Air Liquide
creative oxygen

PRESS RELEASE

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2019: A landmark year for performance, investments and commitment to climate

Key Figures (in millions of euros)	FY 2019	2019/2018 as published	2019/2018 comparable [a]
Group Revenue	**21,920**	**+4.3%**	**+3.2%**
of which Gas & Services	*21,040*	*+4.6%*	*+3.5%*
Operating Income Recurring (OIR)	**3,794**	**+10.0%**	**+7.5%**
Group OIR Margin	17.3%	+90 bps	
Variation excluding energy	*+70 bps*		
Net Profit (Group Share)	2,242	+6.1%	
Net Profit Recurring (Group Share) [b]	2,307	+9.2%	+11.1%
Earnings per Share (in euros)	**4.76**	**+5.9%**	
2019 proposed Dividend per Share (in euros) [c]	**2.70**	**+12.4%**	
Cash Flow before change in working capital requirements [d]	4,859	+14.5%	
Net Debt	€ 12.4 Bn		
Recurring ROCE [e]	**8.6%**	**+60 bps**	

(a) Change excluding the currency, energy (natural gas and electricity) and significant scope impacts, see reconciliation in appendix. (b) Excluding exceptional and significant transactions that have no impact on the operating income recurring, see reconciliation in appendix. (c) 2018 figures restated for the impact of the free share attribution in October 2019. (d) Excluding IFRS16, the change would be +8.3%. (e) Based on the recurring net profit, see reconciliation in appendix.

Commenting on the results for 2019, **Benoît Potier, Air Liquide Chairman and CEO**, stated:

"2019 is a landmark year, characterized simultaneously by a significant improvement in performance, a high level of investments to serve our customers and strengthen our efficiency, and the operational implementation of our climate action plan.

*2019 sales were driven by the development of Gas & Services and Global Markets & Technologies. On a comparable basis, **all Gas & Services activities**, which account for **96%** of **Group** revenue, **progressed** over the year, with particularly dynamic **Electronics** and **Healthcare**. Geographically, every region grew, notably the **Europe** and **Asia-Pacific** regions.*

*Overall, and despite the expected global economic slowdown observed in the 4th quarter, the Group delivered **robust results**, confirming the relevance of its economic model and strategy.*

***The improvement in the Group's operating margin** reflects the dynamic management of both pricing and product mix, the asset portfolio, and **efficiencies**. The latter reached **433 million euros**. Cash flows were high and the debt to equity ratio declined substantially. The Group's balance sheet is solid. **ROCE continues to improve**. 2019 performance is **in line** with all of the targets of the NEOS program and the Group's Climate objectives.*

*In a context where industrial opportunities remain high, **investment decisions rose sharply, to 3.7 billion euros**. The new projects that have been signed with our clients in Large Industry and Electronics will allow us to further strengthen our position in our major industrial basins.*

Assuming no major change in the environment and the international health situation is under control, Air Liquide is confident in its ability to further increase its operating margin and to deliver net profit growth in 2020, at constant exchange rates."

2019 Highlights

- **Large Industries**: Signature of numerous long-term contracts, in Russia with Severstal, in the Gulf Coast with Marathon Petroleum Company, Gulf Coast Growth Ventures (GCGV), LyondellBasel and Methanex, and in Kazakhstan with Kazakhstan Petrochemical Industries (KPI). Sale to Fujian Shenyuan of the production center.
- **Industrial Merchant**: Acquisition by Airgas of Tech Air in the United States and acquisition of Southern Industrial Gas in Malaysia. Launch of Qlixbi, a disruptive innovation that combines technical and digital innovation in the field of welding. Inauguration of the first robotic order preparation line at Feyzin (France).
- **Healthcare**: Acquisitions in home healthcare of Megamed AG in Switzerland, of Dialibre in Spain, and of Medidis in the Netherlands. E-health: deployment in France of Chronic Care Connect, a remote medical monitoring system.
- **Innovation**: Inauguration in Japan of the new Tokyo Innovation Campus. Inauguration of Accelair, the deep tech start-up accelerator of the Paris Innovation Campus. Signature of more than 30 contracts for cryogenic equipment based on the Turbo Brayton technology, which lowers LNG boil-off and the greenhouse gas emissions of LNG carriers.
- **Climate**: Participation in three innovative projects designed to fight climate change: the Northern Lights project for the capture and storage of CO_2 in Norway, with thyssenkrupp Steel for the use of hydrogen to reduce carbon emissions in steel production, and with ArcelorMittal for the capture and recycling of carbon emissions related to the production of steel.
- **Hydrogen Energy**: Acquisition of a nearly 20% equity stake in the Canadian company Hydrogenics Corporation, which specializes in equipment used to produce hydrogen by electrolysis. Construction in Canada of the largest membrane electrolysis plant in the world. Development of hydrogen mobility in China with the creation of the joint venture Air Liquide Houpu Hydrogen Equipment Co. and a memorandum of understanding with Sinopec. Partnership in France with Engie and the Durance Luberon Verdon urban area to produce green hydrogen on an industrial scale (HyGreen project).
- **Corporate**: Appointment of 4 new members of the Executive Committee effective September 1. 500 million dollar bond issue at a historically low rate to finance long-term growth. Inclusion of a correlation mechanism in the Group's 2 billion euro syndicated line, between its financial costs and three of its CSR targets, in the areas of carbon intensity, gender diversity, and safety.

Group revenue for 2019 totaled **21,920 million euros**, up **+3.2%** on a comparable basis. Gas & Services enjoyed robust comparable sales growth of **+3.5%** despite the slowing economic environment in the 4th quarter of 2019. In Engineering & Construction, sales to third-party customers were down compared with 2018, with resources mainly allocated to internal projects. Global Markets & Technologies continued its dynamic development with growth of **+14.9%**. The currency impact was positive at +2.1%, whereas the energy impact was unfavorable (-1.4%). The acquisition of Tech Air in the United States at the end of the 1st quarter of 2019 and the disposal of Fujian Shenyuan in September generated a significant scope impact of +0.4% over the year. The Group's **published revenue growth** was therefore up **+4.3%** for 2019.

Gas & Services revenue reached **21,040 million euros** in 2019, up **+3.5%** on a comparable basis. **As published sales** were up **+4.6%** in 2019, with the unfavorable energy impact (-1.5%) more than offset by the favorable currency (+2.1%) and significant scope (+0.5%) impacts.

- Revenue in the **Americas** totaled **8,460 million euros** in 2019, an increase of **+1.5%** in comparable growth. Large Industries sales were stable in 2019, due to several customer maintenance turnarounds in the United States during the 2nd half of the year. Industrial Merchant revenue growth was resilient at +0.7%, driven mainly by higher prices. Electronics growth stood at +2.1% and Healthcare continued to improve strongly (+9.7%), in particular in Medical Gases in the United States and Latin America.
- Revenue in **Europe** reached **7,172 million euros** over 2019, up **+3.4%** on a comparable basis driven mainly by good Healthcare sales momentum (+5.2%) and a solid growth in Industrial Merchant (+3.4%), notably thanks

to high price impacts and robust volumes. Large Industries sales (+1.7%) were driven by higher hydrogen volumes for refineries in Benelux, whereas demand remained weaker in the Steel and Chemical sectors.

- Revenue in the Asia Pacific zone totaled 4,794 million euros in 2019, up +7.7% on a comparable basis. Large Industries sales grew strongly (+9.7%) thanks to the ramp-up of several units in China. Industrial Merchant growth was solid (+3.7%), in particular in China and South-East Asia. Electronics revenue maintained its very dynamic growth momentum in 2019 (+10.4%) despite a major decline in Equipment & Installations sales in the 4th quarter compared with record high sales in 2018.
- Revenue in the Middle East and Africa zone amounted to 614 million euros, up +1.5% over 2019 on a comparable basis. Industrial Merchant remained very dynamic in the Middle East, Egypt and India, with strong helium sales in particular. Activity was up slightly in Large Industries, with the major units in the region, located in Saudi Arabia and South Africa, now operating at full capacity. The Healthcare business continued to grow in Egypt and Saudi Arabia.

All businesses contributed to growth in 2019, in particular Healthcare and Electronics. Large Industries (+3.4%) benefited notably from sustained hydrogen volumes in Europe and Asia and from the ramp-up of several new units. In a less favorable economic environment in the 4th quarter 2019, Industrial Merchant growth reached +1.9% over the year, driven mainly by efficient price management (+3.6%), including helium. Strong healthcare growth (+5.7%) was due to organic sales growth, in particular in Home Healthcare in Europe and Latin America and in Medical Gases in the United States. Electronics revenue maintained a very dynamic growth momentum over the year (+7.9%) with double-digit growth for Carrier Gases and Advanced Materials sales.

Consolidated Engineering & Construction revenue, at 328 million euros, was down compared with 2018, with resources mainly allocated to internal projects in Large Industries and Electronics. Total sales including Group projects were up, boosted by a record-high level of investment decisions, in particular in Large Industries.

Global Markets & Technologies revenue was up +14.9% in 2019 on a comparable basis, at 552 million euros. Biomethane grew strongly thanks to the ramp-up of several units in Europe. Sales of equipment related to the Turbo Brayton technology, which reduces greenhouse gas emissions when transporting natural gas by sea, also strongly contributed to this growth.

In 2019, efficiencies increased markedly by +23.4% to 433 million euros, compared with 351 million euros in 2018. These represented savings of 2.7% of the cost base and largely exceeded the objective, which had been set at more than 400 million euros after the reinforcement of the program at the beginning of the year. The main drivers of this increase in efficiencies are the roll-out of digital tools, the continuation of the realignment plans and the ramp-up of Airgas within the program.

The Group's operating income recurring (OIR) reached 3,794 million euros for 2019, a published increase of +10.0%, or +7.5% on a comparable basis. The operating margin (OIR to revenue) stood at 17.3%, a marked improvement of +90 basis points compared to 2018 and of +70 basis points excluding the energy impact, including +10 basis points from the application of IFRS 16. The Gas & Services operating margin stood at 19.1%, an improvement +60 basis points compared with 2018 excluding the energy impact.

Net profit (Group share) amounted to 2,242 million euros in 2019, an increase of +6.1% as published and +6.7% excluding the application of IFRS 16.

Excluding the capital loss on the disposal of the Fujian Shenyuan units in 2019 and the non-recurring financial gain in 2018, recurring net profit[1] Group share was up +11.1%.

Cash flow from operating activities before changes in working capital requirement totaled 4,859 million euros and stood at 22.2% of Group sales (21.0% excluding the application of IFRS 16). This represented strong published growth of +14.5% (+8.3% excluding the application of IFRS 16).

[1] *See definition and reconciliation in Appendix*

In 2019, gross industrial capital expenditure for the Group amounted to 2,636 million euros, a major increase of +17.2% compared to 2018. It represented 12.0% of sales. The net debt-to-equity ratio stood at 64.0% at the end of December 2019, an improvement of -480 basis points compared to the end of 2018.

Industrial and financial investment decisions represented a total of 3.7 billion euros in 2019, a +19.8% increase compared with 2018. Industrial investment decisions reached a record high of 3,157 million euros, with major investments for long-term contracts with Large Industries customers, mainly in strategic basins where the Group is already present. The 12-month portfolio of opportunities remained strong and totaled 2.9 billion euros, an increase compared with 2.6 billion euros at the end of 2018.

Recurring ROCE(1) which excludes the capital loss on the disposal of the Fujian Shenyuan units on net profit, stood at 8.6%, i.e. a +60 basis points improvement compared to the end of December 2018. This improvement is in line with the Group's NEOS target of returning to a ROCE of above 10% by 2021-2022.

Regarding to the extra financial performance of the Group, lost time accident frequency improved and reached 1.2 at the end of 2019. This represents the lowest employees lost time accident frequency rate of the last 20 years. In 2019, the Group's carbon intensity declined further and reached 4.6 kg of CO_2 equivalent per euro of EBITDA(2). It is lower than the initial forecast, notably from the disposal of the Fujian Shenyuan units but also because of several customer maintenance turnarounds, leading to lower production volumes. In January 2020, the Group's commitment has been rewarded twice by the CDP(3), who gave Air Liquide the highest grade "A" both for its actions in favor of climate and its sustainable management of water. In addition, Air Liquide had 29% of women among engineers and managers in 2019 and aims to reach 35% by 2025.

Air Liquide's Board of Directors, which met on February 10, 2020, approved the audited financial statements for the 2019 fiscal year. The Statutory Auditors are in the process of issuing a report with an unqualified opinion.

At the next Annual General Meeting the payment of a dividend of 2.70 euros per share will be proposed. Following the free share attribution of 1 for 10 in October 2019, the proposed dividend shows a strong growth of +12.4% compared with last year. The ex-dividend date is scheduled for May 11, 2020 and the payment is scheduled for May 13, 2020.

The Board also approved the draft resolutions that will be submitted for a vote by the General Meeting on May 5, 2020, concerning in particular:

- the proposed reappointment, for a four-year term, of Mr. Brian Gilvary, a member of the company's Board of Directors since 2016 and a member of the Audit and Accounts Committee since 2017;
- the proposed appointment, for a four-year term, of Ms. Anette Bronder and Ms. Kim-Ann Mink. Ms. Bronder will bring to the Board her strong digital expertise, as well as her experience of large international groups in the fields of IT and telecom. Ms. Mink will bring to the Board, in addition to her scientific academic background and her experience in research and innovation, her strong leadership skills and deep understanding of the chemical sector.

The Board of Directors has, moreover, taken note that the terms of office of Mr. Pierre Dufour and Ms. Karen Katen will expire at the close of the 2020 General Meeting. The Board thanked them warmly for their considerable contribution to the work of the Board and its Committees. The Board stated its intention, furthermore, to appoint Ms. Annette Winkler as a replacement for Mr. Pierre Dufour as Chairman of the Environment and Society Committee, Mr. Xavier Huillard as a member of the Appointments and Governance Committee as a replacement for Ms. Karen Katen, and Mr. Brian Gilvary as a member of the Remuneration Committee as a replacement for Ms. Annette Winkler, with effect from that date.

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[1] *See definition and reconciliation in the appendix.*
[2] *At 2015 exchange rate.*
[3] *A non-profit organization that evaluates companies based on their climate action.*

At the close of the General Meeting on May 5 , 2020, the Board of Directors would thus have 12 members, of whom 11 are elected and one is an employee Director. The Board of Directors would include 6 women and 6 foreign members.

Furthermore, the Board of Directors will propose that the General Meeting bring the articles of association into line with the provisions of the PACTE law, in order to provide for the appointment of a second employee Director, if the number of Directors is more than 8 members, the said Director to be appointed by the European Works' Council.

Finally, in accordance with the new provisions resulting from the PACTE law, the Board of Directors will submit for the vote of the General Meeting the elements of Mr. Benoît Potier's remuneration for 2019, in his capacity as Chairman and Chief Executive Officer, together with the information relating to the remuneration for all the corporate officers. The General Meeting will also be invited to decide upon the remuneration policy for the corporate officers which will apply to Mr. Benoît Potier and to the Company's Directors.