


Safe harbour

A close-up portrait of Erhard Wehlen, a middle-aged man with a mustache, smiling slightly. He is wearing a dark suit jacket, a white shirt, and a light blue tie. The background is a blurred green, suggesting an outdoor setting with foliage.

ERHARD WEHLEN,
GROUP TREASURER OF LINDE,
PUTS HIS YEARS OF EXPERIENCE
TO GOOD USE IN HIS ROLE
AS ONE OF EUROPE'S LEADING
TREASURY PROFESSIONALS.
PETER WILLIAMS REPORTS

PHOTOGRAPHER: ROGER HARRIS

During a long and distinguished career in treasury, Erhard Wehlen, the group treasurer of gas and engineering group Linde, has found one recurring theme that runs through the decades. Referring to the topics discussed at the TalkingTreasury conference (see page 40), Wehlen says: "The major part of the discussion shows that treasury is a function where you have to cope with whatever the business and economic environment presents to you. And that sometimes can be a challenge."

For many treasurers, the credit crunch and the subsequent contraction in liquidity combined with a slowing economy are the first really tricky conditions that they have experienced in their professional lives. The same cannot be said for Wehlen. Over his time as a treasurer, he has had to lead the finances of the companies he has worked for through various alarms, including interest rates reaching 19% and wild fluctuations on exchange rates between key currencies: conditions severe enough to test any international business.

If any of this actually fazes Wehlen, he hides it well under a calm persona. He hails from Hamburg in northern Germany, a city close enough to the North Sea for its inhabitants to be aware of the power of the elements. He uses a nautical analogy to describe how he sees his role. "The Linde ship goes out and although there may be storms coming the sea might be silent. There may be rocks and fogs and a storm just over the horizon, and it is the job of the management to bring the ship back safely into the harbour."

While companies have little control over their external environment, Wehlen points out that this is no excuse for internal inaction. A company should be set up internally in such a way that it can cope with all foreseen situations, however inclement they may turn out to be.

One of the key roles that Wehlen says he has taken on over the years is to try to look outwards and then report the conditions – and their likely impact – to his fellow management team. Not everyone on a management team will have a grasp of the possible losses they face or indeed the ability to anticipate changes.

He says that it was obvious that the conditions in play prior to the credit crunch were not sustainable. "Even in the good days last year

Linde Group

■ Sales 2007	€12.3bn
■ Operating profit 2007	€2.4bn
■ Employees at 31/12/2007	50,485
■ Market capitalisation at 19/9/08	€13.5bn

The German gas and engineering group operates in about 100 countries and deploys a broad range of financing tools including syndicated facilities, hybrid bonds, convertible bonds, senior bonds and euro medium term notes and a euro commercial paper programme.

we were aware of how the market could change rapidly. We knew that we were in a fantastic situation and that those elements could change."

And as we all now know, change they did. It is reacting to those changing circumstances which gives Wehlen his job satisfaction. He describes the real treasurer skill as foresight rather than hindsight. When to issue bonds and at what price, the right ratings approach, the debt/equity ratio: all of these issues are decisions taken against an ever changing backdrop. Decisions that were right yesterday may not be right for today because circumstances are constantly changing.

One of the changes Wehlen has observed over the years is the shift in the banker/company relationship. "Banks are now much more driven by their investors such as hedge funds. They now have a more investment banking approach to the way that they get their benefits. It seems they are less focused on us as issuers and that is a big shift and challenge."

Wehlen has well-honed opinions on accounting issues as well as banks. He is irritated by the international accounting rules that force him and his colleagues to spend so much time discussing the accounting impact of hedging rather than talking about, as he describes it, "the real financial risks".

He adds: "The accounting has reached a point where we are distracted from our focus from the real financial risk situation."

Wehlen's approach to the job of the treasurer offers an interesting perspective on how the role is regarded in Germany. He has spent 30 years developing and creating treasury functions but says that the role of the treasurer, until recently, has had a lower profile in Germany. In Anglo-Saxon companies, the position has been given more focus and attention, he believes.

He has an explanation for the variation, contrasting the emphasis on service companies in economies such as the US and the UK with many German companies – including the famed "Mittelstand" (largely privately owned medium-sized companies) – which have focused on manufacturing. "Companies say, for instance, we are a good producing company, why would we need that fancy treasurer stuff?"

It is an attitude which is fading. The German treasury association, Verband Deutscher Treasurer (VDT) – which works closely with the



ACT on projects such as TalkingTreasury – now has more than 500 members, including many who work for Mittelstand companies. German companies now see that a treasury function established in the correct way can help them survive and prosper.

Wehlen arrived in treasury via banking. "I am a trained banker," he says. "In a typical German approach, I had an apprenticeship with Commerzbank which included a traineeship in the US for a couple of months."

But he was enticed away from the world of banking, and a possible long-term career with Commerzbank, when a banking professor he knew mentioned that a former student had left Ruhrgas, which was looking for a replacement treasurer.

His early time with Ruhrgas was taken up with project finance for pipelines bringing Russian gas west. Now owned by E.ON, Ruhrgas is the largest wholesale trader of natural gas in Europe.

Immediately before moving to Linde, he worked for British American Tobacco (Germany) where he saw a complete cycle of management fashion, first helping to oversee a strategy of diversification through the acquisition of other companies and then, when there was a move to concentrate on the core business, ensuring that the non-core businesses were successfully disposed of. In his time with BAT he also worked to create a treasury company based in Ireland of which he was a board member until his departure for Linde in 1997.

Having worked for different organisations, Wehlen knows that treasury departments differ between companies depending on factors such as the mergers and acquisition and divestment policy. What a company is trying to achieve will have a key bearing on the treasury function and its relationship with the rest of the company.

For Wehlen a company is always going to apply limitations to the role of the treasurer, deciding on how far the treasurer can go and what rules have to be applied. On the other hand, in certain circumstances, the treasurer may have to lay down certain rules or standards for the organisation.

For instance, says Wehlen, the treasury function of a company with a high level of debt has to think twice about certain actions. A less indebted company may get away with a mistake which could cost a highly geared company dear. In that situation a company has to proceed with caution, and it is the treasurer who should be actively participating in this thinking process.

Wehlen and his team at Linde certainly seem to be good at thinking. He is proud of the accolades the treasury department has gathered over the years, notably in connection with the innovative

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financing strategy that enabled the company to acquire BOC. In June 2007 Linde was named best corporate borrower by Euromoney magazine, which said that "improving credit stories have been hard to come by in the investment-grade corporate market but the German group proved to be an outstanding exception". It was the first German company to receive a similar award from International Financing Review magazine, and in The Treasurer's Deals of the Year 2006, Linde picked up an award for its dual-tranche €700m/£250m hybrid bond, after first opening up the hybrid bond market in 2003 and the sterling market in 2006.

Wehlen is suitably modest about this roll call of success but he does say there is no substitute for experience. He compares deciding on what action to take as a treasurer to trying to complete a jigsaw. The longer you've been at it, the easier it is to complete the puzzle.

He cites one example of where experience really counts. In 1999 Linde acquired Swedish gas company Aga for €3.6bn. Linde needed a lot of Swedish krona. The currency market saw Linde's need and the rate moved against the company. Wehlen was less than overwhelmed by the easy option: the help and the accompanying price tag proposed by the banks. Instead, he decided Linde would do it on its own. Knowing the FX dealers had an FX meeting and would want to unwind their positions, Linde waited for the price to fall, which within a few days it duly did, saving Linde millions of euros. The story demonstrates Wehlen's approach to treasury: calm, calculating and with the single purpose of acting in the best interest of his company.

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