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Thanks, Chris. Good morning, everyone and thank you for attending our 2020 third quarter earnings call and webcast. I am Juan Pelaez, head of Investor Relations and I’m joined this morning by Steve Angel, Chief Executive Officer and Matt White, Chief Financial Officer and Sanjiv Lamba, Chief Operating Officer.

Today's presentation materials are available on our website at linde.com in the Investors Section. Please read the forward-looking statement disclosure on page 2 of the slides and note that it applies to all statements made during this teleconference. The reconciliations of the adjusted numbers are in the appendix of this presentation.

Steve and Matt will now give us an update on Linde's third quarter performance and then will be available to answer questions. Let me turn the call over to Steve.

Stephen F. Angel  
Chief Executive Officer & Director, Linde Plc  

Thanks, Juan, and good morning, everyone. Another outstanding performance by the Linde team worldwide and I’m thinking especially about all our employees who have been delivering products, servicing customers, filling cylinders, operating plants, building plants and taking care of patients and they have been doing that uninterrupted from the beginning of this pandemic.

You can see we delivered very strong financial performance this quarter. We achieved record operating margins in all our gas segments, driven by good cost and price management and better volumes, which we were able to leverage down the income statement. Based on our fourth quarter guidance we expect to deliver 12% earnings per share growth for the full year on top of 23% growth last year ex-FX.

As expected, the more resilient markets we serve, healthcare, electronics and food freezing, continue to perform well. And our fixed-fee contracts have protected us from volume reductions in the more cyclical end markets. Geographically all segments showed volume improvement versus Q2 but still remain below pre-COVID levels.

Going into Q4, I expect volumes in Asia, led by China, Taiwan and South Korea to be positive both sequentially and year-over-year. However, we see growth flattening out in both the Americas and Europe sequentially as COVID cases continue to rise or remain at elevated levels. The impact is most pronounced in our metals and manufacturing market segments. This is consistent with published macroeconomic data and with what you’re hearing from other companies.

I know there’s a lot of interest regarding 2021. I think we will all acknowledge COVID is a bit of a wildcard at this point. What I am confident in is the resiliency of our integrated supply business model, which we’ve been clearly
demonstrating our ability to achieve positive pricing in any environment, the strength of our backlog and our ability to achieve cost efficiencies on an ongoing basis.

Assuming stable volumes, I am confident that we will deliver another year of double-digit earnings growth in 2021. This is all I can share with you on 2021 today but we will provide a more detailed outlook on our next earnings call.

You can see in the appendix a chart that tracks our performance against the 35% greenhouse gas intensity reduction goal we announced in February. With a 19% reduction to-date versus our 2018 baseline year, we are clearly well on our way towards achieving our goal.

With us on the call today is Sanjiv Lamba, who we recently announced as our new Chief Operating Officer. A little bit about Sanjiv, he has spent his entire career in industrial gases beginning with BOC, then Linde AG, and upon our merger, Linde Plc. It is fair to say he has survived and thrived in three different administrations and two major integrations. He is deeply knowledgeable of all three modes of industrial gas supply, on-site, merchant and packaged gases, and has been a strong advocate for our strategy of building network density in core geographies.

Under his leadership APAC has improved operating margins over 500 basis points over the last two years driven by cost efficiencies, good price management and the rollout of digitalization initiatives. The integration between legacy Praxair and Linde AG in Asia was completed ahead of scheduled and generated substantial benefits for the company. Another indication of the success of the merger and Sanjiv’s leadership is our employee survey results, which were quite positive across the entire Asia population.

On the project side 70% our sale of gas backlog today is in Asia and many of those projects were won as a result of Sanjiv’s leadership. In terms of clean energy, Sanjiv has been a strong advocate. We have more project activity in Asia today than any other part of the world and I expect Asia to be the region where we first see meaningful results.

Sanjiv has been a staunch supporter of all our corporate values; safety, integrity, diversity, community and sustainability. And I expect him to continue to work diligently to improve our performance in all these areas.

As you saw in the announcement, Sanjiv will be responsible for the Americas, APAC and EMEA regional operating segments, as well as Linde Engineering, Lincare and global functions. And he will relocate to Danbury, Connecticut.

With that I will turn it over to Sanjiv to say a few words.

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**Sanjiv Lamba**

*Chief Operating Officer, Linde Plc*

Thanks, Steve. And good morning, everyone. I’m honored to be given this opportunity and I really appreciate the vote of confidence from Steve and the entire Board of Directors. As Steve said, with my 30-plus years in the industrial gases space, I can say with some pride that Linde today is an exceptional company, with a strong operating culture and a laser sharp focus on sustainably creating value for our shareholders.

I also believe Linde is uniquely positioned to leverage its technology to generate quality growth while making our customers more efficient, sustainable and indeed, our planet and our world more productive.
I look forward to working closely with Steve, the leadership team and indeed our talented employees around the world to continue to drive growth and high quality results for our shareholders. As I transition into the new role, I hope to get a chance to meet most of you, at least virtually, in the coming months.

I’ll now turn it over to Matt to discuss our Q3 performance and outlook.

Matthew J. White  
Executive Vice President & Chief Financial Officer, Linde Plc

Thanks, Sanjiv, and good morning, everyone. Third quarter results can be found on slide 3. Sales of $6.9 billion were 2% below prior year but 7% higher sequentially. Versus prior year, volumes are down 3% as lower base volumes, primarily in the manufacturing end market, more than offset positive contribution from project startups in APAC and Americas. While it’s difficult to know the exact impact from COVID, we estimate the Q3 effect to be a mid-single-digit percent decrease.

Despite lower year-over-year volumes we had a solid sequential improvement with gas volumes increasing 6% from recovery in food and beverage, refining and chemicals and the more cyclical markets of metals and manufacturing. At the consolidated level, Engineering sales were flat with prior year but down 3% from the second quarter. This was primarily due to project timing, as the sale of equipment backlog has held relatively steady at $4.9 billion.

Pricing trends continue to be positive with increases of 2% over prior-year and 1% over the second quarter. All geographic segments achieved higher pricing as local management took actions to recover cost inflation. You’ll notice that the year-over-year impact from FX was 0%, due primarily to a stronger euro and Chinese RMB, mostly offset by weaker Latin American currencies.

Sequentially, FX was a 3% tailwind as the dollar depreciated across most foreign currencies. Operating profit of $1.5 billion or 22.1% of sales rose 9% from 2019 and 15% sequentially. Versus prior year, operating profit grew from a combination of higher pricing, cost management and defensive revenues in the form of resilient end markets and fixed contract payments. In fact, operating margins expanded 230 basis points from 2019, our fifth quarter in a row of expanding margins more than 200 basis points. Sequentially operating profit grew 15% and margins increased 140 basis points from strong profit leverage on the higher volumes.

As demonstrated this quarter, our business has a unique combination of downside protection with fixed payments and resilient end markets, yet upside potential on economic recovery. Diluted EPS of $2.15 was 11% higher than prior year and 13% higher sequentially. Frankly, I don't expect you'll find many industrial or material companies that can claim year-over-year double-digit percent EPS growth in this environment, which speaks to the high performance culture and quality of the Linde business model.

Further validation of our performance can be found in the cash flow trends. Q3 operating cash flow of $1.9 billion increased from both prior-year and second quarter, confirming a continued high conversion of earnings to cash flow and resulting in an operating cash flow-to-EBITA ratio of 84%.

Equally important is the disciplined capital deployment, evidenced by prudent CapEx investments and a consistently rising return on capital, which reached a record 12.8% this quarter. Base CapEx, which represents all non-backlog spending, has increased from smaller on-site growth projects primarily serving the manufacturing end market, including paper and glass. However project CapEx, which represents contractual growth with spend over $5 million has declined, primarily due to startups.
While our ability to start up on time speaks to the quality of our customers and contracts, I do anticipate the overall backlog to decline into 2021, similar to the trends we saw in 2009 and 2015 following capital cycle corrections. But recall, following those corrections, customer project spending rebounded and subsequently led to significant project backlog growth, including a record year in 2011. So, using history as a guide, I expect the capital cycle will eventually recover and provide future growth opportunities.

Return on capital is the ultimate metric for this industry and we have consistently demonstrated a prudent balance of growth and quality. Poor contract management and misallocation of CapEx can lead to significant cash losses, potentially even greater than the initial investment. This explains why Linde is laser focused on a consistent, proven investment process to stay within our core expertise and dense integrated supply network while properly balancing diversification, risk and return.

Now, while we had a solid third quarter performance, I believe it's just as important to discuss our longer range trends, which you can find on slide 4. From a financial perspective, our owners want a company that will deliver high quality growth while prudently managing capital and generating excess cash to fund growth and shareholder distributions.

And when looking at our results since the merger in Q4 of 2018, that's exactly what you'll find. The top half of this slide demonstrates high quality growth. In just under two years, we expanded EBIT margins 600 basis points and grew quarterly EPS by 42%.

Most companies would be pleased with this performance by itself, yet we accomplished it with a commitment to capital discipline. 2020 year-to-date operating cash flow is up 27% and free cash flow has more than doubled. This enabled funding of growth and shareholder distributions, including a 10% dividend increase and over $2 billion of share repurchases. Furthermore, return on capital has increased 250 basis points from the merger date.

It's also important to note that financial performance wasn't our only focus. We are living our core values through improved safety performance, employee diversity, and carbon reduction, which are all detailed in our 2020 sustainability report that was issued in July.

Many people tend to forget that we achieved these results while integrating two complex multinational companies during a global pandemic. In fact, while some stated we would not be successful, I continue to look forward to what we will accomplish next.

I'll now wrap things up with our updated 2020 guidance, which you can find on slide 5. For the fourth quarter, we're estimating EPS in the range of $2.11 to $2.16. Excluding the 1% FX headwind assumption, this range represents 13% to 15% growth over 2019. We're anticipating flat volumes sequentially as incremental project contribution is expected to be mostly offset by seasonally lower sales and Engineering project timing. We believe this range is appropriate in light of the continued uncertainty around the pandemic and subsequent economic impact.

Full year guidance is now $8.05 to $8.10, which includes an estimated 2% FX headwind. This updated range falls within our February 2020 pre-COVID estimate of $8 to $8.25. So in summary, irrespective of the global challenges, we are expecting to grow full year EPS 12% ex-currency and thus deliver on our original 2020 financial commitment.

I'd now like to turn the call over to Q&A.
QUESTION AND ANSWER SECTION

Operator: Thank you, sir. [Operator Instructions] Our first question comes from Duffy Fischer of Barclays. Your line is open.

Duffy Fischer  
Analyst, Barclays Capital, Inc.

Yes. Good morning, fellas.

Stephen F. Angel  
Chief Executive Officer & Director, Linde Plc

Good morning.

Duffy Fischer  
Analyst, Barclays Capital, Inc.

First question. If we could just go to the slide that Matt was just on, slide 4, the chart in the upper left-hand corner just showing the profit margin expansion. Could you talk about the size of the buckets that contributed to that? How much was price, how much was integration, how much was just cost cutting at the respective companies?

And then, is there anything in that improvement that would be transitory that might become a headwind and there I would think of something like maybe in Lincare you might be over earning because COVID is a respiratory disease. Maybe that's got better business this year than it might a year or so from now. So, anything in there that we would need to overcome to keep that as either a base or a base to grow from?

Stephen F. Angel  
Chief Executive Officer & Director, Linde Plc

Well, the way I would answer that, Duffy, is in any given year you're going to have some headwinds, you're going to have maybe some tailwinds, and then the rest of you just got to go execute.

And I think the point is, year-end, year-out, quarter-end, quarter-out, every month, the team executes at a high level. Pricing is always an element of this and if you go back over this timeframe, I'm sure it probably was about 2%. We always get pricing in this business. We'll get it going forward as well. So I think that is a factor.

Certainly good cost management through these last several quarters, which is very important as a result of COVID. And then as you spoke about earlier, we did have some merger synergies, which quite frankly I don't look at anymore because that's kind of in the rearview mirror to us because right now we're just working on cost efficiencies in every business. And so, that will sustain us going forward.

And what I'm confident in our ability to continue to drive operating margins northwards is kind of what I said, continued price improvement, continued good cost management, productivity programs which we've been ramping up here. And whatever volume comes our way, I think you've seen from Q2 to Q3 we were able to take that volume and translate it into ever higher levels of margin all the way down the income statement.
And of course, we have some large project contribution to look forward to and that will be – we have a fairly healthy backlog today, so that will sustain us for a while. So we'll continue that trend that you're referring to in the upper left-hand side.

**Duffy Fischer**  
*Analyst, Barclays Capital, Inc.*

Perfect. And then, if you could maybe just look at merchant and packaged and kind of walk through the three big geographies and what you were seeing volume-wise there and how that looks today?

**Stephen F. Angel**  
*Chief Executive Officer & Director, Linde Plc*

Well, I think packaged is more impacted by manufacturing. So, manufacturing globally has been suffering more so than other market segments. So, if I look kind of inside of that number and if you looked at the United States, for example, you would see that hard goods is weaker than gas. So, you probably still have negative double digit year-over-year hard goods volumes. But on the gas side, it'd be much better, say, low negative single digits. So, you kind of have those trends.

On the merchant side, it can be affected by resilient markets and often is. So, if you were to look at the US and Europe healthcare, food freezing, are large markets for us and those markets have held up very well as Matt spoke about and as you can see in that end market chart in the back. And then if you were to look into – look at Asia, you would see that electronics markets and we do provide merchant liquid electronics markets too, it's not all over the fence, holds up quite well. So, merchant, generally speaking, would be better because of the resilient end market exposure, packaged gas a little weaker because of manufacturing. In both cases, the fixed-fee structures have held up exceptionally well.

**Duffy Fischer**  
*Analyst, Barclays Capital, Inc.*

Great. Thank you.

**Operator:** Thank you. Our next question comes from Bob Koort of Goldman Sachs. Your line is open.

**Robert Koort**  
*Analyst, Goldman Sachs & Co. LLC*

Thank you very much. Steve and Matt, I wanted to ask you guys about hydrogen a little bit here. Obviously, it's been a lot of fanfare about this market, but wondering how it fits in, Matt with your description of investing with high returns on capital and exploiting your core dense network, of which you can lend itself with, are you going to do more rifle shots? Can you share, just tell us how you think about that market opportunity?

**Stephen F. Angel**  
*Chief Executive Officer & Director, Linde Plc*

I would say rifle shots, very focused shots based on in-market presence, in-market infrastructure, customers we know, customers often in most cases are already supplying. And so to me, these look very much like the normal fare industrial gas, over the fence projects. And the only difference is clean hydrogen is the product. That's the only difference.
Matthew J. White  
Executive Vice President & Chief Financial Officer, Linde Plc

Yeah. And just to add to that, Bob, as you can imagine, it's an asset intensive growth area. And that's, we view is our strength is to manage these assets and get good returns relative to the risk on that. So, we don't see that very different at all on how the rest of the industrial gas business runs and is operated.

Robert Koort  
Analyst, Goldman Sachs & Co. LLC

That's helpful. Thanks. And Steve, I know last time you guys named a COO, he only was there for about a year, and then there was a succession. Should we read into this that you're planning on heading out at some point in the not so distant future? Can we rely on you sticking at the helm for a while longer?

Stephen F. Angel  
Chief Executive Officer & Director, Linde Plc

One day I will head out, but there's nothing decided or planned. But you can rest assured one day, I will not be here.

Robert Koort  
Analyst, Goldman Sachs & Co. LLC

Okay. Thanks.

Operator: Thank you. Up next we have Peter Clark of Société Générale. Your line is open.

Peter Clark  
Analyst, Société Générale SA (UK)

Yes. Thank you. Good morning, everyone, and welcome, Sanjiv. I've got a quick query on terms of the guidance. Obviously, you're at the top end of where you were guiding back in February. And since then, we had the pandemic develop across the world. Obviously, you took a bigger volume hit. Clearly, productivity has been a key thing, but for you, Steve, would you say the way that Linde Plc has adjusted to this would have been the same as a Praxair, i.e., the organization has pretty much adjusted to the way you would like to see it?

And then, the follow-up to that is actually for Sanjiv because I think way back in Q2, 2019, we were told Asia was off the mark very quickly in terms of adjusting and productivity benefits. Just wondering how you see the difference at Linde Plc, the main differences anyway, as against Linde AG and perhaps even BOC. Thank you.

Stephen F. Angel  
Chief Executive Officer & Director, Linde Plc

So, I'll take the first part question, then I'll turn that one over to Sanjiv. Quite frankly, across the board, Linde Plc, people did what they needed to do to address the challenges of COVID, whether that was jumping through hoops to take care of patients. There was a recent article about what our drivers and our team did in India to provide oxygen to all those hospitals in need. So, that's what people did really across the board, there's hundreds of stories just like that. But from a cost management standpoint, I would say everybody stepped up to the challenge and there really is no differentiation in terms of legacy organizations.
Sanjiv Lamba  
Chief Operating Officer, Linde Plc

Thanks, Peter. My observation of the productivity piece would really go something like this, in Linde Plc, the main difference I see is we find productivity is a fundamental part of our business process it's entirely embedded. It's not a program as we might have run in Linde AG or Linde AG or an initiative that's separate from the business. It doesn't sit on top. It sits within the business. It's something we do every day. There are thousands of projects that we have that build and deliver on this productivity effort and the overall benefits that we see in there. And I think that's kind of the fundamental difference between what I've seen in the past and what we are now going through in Linde Plc.

Peter Clark  
Analyst, Société Générale SA (UK)

Thank you.

Operator: Thank you. [Operator Instructions] Next we have Nicola Tang of Exane BNP. Your line is open.

Nicola Tang  
Analyst, Exane BNP Paribas

Hi, everyone. Thanks for the presentation and thanks for taking my questions and congrats, Sanjiv, on the promotion. Firstly, I wanted to ask about the backlog. Matt in your remarks, you were commenting on a decline in the backlog into 2021. And I was wondering if you could talk about the existing backlog as well and do you see any delays in your existing backlog at the moment?

And when I look at your revised CapEx guidance, I see you've taken it down very slightly. Is that related at all to project delays or cancellations or is that lower non-project spend? And then I had a second question on the buyback, should I pause there?

Stephen F. Angel  
Chief Executive Officer & Director, Linde Plc

Okay. So, this is Steve. I'll take the first part. On the backlog, so, the backlog number we publish is a function of projects that we have signed, that come into the backlog and projects that have started up, which comes out of the backlog. And so, you got to, kind of, divorce that from an annualized CapEx spend rate.
But what Matt was saying is we can look at projects we're starting up next year and that's a good thing, right? That's why we've closed those projects, so, we get it started up, so, we could start seeing the revenue and the returns. But based on the amount that we're going to be starting up and based on our best estimate in terms of when we will replenish or we will add projects to the backlog, it is likely that number could come down.

Now, it could also bounce around some, because, again, this is lumpy. So, that's really what he is referring to. And if we think just really in terms of where we think projects are going to come from or where they are coming from, electronics is quite strong and for reasons that you're all very much aware of. So, if anything, electronics opportunity pipeline is becoming stronger over time. Clearly clean energy, we're looking at quite a few projects, it's a question of timing.

And then I would say the rest of the project opportunity slate is really more of a function of demand. There are projects that we know customers would like to do, but right now their balance sheets, their businesses are fairly weak and they're going to wait until demand comes back. But this kind of goes back to Matt's earlier point that when demand comes back all kinds of projects tend to flow back into the pipeline system.

With respect to delays, I don't expect to see much in the way of further delays other than what we've seen, which was very mild compared to what you've heard others talk about. We are pretty confident about the status of all – certainly all the big projects that we have in the pipeline today. I don't anticipate any further delays. And we feel very good about when we will start seeing the commercial benefits from those investments.

And with respect to a little lower CapEx spend, I mean, I would say certainly all the good project opportunities we are pursuing. This would be non-growth spend that we had just been continuing to manage closely, more closely every day. We're finding savings here and there, which is what we always expected would happen as we really focus more so on the non-growth CapEx spend.

But inside of that number, that base CapEx number, the growth with respect to pulp and paper projects, with respect to glass, with respect to lithium ion battery projects, small on-site projects really is quite strong and so that has been a very favorable trend throughout COVID.

Matthew J. White  
Executive Vice President & Chief Financial Officer, Linde Plc

Thanks, Stephen, and hi, Nicola. Yeah. I'll just add one point to Steve before I go to the buyback question. I think just to clarify too, our definition of backlog, the definitions are not consistent in this industry. So I just want to make sure you understand that. My opinion, we have the most stringent definition on how we define backlog, it must be growth, it must be contractually secured, over $5 million, it means we don't put MOUs, we don't put LOIs, we don't put merchant-only type projects.

So, to Steve's point, even within our base CapEx spending, a little less than half of that is for growth and for very good growth. For on-sites below $5 million, some of these small on-sites we're putting in places like glass and some other strong growing markets like paper.

We also are seeing a lot of good growth opportunities in there that may not meet our backlog definition, but we see good returns relative to the risk in things we're pursuing. So, I just want to make sure when you think about the capital we're spending on growth, there are two elements, there's what fits our fairly stringent backlog definition but then, there is a substantial portion of growth that we also have that we're pursuing in the base CapEx.
Regarding the share buybacks. Yeah, just a couple points to make. First, the expiration, I wouldn't look too deep into that, into February. That's more of a technicality that's required under the European MAR requirements. In reality, I think, a better way to think about how we look at buybacks is that they're an integral part of our capital allocation policy. As you probably well know, we always look to maintain our A rating and grow the dividend every year. And then after that, our priority is to grow. And it's to invest in growth, could be acquisitions, could be decaps, could be projects.

But we always tend to have a lot of excess capital left over. And then with that excess capital, that goes to buybacks. So our expectation is to continue to have open buyback programs. As far as why we're probably a little bit less on track than the $6 billion, obviously, as you know with COVID, we turned it off for about a quarter just in light of the items we discussed at that time in Q2. But this is something that we've been in the market now every day since August, since we started back up. And our approach is to be in the market every day and then when we see opportunities, we'll go heavier at times. But this is something that will be an integral part of our capital allocation policy.

Nicola Tang
Analyst, Exane BNP Paribas

All right. Thank you.

Juan Pelaez
Director-Investor Relations, Linde Plc

Chris, do we have any more questions?

Operator: Yes, sir. Our next question is from David Begleiter.

David I. Begleiter
Analyst, Deutsche Bank Securities, Inc.

Thank you. Steve, there were some concerns that weakness in refining might impact your Americas results on margins, that didn't appear to be the case. So can you talk about what happened with your refinery business in Q3 and what drove the strong margin expansion in Americas in Q3 as well? Thank you.

Stephen F. Angel
Chief Executive Officer & Director, Linde Plc

Okay. So, the first part of your question is there was a concern that refining may have hurt our margins. Is that what you said because I was kind of...

David I. Begleiter
Analyst, Deutsche Bank Securities, Inc.

Yeah. In the Americas, yes.

Stephen F. Angel
Chief Executive Officer & Director, Linde Plc

Okay. So Americas is a lot of – it's a big region, so there's a lot of elements to it. But let me just say, I think, obviously 28% operating margin is not bad. So how did we get there? And good pricing, good cost management, team reacted very quickly. We finished out some of the integration opportunities we had earlier, so we certainly
saw some of the benefits of that. The Americas has always been very strong on productivity programs and, the fixed-fee structure, take or pays, all that held up very well throughout this period. So, that's really what – and the resilient end markets, obviously, we benefit from that, healthcare, food freezing, predominantly, in the Americas as I talked about earlier and we're doing very well in those markets.

With respect to refining, as I looked, the volumes certainly are down Q3 year-over-year. They were up sequentially from Q2. There is some noise in that because of a series of hurricanes that certainly affected Lake Charles. The first hurricane affected Motiva. So, there needed to be – they had to recover from that and they've been recovering from that. So, October, obviously, looks a little better, say, than September for that reason. But we were – even though it's down year-over-year, again, we have very good commercial terms and conditions on all of those contracts down there that protect us.

And so, again, as I said earlier, there's always tailwinds and headwinds and things we just have to go execute. So, I've never seen a quarter yet where there's nothing but tailwinds. So, that was just one headwind during the quarter we had to deal with. The team did a very good job, but we're pretty much out of that now. I don't anticipate another hurricane between now and the rest of the year. So, I think they'll be fine.

The biggest issue in refining, as you know, is that the diesel fuel side has been strong. The gas side has been very weak, though has been coming back. And jet fuel, where refineries typically make good margins has been terrible. But refining – refinery utilization is coming up from where it was, but low 80s is not a good place for them. They need to be much higher than that to start making money but we're in pretty good shape.

David I. Begleiter  
*Analyst, Deutsche Bank Securities, Inc.*

And Steve, lastly, just on European shutdowns, have you seen any impacts yet? Any way to quantify the impacts in Q4 for you guys?

Stephen F. Angel  
*Chief Executive Officer & Director, Linde Plc*

Well, I think the answer to that is we have to watch it I think pretty closely because a lot of these shutdowns really started going into effect. Clearly, I can look at volumes and see that medical oxygen is quite strong, but it's been strong. And so, it continued to be strong in October and that typically is, it's a function of COVID case rates. The COVID case rates go up. I expect to see our oxygen sales go up. So, that's been strong.

I believe there probably was some build ahead knowing that these shutdowns were coming. So, we probably got a little better volumes than we would ordinarily get as people were preparing in advance for the shutdowns. But this is why we are saying flat sales in Q4 because, I think we're going to see the effects of this for the rest of the quarter. We're confident that, it'll be around flat, but certainly, the shutdowns in Europe are going to be a drag to volumes, and we anticipated they would be. Though the medical side I'm sure will continue to be strong throughout.

David I. Begleiter  
*Analyst, Deutsche Bank Securities, Inc.*

Thank you.

Operator: Thank you. Our next question comes from John McNulty of BMO Capital Markets. Your line is open.
Yeah. Thanks for taking my questions. So, maybe a question around how to think about the backlog and potential for activity. I think – look, every recession is a little bit different. This one obviously was deeper than the 2009 recession, but seems to have snapped back maybe a little bit more quickly. I guess, how are you thinking about the progression of how your backlog or when your backlog may actually start to improve just given kind of the differences in recessions? Is there a way to think about that at this point?

Stephen F. Angel  
Chief Executive Officer & Director, Linde Plc

It's hard for me to forecast that. I think electronics projects are going to be there. So, I'm pretty confident about that. I think the only question about clean energy is the timing of some of these projects. If I look at all the projects we track, the number is well into the billions of dollars. But how many of these go forward, at what pace I think really remains to be seen.

I do think over the next three years we'll probably spend $1 billion of CapEx against clean energy. But again, that's based on my assumptions of when some of these projects are likely to break loose. Obviously, what we're working on far exceeds that, but I think that's kind of a reasonable expectation that we have here internally.

With respect to the rest of the backlog, it's really a function of demand, John. So, I think if demand comes back, you'll see some of these oil and gas companies, for example, start to spend money on de-carbonization projects really with or without regulations because I know they want to, but really they're not in a financial condition to do that today. So, it really hinges more on demand, I would say.

John P. McNulty  
Analyst, BMO Capital Markets Corp.

Got it. Fair enough. And I guess maybe to that, so 2Q obviously is a pretty big drop and 3Q bounced back pretty solidly. When you think about the take-or-pay thresholds that you have – and that it does sound like it certainly helped a lot in 2Q and maybe a bit in 3Q as well. I guess, is there a way to think about what percentage of the business is kind of at that watermark or above now where incremental volumes actually do fall directly to the bottom line versus maybe not? Like how should we be thinking about that?

Stephen F. Angel  
Chief Executive Officer & Director, Linde Plc

Yeah, Matt.

Matthew J. White  
Executive Vice President & Chief Financial Officer, Linde Plc

Yeah. John, this is Matt. I think, you may recall when we had spoken last quarter about the 65% of the defensive sales and about half of that is protected contractually. A large portion in addition to the take or pay also is rent. So, the rent continues throughout on the package.

On the on-site, to your point on take or pay, we have a few that may be at that level. In South America, you tend to have a few. You see a little more in certain markets like metals today that are running at lower levels. But these are pretty traditional and consistent of what we've seen in past cycles. So, I'd say for the most part though South America, a few in Europe.
And as you look at our working capital performance and our cash flows, obviously, we continue to get paid and a lot of the reason is because we’re connected to top tier players in those regions and in those markets. So that does insulate us and we expect that these will come back up as we’ve seen in prior cycles.

John P. McNulty
Analyst, BMO Capital Markets Corp.

Got it. Thanks very much for the color.

Operator: Thank you. Up next we have Vincent Andrews of Morgan Stanley. Your line is open.

Angel O. Castillo
Analyst, Morgan Stanley & Co. LLC

Thank you. This is Angel Castillo on for Vincent. Just a quick question on pricing, it sounds like you expect it to continue to be positive, and was very strong in the third quarter here. So, just as we think about the fourth quarter, one, what is kind of embedded in the guidance? And two, how should we think about it going into 2021? Been obviously, solid over the last few years but is that kind of 1% to 2% still the range that you’re thinking about? And why maybe kind of go over and reside under that?

Stephen F. Angel
Chief Executive Officer & Director, Linde Plc

Well, I think going Q3 to Q4 I wouldn't expect to see much in the way sequential pricing because a lot of our price increases are really geared more towards the beginning of the year. So, I think it’s kind in the round there. It may end up being plus 1%, but I'm not anticipating that now.

And then, going forward into next year, every year we expect to get 1% to 2%. Some years we've got more, if you go back and look historically, but it's never zero. So that would be my expectation next year.

Angel O. Castillo
Analyst, Morgan Stanley & Co. LLC

Great. Thank you. And then in terms of margin, so you talked about a strong margin in the Americas and some of what drove that. As we look at the coming year, do you expect most of the margin expansion to come in the other regions? And is it fair to think about the current levels of the Americas as rather stable going forward? And if you could kind of give some more color on the other regions and what kind of level of margin expansion we could expect?

Stephen F. Angel
Chief Executive Officer & Director, Linde Plc

Well, I don't expect to go backwards anywhere. And, a lot – the good work that we have put in is going to continue to pay dividends going forward. So, we will be stable at least at these margin levels. But what will lift the margin levels will be volumes coming back. We're still below last year. Everyone is. And as volumes recover to something more normal, we'd certainly expect to leverage that just like we did from Q2 to Q3.

And as far as the margins of the Americas, I mean, again, the team did a good job on costs. They've always done a good job on costs. They've always had strong productivity programs. The pricing is there. The commercial terms and conditions, all of those rental fees, storage fees, take-or-pays, all of that held up exceptionally well. Resilient markets are good for us, healthcare, food freezing, particularly in the Americas and also in Europe. So, that's what
drove that level of profitability. And really our philosophy here, and it's not rocket science, but as we look at all businesses, large and small, and we get very granular in terms of how we can improve the profitability of all of them.

Angel O. Castillo  
Analyst, Morgan Stanley & Co. LLC

Very helpful. Thank you.

Operator: Thank you. And next we have Jeff Zekauskas of JPMorgan. Your line is open.

Jeffrey J. Zekauskas  
Analyst, JPMorgan Securities LLC

Thanks very much. Two questions, has the focus of cost cutting been in the United States and in the subsequent quarters, we'll see it more in Europe and in other areas?

And second, in your sequential price improvement, is it broad-based, that is, are oxygen and nitrogen prices up sequentially? Or is it more eccentric and even maybe has to do with hydrogen or something like that?

Stephen F. Angel  
Chief Executive Officer & Director, Linde Plc

Well, there has been some contribution year-over-year from helium, probably somewhere in the order of 25% to 30% contribution pricing. But sequentially probably none, because that price increases were obtained in prior quarters and it wouldn't see much in the way of sequential help from helium. So, the answer to that it's really more broad. I've looked at all of our packaged gas businesses, they have good price increases, good price realization, I should say.

Merchant liquid, I see pretty good price realization across the board. So, it's not one or two products that are driving all of the price increases and if it was, it wouldn't be as long lasting as if we have had it broad based. So, it's always – we always work on it broad-based.

On cost cutting, I mean, certainly in places like Americas, and I would say even Asia, we could respond a little more quickly in terms of cost. But we have been doing the same in Europe, and it's taken a little longer, as we said in the beginning. We have to work through the process there, which we've always known we needed to do. I think the process is a good process in many ways because it forces you to get very detailed and granular in terms of what cost actions you're taking and why. But we've been making good progress with that, and we will continue to do that in EMEA. So one could look at that and say perhaps there's more opportunity over the long term in terms of operating margin improvement, and that's probably the case.

Jeffrey J. Zekauskas  
Analyst, JPMorgan Securities LLC

Okay. Thank you very much.

Operator: Thank you. And next we have Mike Sison of Wells Fargo. Your line is open.

Michael Sison  
Analyst, Wells Fargo Securities LLC
Hey, guys. Nice quarter. Steve, when you think about your earnings growth, 12% in a tough year is pretty impressive. What's sort of the cadence of growth and maybe some of the variables if we ever get back to 2%, 3%, 4% type of global industrial production growth?

**Stephen F. Angel**  
Chief Executive Officer & Director, Linde Plc

You mean how should I think about that in terms of margin lift?

**Michael Sison**  
Analyst, Wells Fargo Securities LLC

Well, I would imagine the growth will be better than 12%, right? So, I'd just be curious where that could be?

**Stephen F. Angel**  
Chief Executive Officer & Director, Linde Plc

Well, I think – well look, the way I have to think about it is – and again, we'll be back in January. We'll give you a lot more color around this. And what I said in my comments were if volumes are stable and maybe could get a little help, it don't have to be much, continue to get some pricing, execute the backlog, continue our productivity, that would give me confidence that we'll have a double digit earnings growth next year. And obviously, there's a lot of leverage around volume just as there is around pricing in terms of how that falls to the EPS line. But we'll be back to talk more about that later.

**Michael Sison**  
Analyst, Wells Fargo Securities LLC

Understood. And then, natural gas prices have gone up, maybe it's a little bit more seasonality or whatever, but historically when gas prices go up tends to be good for industrial gases. Do you think there's any fundamental potential positives with gas prices up here?

**Stephen F. Angel**  
Chief Executive Officer & Director, Linde Plc

I think if you're thinking back to some of the old days where natural gas prices got into the $6, $7 range, and therefore, a lot of our applications like oxyfuel combustion that would reduce the use of natural gas were more valuable. I don't see natural gas prices moving to that point that it would accelerate that kind of activity. $2, $3 natural gas, I mean, it's all pass-through on the hydrogen side. So, it does make hydrogen a little bit more expensive.

And I think if you're trying to think about it in terms of green hydrogen, for example, versus gray hydrogen, gray hydrogen prices are really a function of natural gas. Whereas, the green hydrogen is really a function of renewable power prices and also our ability to lower capital and lower operating cost to make electrolytic hydrogen more competitive. But that's really it.

**Michael Sison**  
Analyst, Wells Fargo Securities LLC

Got it. Thank you.

**Operator:** Thank you. And next we have Steve Byrne of Bank of America. Your line is open.
Stephen Byrne  
Analyst, Bank of America Merrill Lynch

Yes. Thank you. Steve, you mentioned medical oxygen being strong due to COVID. Another one of your medical gases, nitric oxide, you have one competitor, Mallinckrodt, that filed for bankruptcy a few weeks ago. Do you see a potential for meaningful share gains with that product?

And I know you can't advocate off-label use, but docs have the liberty to do that. Are you seeing any growth in that product just driven to treat COVID patients?

Stephen F. Angel  
Chief Executive Officer & Director, Linde Plc

Well, Steve, you know a lot about this topic. So clearly, Mallinckrodt had practically all the market share at one time, which is why we chose to enter this space. The business is growing nicely. We are seeing nice receptivity to being in the marketplace. Clearly, that competitor, Mallinckrodt, certainly wants to hang onto what they have, which is what we anticipated they would do.

The growth has been somewhat muted recently because of COVID, right? So, you need to get in there, you need to make your presentations, you need to set up the equipment, you need to provide the cylinders. And so, the ability to really have those engagements has been slowed somewhat because of COVID, so. But as far as the demand, the potential, the excitement, quite frankly, that we are in the business, that's still there.

With respect to off-label use, you're correct, we certainly can't advocate for off-label use as our lawyers make it very clear to us. I don't ask the question in terms of how much nitric oxide is being used to fight COVID, for example, though there are studies out there that say that it is effective against COVID. So, I really can't answer that question, but I'm aware that some of that has taken place.

Stephen Byrne  
Analyst, Bank of America Merrill Lynch

And on your backlog of sale of gas, what fraction of it would you say, whether it's Asia or your refinery customer base is tied into either existing your pipelines or an expansion of your pipeline network that represents really an investment longer term for you to enable subsequent projects at a more modest capital cost.

Stephen F. Angel  
Chief Executive Officer & Director, Linde Plc

I would say the major percent of it, a huge percent of that is tied to existing complexes, enclaves that we were in and we were able to either extend a pipeline or add to a plant and be able to serve not only a base load customer, but other customers in that park. So, I didn't add up the percent but I can look at the large projects and it's a major percent of that $3.7 billion.

Matthew J. White  
Executive Vice President & Chief Financial Officer, Linde Plc

Yeah. And, Steve, this is Matt. Even that, to Steve's point, that aspect also helped us win that, right? With our existing asset base and reliability of having that existing network density was also part of our ability to secure those contracts.
Stephen Byrne
Analyst, Bank of America Merrill Lynch

Thank you.

Operator: Thank you. And next we have Kevin McCarthy of Vertical Research. Your line is open.

Cory Murphy
Analyst, Vertical Research Partners LLC

Hi, good morning. This is Cory on for Kevin. To an earlier question about hydrogen investment, you had said that you described it as rifle shots. Given increasing support for green hydrogen for instance Chile, Chile’s government this week put out a plan [Technical Difficulty] geographically, where do you see green hydrogen opportunities that might fit the rifle shot description or something like what you did with your plant in California where you upgraded [Technical Difficulty].

Operator: Pardon me. This is the operator. I’m sorry about that. I’m going to ask Mr. McCarthy to call back in. There’s a lot of static on his line.

[indiscernible] (01:00:28) because the participant numbers are going down.

Stephen F. Angel
Chief Executive Officer & Director, Linde Plc

Everybody is kicked off.

Operator: Hello. Speakers are you able to hear me?

Chris, are you there?

Operator: Yes. Are you able to hear me?

Now we can.

Operator: Okay. I asked Mr. McCarthy to call back in. There was a lot of static on the line.

Was it his line?
Operator: Yes, unfortunately.

Okay.

Matthew J. White
Executive Vice President & Chief Financial Officer, Linde Plc

Okay. Let's move to the next question.

Juan Pelaez
Director-Investor Relations, Linde Plc

Let's move to the next call. Yeah. The next question.

Operator: Okay. Next person?

Stephen F. Angel
Chief Executive Officer & Director, Linde Plc

Yes.

Operator: Thank you. One moment. Okay. Up next, we have P.J. Juvekar of Citigroup. Sir, your line is open.

P.J. Juvekar
Analyst, Citigroup Global Markets, Inc.

Yes. Hi. Good morning. Can you hear me?

Stephen F. Angel
Chief Executive Officer & Director, Linde Plc

Yes.

P.J. Juvekar
Analyst, Citigroup Global Markets, Inc.

Great. First of all, Sanjiv, congratulations.

Sanjiv Lamba
Chief Operating Officer, Linde Plc

Thank you.

P.J. Juvekar
Analyst, Citigroup Global Markets, Inc.

Steve, I have a question for you. You talked about your hydrogen strategy as being local and in market. When I look at some of the projects including some recent ones by fertilizer companies, where they want to take – they want to ship green hydrogen or I should say green ammonia globally, and your strategy seems to be deliberate in
market, can you just sort of talk about your strategy and what are the risks of shipping it globally as how you see it today?

Stephen F. Angel  
Chief Executive Officer & Director, Linde Plc

Well, I think – it’s not that I am opposed to any kind of global strategy in terms of delivering product. What I see is that every country wants to develop their natural resources with respect to what they believe gives them a competitive advantage. And I think if you look at all the countries we’re really in today, every one of those countries wants to develop their own renewable power. They want to develop their clean hydrogen infrastructure.

And why is that? Well, it’s stimulus for their economy. It’s employment for their people. It’s energy security. So, that’s why we like to look at this more granularly in terms of what’s really going on the ground and find projects we can get our arms around, we can understand, we can understand the returns, we can have confidence in the investment. And I think that’s going to be the best way to go. But you will hear about projects in places like Australia, you might hear them in Saudi or Northern Africa or other parts of the world, Chile. Where they think they have an advantage, for example, on renewable power and they want to exploit that.

But you’ve also got to think in terms of all these countries that have an abundance of natural gas, the US, Russia, Northern Africa, Canada, Australia, all of these countries who will also look to monetize those natural gas resources and make, what a lot people call, blue hydrogen. Which can be very cost competitive versus green hydrogen, depending on the cost of natural gas for example, and the comparable cost against renewable power.

So, you’re going to see all of these play out and the way I think about it is it’s potentially a huge market, it is all additive to us in terms of opportunity and we want to just find the right places to play around the world. In places that we already have a clear investment.

P.J. Juvekar  
 Analyst, Citigroup Global Markets, Inc.

Okay. Thank you. That’s clear. And a quick question on Latin America, specifically Brazil. Given the COVID impact in the country and the volatility of Brazilian reais, can you just talk about price and volume trends of what you are seeing there? Thank you.

Stephen F. Angel  
Chief Executive Officer & Director, Linde Plc

Well, what you’re seeing in a place like Brazil, that it’s also across the rest of Latin America, is a high demand for healthcare, a very high demand for medical oxygen. We are the industry leader there. We’ve been the industry leader. So, clearly, we’re in an excellent position to serve. And with respect to pricing, we’re in pretty good shape. They’ve, historically, done a good job and they continue to do a good job.

Which is why I look at the performance, if you were to look at it, you would say, what COVID? But, obviously, the dynamics underneath where healthcare is much stronger, the metals and manufacturing are weaker, is what’s really going on beneath the covers.

With respect to when the governments will ever address their issues and be in a position maybe to go back to where they’ve been, that kind of remains to be seen.
P.J. Juvekar  
**Analyst, Citigroup Global Markets, Inc.**

I'm sorry, can you address the FX question because the real kind of took a dive, but it doesn't seem – it's not apparently in your numbers.

Stephen F. Angel  
**Chief Executive Officer & Director, Linde Plc**

Sorry, I missed that. I'll let Matt take that.

Matthew J. White  
**Executive Vice President & Chief Financial Officer, Linde Plc**

Hey, P.J., this is Matt. Yeah. No problem. You will see, and as I mentioned, obviously, the reais, the Mexican peso, the Argentinean peso, all took a dive. But as I mentioned, the euro and the Chinese, the CNY, the RMB, helped offset that on a global level. But as Steve mentioned, in addition to those devaluations, you get more inflation than what you would see vis-à-vis some other more developed nations. And that higher inflation, the team’s done a great job to recover through the pricing actions to make sure we can stay in line with what's happening on inflation on the ground and they do a good job to maintain their costs. So, by getting that positive spread, it helps insulate the business from some of these more significant devaluations and the effects that have.

P.J. Juvekar  
**Analyst, Citigroup Global Markets, Inc.**

Thank you so much.

Operator: Thank you. And next we have Markus Mayer of Baader Helvea. Your line is open, sir.

Markus Mayer  
**Analyst, Baader Helvea**

Yeah. Thank you. Good morning, gentlemen, or good afternoon from my side. I have two remaining questions, basically add-on questions to what have been asked before. Again, on the helium market, could you give us an update there, how you see potential additional capacities and how they will affect the market at least from your side? That will be my first question.

And the second question again, on the project CapEx statements you’ve said it was heavily down in the third quarter and with your assumptions for lower backlog for 2021, what should we expect for project CapEx for 2021? Is there another decline then basically implied in this statement of you or should it be for another growth for CapEx next year?

Stephen F. Angel  
**Chief Executive Officer & Director, Linde Plc**

Well, we haven't – I haven't really looked at the numbers for next year yet and we have some time to do that. But in terms of CapEx spend rate, you shouldn't expect much of a change year-to-year because these are monies that are being spent against projects that we still have to complete. So, we’ll refine that number more going into next year but it’s not like a backlog number that can move around quite a bit based on projects being added or projects being started up. It's much more level loaded in that respect.
And you were asking me something about potential capacity for Europe. And I apologize, I really didn't pick up the question.

Matthew J. White  
*Executive Vice President & Chief Financial Officer, Linde Plc*

Oh, helium.

Markus Mayer  
*Analyst, Baader Helvea*

What about the helium capacity?

Stephen F. Angel  
*Chief Executive Officer & Director, Linde Plc*

Okay, helium capacity. Well, so first of all, helium demand is weak as a result of really just the general use of helium. But also fiber optics is down a bit. MRI is probably holding up okay but not as strong as it could be with COVID, and then electronics would be more the positive, one of the more positive market segments that helium serves. But then again, balloons which though not a huge percent, very profitable and that's been way down as a result of COVID. So, generally speaking, demand has been weak. I think, when that turns itself around again we'll be a function I think of COVID and when COVID is past us.

With respect to supply coming on, I don't expect to see much in the way of supply until probably the end of next year, maybe even the beginning of the following year if we're talking about supply out of Siberia. But I think supply, again don't expect to see much in the way of the supply towards the end of next year, until.

Markus Mayer  
*Analyst, Baader Helvea*

Okay. Perfect. Thank you.

Stephen F. Angel  
*Chief Executive Officer & Director, Linde Plc*

Thank you.

**Operator:** Thank you. And speakers, that was the last question. I will now hand it over to Juan Pelaez for closing comments.

Juan Pelaez  
*Director-Investor Relations, Linde Plc*

Yeah. Chris, thank you, and thanks, everyone, for participating in today's call. If you have any further questions, please feel free to reach out to me directly. Stay safe. Bye.

**Operator:** Ladies and gentlemen, this concludes today's conference call. Thank you all for participating. You may now disconnect and have a pleasant day.