Air Liquide
creative oxygen

PRESS RELEASE
AND ACTIVITY REPORT

Paris, July 30, 2018

H1 2018 Results :

- **Strong sales growth, all activities and geographies up**
- **Solid performance and active business development**
- **Airgas synergies ahead, to be reached in H1 2019**

Key Figures (in millions of euros)	H1 2018	2018/2017 as published	2018/2017 comparable (1)
Group Revenue	**10,162**	**-1.3%**	**+5.8%**
Gas & Services Revenue	*9,769*	*-2.1%*	*+5.0%*
Operating Income Recurring	**1,617**	**-2.3%**	**+6.2%**
Group OIR Margin	15.9%		
Variation excluding energy	*-10bps*		
Gas & Services OIR Margin	17.8%		
Variation excluding energy	*+30bps*		
Net Profit (Group Share)	1,040	+12.1%	
Net Cash Flow from Operating Activities (2)	1,770	+11.1%	
Net Debt on 06/30/2018	14,217		

(1) Comparable growth excluding the currency, energy (natural gas and electricity), and significant scope impacts; see reconciliation in appendix.
(2) Cash flow from operating activities after changes in working capital requirements and other elements.

Commenting on the first six months of 2018, Air Liquide Chairman and CEO Benoît Potier said:

"The positive dynamic observed during the 1st quarter of 2018 was further confirmed in the 2nd quarter, in the context of a customer centric strategy and a globally more supportive economic environment. This is reflected in sustained growth in Group revenue, which came to 10.2 billion euros for the 1st half of this year, driven by higher sales in Gas & Services, as well as in Engineering & Construction, and Global Markets & Technologies.

All Gas & Services activities grew significantly, in particular Industrial Merchant, Electronics, and Healthcare. Geographically, our activities progressed in every region in the world, and more particularly in Asia, the Americas, and in the Middle East & Africa.

Along with global sales growth, Group performance benefited from an increased operating margin in Gas & Services, excluding energy impact. The Group is performing well in terms of operational efficiency gains and will reach Airgas synergies one year ahead of plan. The Group's net profit, which exceeded 1 billion euros, rose by more than +12.1%.

Cash flows from operations increased significantly, up +11.1%. The Group's balance sheet is solid.

Investment opportunities 12 months out are at their highest level in the last three years. The dynamic accelerated over the course of the 1st half of this year. Decisions are up +30%, to 1.4 billion euros. Investment backlog stood at 2.3 billion euros as of June 30, 2018, and will contribute to future growth.

We are in line with the objectives set forth in the NEOS 2016-2020 strategic plan. Accordingly, assuming a comparable environment, Air Liquide is confident in its ability to deliver net profit growth in 2018, calculated at constant exchange rate and excluding 2017 exceptionals[1]."

[1] *2017 exceptionals: exceptional non-cash items having a net positive impact on 2017 net profit.*

2018 Highlights

- **Start-up** of the world's largest air gas production unit, in South Africa for Sasol (€200M) and commissioning of 4 new biogas production units, in the United States, in France, and in the United Kingdom.
- **Signature of new long-term contracts:** construction of hydrogen units for KMCI (€100M) in South Korea and for Covestro (€80M) in Belgium, and of 2 air gas units for Evraz (€130M) in Russia; oxygen supply to LyondellBasell from our network in the United States.
- **Multiyear contracts** for the supply of xenon and krypton for the aerospace and electronics industries (€50M).
- **Acquisitions in Home Healthcare** in Saudi Arabia. Investment in EOVE, a French start-up that specializes in connected portable ventilators.
- **Digital transformation of our assets to increase operational efficiency:** inauguration of a remote operation center in Malaysia, optimizing the production of 18 of Air Liquide's Large Industries production units in Southeast Asia.
- **Hydrogen energy**: first meeting of the Hydrogen Council in China. Equity stake acquired in a Chinese start-up, participation in the creation of a new consortium in Japan bringing together the major players in hydrogen for mobility. In France, inauguration of a hydrogen charging station in Paris-Saclay.
- First bond issue on the Chinese domestic market ("Panda") for around €280M.

The half year benefited from strong growth in markets globally well oriented. **Group revenue** totaled **10,162 million euros** in the 1st half of 2018, up **+5.8%** on a comparable basis, and close to the high end of the NEOS target range. This was supported by high Gas & Services sales, an improvement in Engineering & Construction and the strong growth of Global Markets & Technologies. The currency impact was strongly negative over the half year at -6.8%, mainly due to the appreciation of the euro against the US dollar, but eased slightly during the 2nd quarter. The energy impact was slightly positive at +0.4%. The sale of the Airgas Refrigerants business at the end of 2017 led to a significant scope impact of -0.7%. Published Group revenue variation was therefore down -1.3% over the half year.

Gas & Services revenue reached **9,769 million euros** during the 1st half, up **+5.0%** on a comparable basis, with a strong contribution from developing economies (+12.3%).

- Gas & Services revenue in the **Americas zone** stood at **3,874 million euros** over the half year, up **+4.6%**. This reflects a high level of activity in Industrial Merchant (+4.5%), in particular in the United States. Large Industries posted solid growth (+3.1%) despite customer maintenance turnarounds during the 2nd quarter. Healthcare sales were up markedly (+8.9%) across the zone.
- Revenue in the **Europe zone** totaled **3,464 million euros** in the 1st half, up **+2.3%**. Growth stabilized at a solid level in Industrial Merchant (+2.6%). Large Industries posted higher sales over the half year (+2.2%) despite several customer maintenance turnarounds during the 2nd quarter. Healthcare continued its steady growth (+4.5%) marked by stronger growth in the 2nd quarter and despite a limited contribution from bolt-on acquisitions.
- Revenue in the **Asia-Pacific zone** totaled **2,107 million euros** in the 1st half. This represented an increase of **+8.8%**, driven notably by strong momentum in China (>+10%). All business lines posted strong growth in the zone and accelerated in the 2nd quarter (+10.8%). In Large Industries, higher sales (+6.4%) were due to the ramp-up of units started up in the 3rd quarter of 2017 coupled with strong demand. Industrial Merchant was up markedly in the zone (+6.8%), with very strong growth in China. Double-digit Electronics sales growth (+14.1%) benefited from thriving demand for new molecules and exceptionally high sales of Equipment & Installation.
- Revenue in the **Middle East and Africa zone** amounted to **324 million euros**, up **+16.6%**. Sales benefited from the start-up at the end of 2017 of the largest air separation unit in the world in South Africa, favorable business momentum in Egypt, and the launch of the Home Healthcare activity in Saudi Arabia through an acquisition.

All business lines contributed to growth over the half year. In **Industrial Merchant**, sales growth was robust (+4.3%), supported in particular by the manufacturing sector, metal fabrication and construction. The price impact stood at

+1.9%. Large Industries (+5.2%) benefited from the ramp-up of units, including a major unit in South Africa. Air gases volumes were up markedly, driven by the chemicals sector, whereas hydrogen volumes were penalized by a higher number of customer maintenance turnarounds compared to last year. In Healthcare, growth was dynamic (+5.9%) in particular in Home Healthcare where the number of diabetic patients and patients treated for sleep apnea continued to increase. Demand was also very dynamic in Electronics, with revenue up +6.7%, driven by Carrier Gases, new molecules and exceptionally high Equipment & Installation sales during the 2nd quarter.

Engineering & Construction revenue totaled 180 million euros, up +29.8% compared to the 1st half of 2017, benefiting from the gradual improvement in order intake seen in 2017.

Global Markets & Technologies sales were up +29.2% at 213 million euros. These were particularly dynamic in the biogas sector, which benefited from the start-up of a major landfill biogas purification unit in the United States and three small farm waste biogas purification units in France and in the United Kingdom.

Efficiencies amounted to 174 million euros during the first six months of the year, ahead of the annual target of over 300 million euros from the NEOS program. They include a contribution of 14 million euros from Airgas for the first time.

Airgas synergies represented a cumulated 260 million US dollars since the acquisition of Airgas in May 2016 and 45 million US dollars over the first six months of 2018. The 300 million US dollar target will be reached in H1 2019, i.e., 12 months earlier than initially forecasted.

The Group's operating income recurring (OIR) reached 1,617 million euros in the 1st half of 2018, down -2.3% as published, but up +4.8% excluding the currency impact and +6.2% on a comparable basis over the 1st half of 2017. The operating margin (OIR to revenue) stood at 15.9% and 16.0% excluding the energy impact, which corresponds to a slight decrease of -10 basis points compared with the 1st half of 2017. This was mainly due to the negative operating income recurring generated by Engineering & Construction still under loaded. Moreover, the disposal of the Airgas Refrigerants business had a dilutive impact on the margin; excluding the disposal, the operating margin would have been stable.

The Gas & Services operating margin stood at 17.8%, up + 30 basis points excluding energy compared with the 1st half 2017.

Net profit (Group share) amounted to 1,040 million euros in the 1st half of 2018, an increase of +12.1% or more than +20% excluding the currency impact.

Net cash after changes in working capital requirement (and other items) was 1,770 million euros, an increase of +11.1% compared with the 1st half of 2017, largely exceeding the change in sales (published change of -1.3%). Net indebtedness at June 30, 2018 reached 14,217 million euros.

The 12-month portfolio of opportunities totaled 2.5 billion euros at the end of June 2018, up 200 million euros compared with March 2018. Industrial and financial investment decisions reached 1.4 billion euros in the 1st half of 2018, up more than +30% compared with the 1st half of 2017. Net capital expenditure totaled 1,133 million euros and represented 11.1% of sales, in line with the NEOS strategic plan.

The Air Liquide Board of Directors met on July 27, 2018. During this meeting, the Board reviewed the consolidated financial statements for the first half ending June 30, 2018. Limited review procedures were completed with respect to the consolidated interim financial statements, and an unqualified review report is in the process of being issued by the statutory auditors.