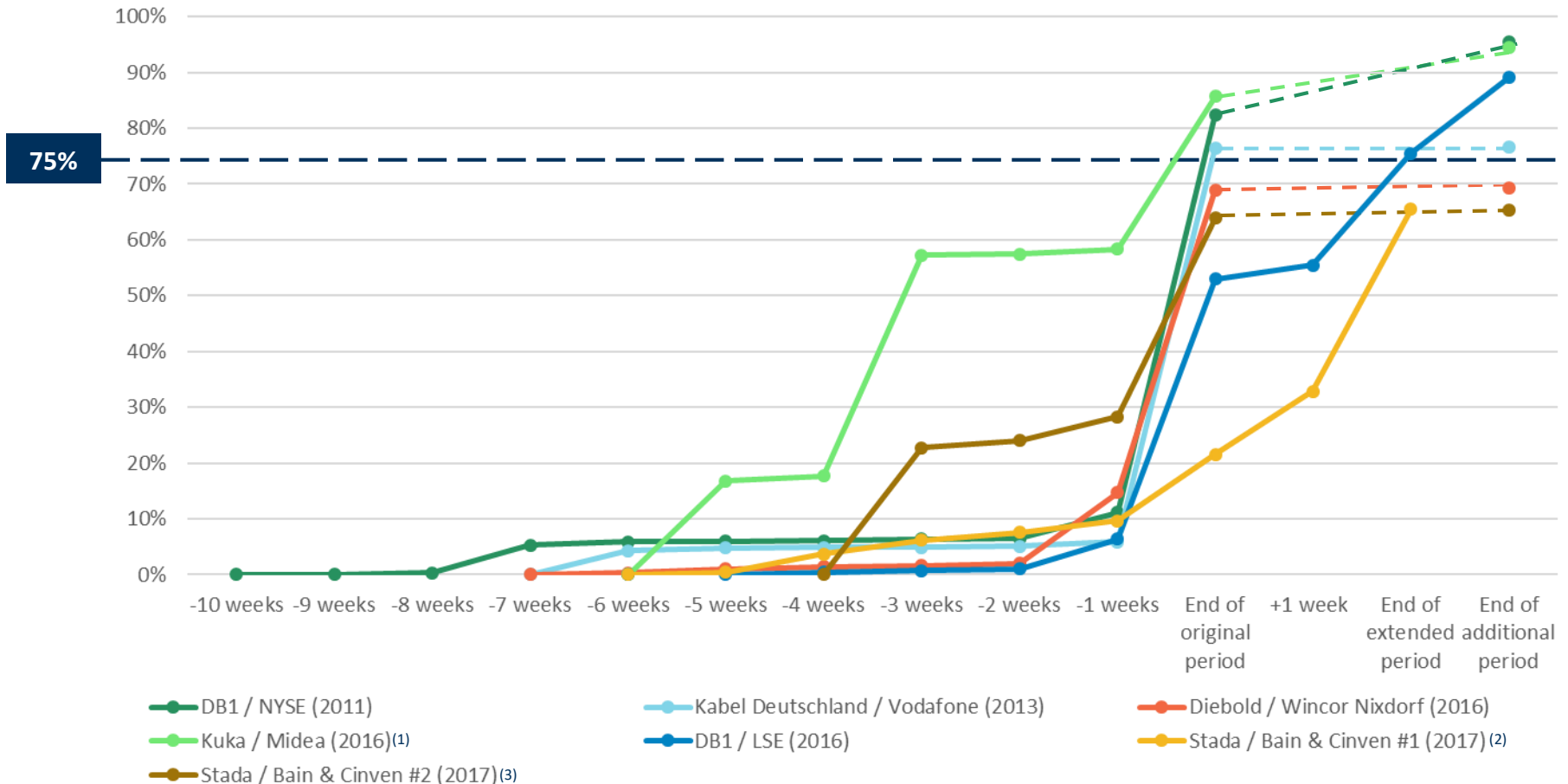
„Opportunistic“ investors

- Post-offer integration measures (i.e. domination agreement, squeeze-out) can offer attractive economics and incentivize not tendering; may result in blocked transaction (i.e. Elliott in Stada case)

Mechanics of German tender offer

Last minute tendering common; $\geq 75\%$ not always certain

Development of acceptance rate for selected takeover offers



(1) Midea already owned 13.51% of Kuka prior to the takeover offer

(2) First Stada takeover offer ending 21 Jun 2017 failed to reach lowered threshold of 67.5% and thus failed

(3) Second Stada takeover offer ending 16 Aug 2017 successfully reached required acceptance threshold of 63% and thus succeeded

The Linde takeover offer: a case study

Overview of transaction



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Rationale

- Creating a global industrial gas leader with combined pro-forma revenue of ~\$29 B⁽¹⁾
- Establishes strong positions in all key geographies and end-markets
- Considerable value through ~\$1.2 B in annual cost & capex synergies and efficiencies⁽²⁾
- Strong balance sheet and cash flow with financial flexibility to invest in future growth
- Market value of >\$85 B⁽³⁾

Structure

- All-stock merger transaction
- Linde shareholders to receive 1.540 shares in Linde plc for each Linde AG share exchanged
- Praxair shareholders to receive one share in Linde plc for each Praxair share
- Linde and Praxair shareholders each own approximately 50% of Linde plc (Assuming 100% of Linde shareholders tender into the exchange offer)

Incorporation & Name

- Linde plc incorporated in Ireland - a neutral European Economic Area (EEA) country
- Retain Linde's name globally

Stock Exchanges & Credit Rating

- Linde plc listed on and tradable on the New York and Frankfurt Stock Exchanges
- Seek inclusion in key indices (S&P 500 & DAX 30)
- Commitment to a strong investment grade credit rating

(1) 2016 pro forma sales without adjustment for potential divestitures and regulatory limitations.

(2) Based on 2016 financials of Linde and Praxair. Synergies and cost efficiencies have been adjusted for potential divestitures.

(3) Assuming 100% of Linde shareholders tendered into the exchange offer and based on closing price and prevailing exchange rates as of 30 April 2018.

The Linde takeover offer: a case study

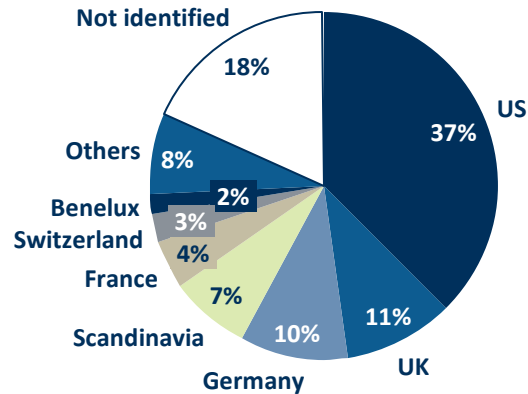
Many case-specific issues posed additional challenges



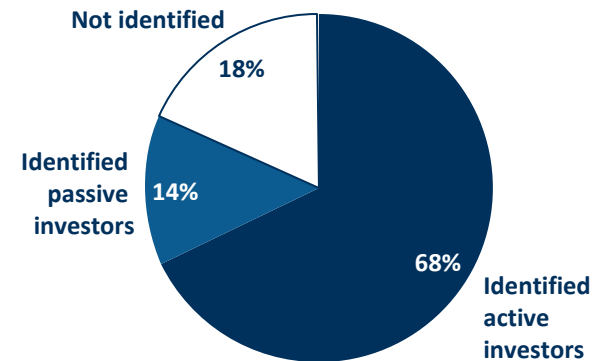
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Issues due to Linde shareholder base⁽¹⁾

Shareholders by geography



Shareholders by type



- Global base of institutional shareholders; very few have experience with German tender offers
- 100% free float of bearer shares with ~14% passive and ~18% not identified
- ADRs accounted for ~1% of shares outstanding
- ~0.1% of outstanding shares owned by employees through long-term incentive programme (LTIP)

Transaction-specific issues

- ≥74% acceptance rate needed to avoid adverse tax consequences
- Many hedge funds invested via swaps/options with their prime brokers, including some involved in the transaction; some brokers had restrictions on tendering the underlying shares due to compliance
- ADRs could not participate in the tender; 3 months to end programme + ~6 months for final redemption
- Regulatory requirements for immediate filing of transaction-related communications including SEC Form 425 and EU 596/2014 (Market Abuse Regulation)

(1) Based on Linde shareholder analysis as of 31 December 2017

The Linde takeover offer: a case study

Utilised the entire expanded sell side to „get the story out“



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Sell side analysts

~20
active analysts⁽¹⁾

~75
reports issued during
exchange offer period ⁽²⁾

~7
sales force briefings held

Specialist brokers



Special situations desks



- Linde IR reached out to entire expanded sell side to supported their research and marketing efforts, irrespective of their positive/negative views of the transaction
- Specialist brokers expertise with M&A situations, German tender offers, antitrust approval, etc. was widely utilised by both hedge funds as well as institutional investors

(1) Of 29 analysts covering Linde, 5 did not publish reports during 2017 (and thus are considered inactive) and 4 were restricted due to investment banking involvement related to the transaction

(2) Includes ~25 reports related 9M 2017 reporting on 27 October 2017 that also covered the takeover offer

The Linde takeover offer: a case study

High level of interactive engagement with all investor groups



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All investors

- Transaction website (included info materials, updates on tendering, FAQs, contact info, etc.)
- Create awareness that tender update is published on the website (i.e. every Tuesday at 14:00 CET)

Active investors

- Intense outreach to personally meet ~90% of identified active investors via roadshows / conferences; any investors that were not met were contacted by phone/e-mail or via sell-side contacts
- Also worked with information agent (Georgeson) to engage investors, track their participation and keep bothering procrastinators
- „Celebrity endorsement“: ask permission of Linde shareholders to publicly communicate their tendering action; useful for promotional purposes and creating atmosphere of „peer pressure“
- „Fear factor“: remind investors that lack of participation can cause the transaction to fail

Passive investors

- Established and maintained contact with largest passive managers (Blackrock, Vanguard, State Street, Legal & General) to make sure they were aware of mechanics and timing of tender offer
- Offered „irrevocable undertaking“ so that index trackers could commit their shares for tendering and have it count toward the acceptance rate, but without concerns about tracking error or liquidity

Retail investors

- Phone/e-mail hotlines run by both IR team and information agent; ~1,000 inquiries received
- Involvement of retail shareholder groups (SdK, DSW, etc.) to „get out the vote“
- Print media exposure through management interviews and ad campaigns
- CEO letter sent out via post in last month reminding shareholders to tender

Employees

- Internal comms such as: 1) letter & reminder sent from CEO to all employee participants of LTIP, 2) interview with Investor Relations informing employees about transaction merits, process, etc.

The Linde takeover offer: a case study

Example reports published by specialist brokers



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From: Mark Kelly <Mark.Kelly@olivetreeglobal.com>
Sent: 25 September 2017 15:52
Subject: Olivetree - Linde & The 74% Debate

Caution: The identity of the sender of this message could not be verified as it originates from the Internet. Please pay attention!



Linde (LIN GY / Market Cap EUR31bn) and Praxair (PX US / USD39bn) management have been very busy road-showing over the last couple of months. This has drawn investor focus sharply to the concept of the minimum acceptance level required in its tender offer. As a reminder, Linde's merger with Praxair is actually structured as a NewCo (Linde Plc) acquiring both (OldCo's) Linde AG and Praxair. The acquisition of Praxair is somewhat of a no-brainer, it just needs approval from a simple majority of its outstanding shares at its AGM on September 27, but the Linde tender is more complicated. German M&A is generally quite a painful exercise; tender levels often need to be adjusted in order to achieve a successful outcome. There does appear, however, to be a decent amount of disinformation in the market about Linde's ability to do this, and therefore concerns about the prospects of the tender being successful. Whereas Linde and Praxair shareholders would be right to focus on this topic closely, there are several levers available to Linde. Whilst the tender looks painful at first glance, with careful management there is no reason to suggest that it shouldn't result in success. Linde management appears to be engaged in just that so far, adopting innovative approaches to the tender – so although impossible to predict success with ultimate certainty, the building blocks are in place for a decent outcome.

From: Philip Streeton (SEAPORT GROUP EUROPE) <pstreeton2@bloomberg.net>
Sent: 07 September 2017 10:28
Subject: Linde/Praxair - what now?

Caution: The identity of the sender of this message could not be verified as it originates from the Internet. Please pay attention!

Been working more closely through the back-end machinations of the Linde/Praxair (LIN GY/PX US) deal, plenty of incoming as folks want to start thinking about the Domination/P&L Transfer that's actually a long way down the line but is viewed as a potential impediment to tender success (or a specific reason to get involved now). The default "maybe I buy, hedge and don't tender my Linde, standalone value has had a currency tailwind and a Court Appraisal challenge to an IDWS-1 could yield something approaching Eur200" and similar, is something the market's aware of but it doesn't really take into consideration the optionality that could work the other way by the time the DA rolls around in mid-2018.

Risk Arbitrage - Commentary
November 20, 2017



Linde (LIN GY)/Praxair (PX US)

€254 per LIN Share Under a Cash Squeeze-Out?

Highlights

- 60% minimum acceptance condition reached on Nov 7
- As of last count, LIN Plc had received 75.7% acceptances to its offer
- LIN Plc already has enough acceptances to launch a domination agreement
- The additional acceptance period ends on Nov 24; No update expected before the final results on Nov 29
- If LIN Plc receives >90% acceptances, a cash merger squeeze-out could be launched
- We believe a floor to squeeze-out compensation could be €202 per LIN AG
- We calculate the initial squeeze compensation could increase to as high as €254 per LIN AG after appraisal
 - In a squeeze-out scenario, we believe the untendered LIN could outperform the tendered line



Event Driven Insight

22 November 2017

Linde Untendered – Limited Support post the Exchange Offer

Summary

The additional acceptance for Linde expires on Friday 24th November. Currently the untendered line in Linde and the tendered line trade at parity.

We do not expect the possibility of a potential Domination Agreement or Squeeze Out after the completion of the merger to provide any support to the share price of the untendered line after the additional acceptance period closes.

- The latest disclosed acceptance rate is 75.7%. We expect the final acceptance rate to be between 85% and 95%.
- It is highly likely that after the transaction closes, the company moves to put in place a Domination Agreement or a Squeeze Out in order to extract the \$1.2bn synergies.

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Adam Tyrrell – Research Analyst
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Ad campaign in both local and national publications

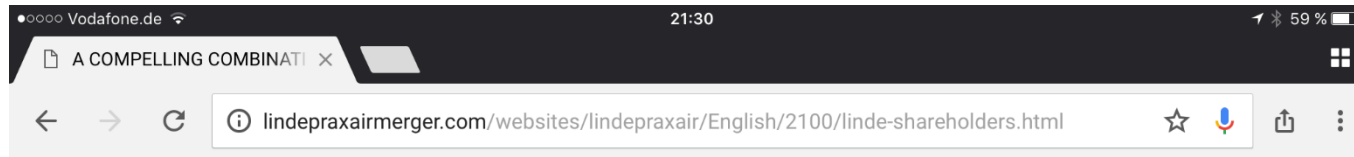


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„Nudge“ investor psychology with „celebrity endorsements“



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Home

Shareholders

Media Center

DE

Remaining time

15 03 29 16
Days Hours Minutes Seconds

Shares tendered

50.85 %*

*As at 20.10.2017, 14:00 CET

Who has tendered?**

Selected examples:

Shareholder

Artisan Partners Limited Partnership

Australian Super

Bay Street Capital Partners

Dodge & Cox

GIC Pte Ltd

MFS Investment Management

Nordea

Norges Bank Investment Management

Northern Cross LLC (including Harbor International Fund)

Nuveen TIAA Investments

Schroder Investment Management

- Weekly updates of list of „who’s who“ of prominent investors that would be recognizable by both institutional and retail shareholders
- Investor names were cited in press articles and analysts reports
- Created „peer pressure“ among investors speculating on who has not yet tendered

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„Nudge“ shareholders with „reminder“ letter from CEO



Dear shareholders,

A few weeks ago, Linde plc presented you with an offer to exchange your Linde shares which is part of the business combination of Linde and Praxair. Through this merger, we can create a leading company in our industry. We have been encouraged by the number of shareholders that have already accepted the offer. Now that we are entering the final phase of the offer period, I would like to address you personally.

The merger with Praxair opens up excellent perspectives for our company. We will strengthen the global footprint of the new Linde group. A robust balance sheet and strong cash flows will provide financial flexibility to invest in future growth, and – with significant synergies – we will also create considerable long-term value for all parties involved.

As of 04 October 2017, the exchange offer has already been accepted for 27.7 percent of the outstanding Linde shares. This is an extremely positive interim result. Numerous institutional investors have already tendered or intend to tender their shares, including Artisan Partners, Dodge & Cox, Norges Bank Investment Management, Nuveen TIAA, Schroder Investment Management and Union Investment GmbH. However, it is a condition of the merger that the exchange offer has been accepted for at least 75 percent of the outstanding Linde shares by the end of the acceptance period on 24 October 2017 (24:00 hours CET). With this in mind, I would like to encourage you to exchange your shares.

The acceptance process can take several days to implement. We therefore recommend that you contact your custodian bank to find out which deadline you will have to meet for your acceptance declaration and your corresponding instruction to your custodian bank. This date may occur before 24 October 2017. If you have any questions about the exchange offer, please contact the information agent provider Georgeson at any time by email at LINDE-PRAXAIR@GEORGESON.COM, or by calling 00800 3917 3917 (toll-free in Europe) or 0044 20 7019 7156.

No matter how many shares you hold in our company, I kindly ask you to make use of your right to tender and participate actively in shaping the future of your company.

Thank you for your support.
Yours faithfully,


PROFESSOR DR. ALDO BELLONI
[CHIEF EXECUTIVE OFFICER OF LINDE AG]



Liebe Aktionärinnen, liebe Aktionäre,

vor einigen Wochen hat Ihnen die Linde plc ein Angebot zum Tausch Ihrer Linde-Aktien vorgelegt, das Teil des Zusammenschlusses von Linde und Praxair ist. Mit diesem Zusammenschluss schaffen wir ein führendes Unternehmen in unserer Industrie. Die Anzahl der Aktionäre, die die Offerte bereits angenommen haben, hat uns ermutigt. In der Schlussphase des Angebots möchte ich mich gerne persönlich an Sie wenden.

Mit dem Zusammenschluss mit Praxair eröffnen wir unserem Unternehmen exzellente Perspektiven. Wir werden die globale Präsenz der neuen Linde-Gruppe stärken. Eine stabile Bilanz und ein starker Cashflow werden finanzielle Flexibilität für Investitionen in künftiges Wachstum ermöglichen, und mit signifikanten Synergien wollen wir auch langfristig erheblichen Wert für alle Beteiligten schaffen.

Bis zum 04. Oktober 2017 wurde das Angebot bereits für 27,7 Prozent der ausstehenden Linde-Aktien angenommen. Dies ist eine äußerst erfreuliche Zwischenbilanz. Schon jetzt haben verschiedene institutionelle Investoren ihre Aktien in das Angebot eingereicht bzw. beabsichtigen, diese einzureichen, darunter Artisan Partners, Dodge & Cox, Norges Bank Investment Management, Nuveen TIAA, Schroder Investment Management und Union Investment GmbH. Eine Voraussetzung für den Zusammenschluss ist jedoch, dass das Angebot bis zum Ende der Annahmefrist am 24. Oktober 2017 (24:00 Uhr MEZ) für mindestens 75 Prozent der ausstehenden Linde-Aktien angenommen worden ist. Vor diesem Hintergrund möchte ich auch Sie ermuntern, Ihre Aktien anzudienen.

Die Durchführung der Annahme des Tauschangebots kann einige Tage dauern. Deshalb empfehlen wir Ihnen, sich bei Ihrer Depotführenden Bank zu erkundigen, welche Frist für die Erklärung der Annahme und die entsprechende Erteilung von Anweisungen an Ihre Depotbank einzuhalten ist. Das Enddatum kann unter Umständen einige Tage vor dem 24. Oktober 2017 liegen. Bei Fragen zum Tauschangebot steht Ihnen unser Informationsdienstleister Georgeson jederzeit per E-Mail unter LINDE-PRAXAIR@GEORGESON.COM, und per Telefon unter 00800 3917 3917 (gebührenfrei in Europa) oder 0044 20 7019 7156 zur Verfügung.

Ganz gleich, wie viele Aktien Sie an unserem Unternehmen halten, bitte ich Sie, von Ihrem Tauschrecht Gebrauch zu machen und so die Zukunft Ihres Unternehmens aktiv mitzugestalten.

Ich danke Ihnen für Ihre Unterstützung.
Mit freundlichen Grüßen

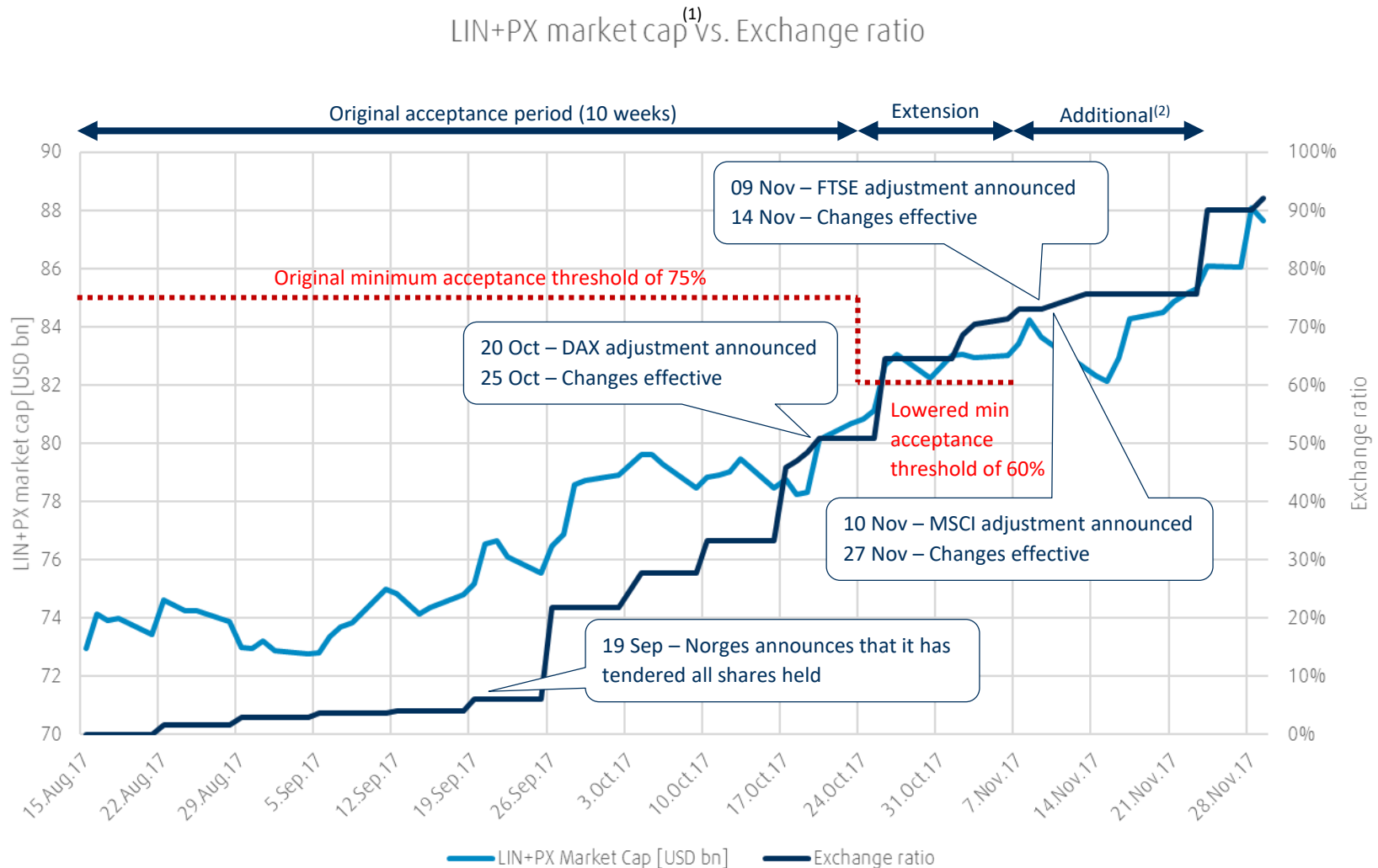

PROFESSOR DR. ING. ALDO BELLONI
[VORSITZENDER DES VORSTANDS DER LINDE AG]

Sent via post to 32,842 shareholders and electronically to 5,289 shareholders

English and German versions made available online

The Linde takeover offer: a case study

Joint valuation influenced by exchange offer development



(1) Joint market cap calculated based on daily FX rates and assuming 100% of all Linde shares were tendered

(2) Actual last day of exchange offer was 24 Nov 2017. The final acceptance rate was announced on 29 Nov 2017.

Your questions are welcome.

LeadIng.



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