Air Liquide
creative oxygen

PRESS RELEASE
AND ACTIVITY REPORT

Paris, July 30, 2019

H1 2019 Results:

Sustained sales growth combined with step-up in operating margin

Key Figures (in millions of euros)	H1 2019	2019/2018 as published	2019/2018 comparable [a]
Group Revenue	**10,952**	**+7.8%**	**+4.9%**
of which Gas & Services	*10,536*	*+7.8%*	*+4.9%*
Operating Income Recurring (OIR)	**1,814**	**+12.2%**	**+9.4%**
Group OIR Margin	16.6%		
Variation excluding energy	*+70 bps*		
Gas & Services OIR Margin	18.4%		
Variation excluding energy	*+60 bps*		
Net Profit (Group Share)	1,059	+1.8%	+12.1% [b]
Earnings per Share (in euros)	**2.48**	**+1.6%**	
Cash Flow before change in working capital requirements	2,297	+14.8%	
Net Debt [c]	€13.7 bn		
Return on Capital Employed after tax - ROCE	8.1%		
Recurring ROCE [d]	**8.3%**	**+30 bps**	

(a) Growth excluding the currency, energy (natural gas and electricity), and significant scope impacts; see reconciliation in appendix. (b) Recurring net profit growth excluding the exceptional loss provisioned following the disposal agreement of the Fujian units in the 1st half of 2019 and the non-recurring gain on net finance costs in the 1st half of 2018. (c) Excluding lease liabilities (IFRS16). (d) Excluding exceptional items, see reconciliation in appendix.

Commenting on activity during the 1st half of 2019, **Benoît Potier, Chairman and CEO of Air Liquide,** stated:

"This first half of the year combined sustained sales growth and a significant improvement in the operating margin.

The Group's sales totaled nearly 11 billion euros, driven by ***dynamic sales in Gas & Services*** *as well as in Global Markets & Technologies. Gas & Services revenue, which accounts for 96% of the Group's total revenue, grew by close to +8% and by approximately +5% on a comparable basis [a].* ***All Gas & Services activities progressed,*** *with very strong performances in Electronics and Healthcare, in line with previous quarters. In a more contrasted market environment,* ***sales grew in every region of the world,*** *with a good dynamic in Europe and growth that remains sustained in Asia-Pacific, specifically in China.*

The Group's operating margin improved significantly, increasing by +70 bps*. This good performance results from a combination of three kinds of actions: a pricing policy reflective of higher costs, dynamic portfolio management, and a substantial reinforcement of efficiency programs. Stepping up sharply in the 2nd quarter,* ***these programs have resulted in efficiencies totaling 197 million euros*** *for the six months just ended, in line with our target of more than 400 million euros per year. Recurring net profit [b] rose by +12 %, cash flow by +14.8%. The balance sheet remains strong, with the net debt [c] to equity ratio lower than on June 30, 2018. Recurring ROCE [d] increased to reach 8.3%.*

The ***investment decisions*** *of the first half, which include the acquisition of Tech Air in the United States, came to* ***1.8 billion euros****, an increase of +22% compared with the 1st half of 2018. Industrial investment backlog reached 2.2 billion euros and will contribute to the Group's future growth.*

Assuming a comparable environment, Air Liquide is confident in its ability to deliver net profit growth in 2019, at constant exchange rates."

(a) (b) (c) (d) see definitions in the above table.

Highlights of the first half

- Industry:
    - Strong sales, with the signing of several long-term contracts: in the Gulf Coast, with Marathon Petroleum Company, with Gulf Coast Growth Ventures (GCGV, a subsidiary of ExxonMobil and SABIC) and LyondellBasel; and in Russia with Severstal.
    - Agreement to sell a dedicated industrial gas complex to Fujian Shenyuan.
    - Reinforcement of Industrial Merchant activity in the United States with the acquisition of Tech Air by Airgas
    - Signature of more than twenty contracts based on the Turbo-Brayton cryogenic refrigeration and liquefaction system, a technology solution for the reduction of greenhouse gas emissions during the maritime shipping of LNG
    - 5 production unit start-ups in Electronics

- Healthcare:
    - Further acquisitions in Home Healthcare: Dialibre in Spain for diabetes care, Medidis in the Netherlands for the treatment of respiratory illnesses, and Megamed AG in Switzerland for sleep apnea support.
    - E-health: Deployment of Chronic Care Connect offer, a remote medical monitoring solution to more than 1,000 patients/100 clinics and hospitals in France.

- Innovation:
    - Inauguration of the new Tokyo Innovation Campus in Japan, dedicated to Electronics as well as solutions for climate and energy transition driven solutions. Inauguration of Accelair, the deeptech startup accelerator for the Paris Innovation Campus.
    - Announcement of the three winners of the Air Liquide 2018 Scientific Challenge, focused on solutions for the energy transition (132 proposals from 34 different countries)
    - Launch of a pilot project to improve air quality in an SNCF railways station in Paris (RER).

- Hydrogen Energy:
    - Investments in carbon-free hydrogen production (equity investment in Hydrogenics, construction of the world's largest PEM electrolyser in Canada)
    - Development of hydrogen mobility: creation of the joint venture Air Liquide Houpu Hydrogen Equipment co. (China); equity investment in FirstElement Fuel, Inc. (United States); opening of 4 new hydrogen stations worldwide.

- Corporate: Announcement of the appointment of new members to the Executive Committee effective September 1, 2019. Air Liquide won the CAC 40's Grand Prix for its Annual General Meeting.

Group revenue for the 1st half of 2019 totaled 10,952 million euros, up +4.9% on a comparable basis, which is driven by high Gas & Services sales (+4.9%). Consolidated sales for Engineering & Construction were slightly down during the 1st half at -3.8% due to a larger proportion of Group projects following the rise in investment decisions. Global Markets & Technologies continued its strong development with growth of +10.7%. The currency impact was positive at +2.5% and the energy impact neutral over the half-year. The acquisition of Tech Air in the United States at the end of the 1st quarter of 2019 generated a significant scope impact of +0.4%. The Group's published revenue growth for the 1st half was therefore +7.8%.

Gas & Services revenue for the 1st half of 2019 reached 10,536 million euros and posted high comparable growth of +4.9%. Published sales were up markedly (+7.8%), benefiting from a favorable currency impact (+2.5%) and the consolidation of Tech Air (+0.4%). The energy impact was neutral over the half-year.

All businesses contributed to growth and in particular Healthcare and Electronics. **Healthcare** (**+6.0%**) benefited from strong sales growth in Home Healthcare in Europe and in Medical Gases in the United States, with no material contribution from bolt-on acquisitions. Following record growth in the 4th quarter of 2018, **Electronics** maintained a significant increase in revenue during the 1st half of 2019 (**+13.5%**). Growth remained solid in **Industrial Merchant**, at **+2.6%**, despite an unfavorable working day impact, driven by high price impacts. **Large Industries** (**+5.4%**) benefited in particular from the contribution to sales of several start-ups in Asia during the 4th quarter of 2018 and strong demand for hydrogen in Europe.

- Gas & Services revenue in the **Americas** stood at **4,217 million euros**, up **+2.4%** during the 1st half of 2019, driven in particular by Healthcare (+9.4%) and Electronics (+8.2%). Despite solid growth in oxygen volumes in North America, Large Industries revenue growth was limited to +1.4% due to a high basis of comparison with the 1st half of 2018. Industrial Merchant sales were up +1.3% driven by high pricing, as volumes were weaker.
- Revenue in **Europe** totaled **3,611 million euros** over the half-year, up **+4.2%**. Growth during the 2nd quarter (+5.7%) was higher in all business lines than in the 1st quarter. Large Industries sales were up +3.1%, benefiting from strong hydrogen demand from refiners. Growth was very solid in Industrial Merchant (+3.7%) with high price impacts. Activity remained very strong in Healthcare (+5.7%) driven by high organic sales growth in Home Healthcare.
- Revenue in the **Asia Pacific** zone totaled **2,405 million euros** in the 1st half of 2019, up **+11.1%**. Sales growth in Large Industries (+13.2%) benefited from several start-ups in the 4th quarter of 2018 in China. Industrial Merchant was up markedly (+5.2%), in particular in China. Following record growth in the 4th quarter of 2018, Electronics maintained a significant increase in revenue during the 1st half of 2019 (+16.1%).
- Revenue in the **Middle East and Africa** amounted to **303 million euros**, up +**2.0%** over the half-year, penalized by a major maintenance stoppage in South Africa during the 2nd quarter.

Engineering & Construction revenue totaled **176 million euros**, down -3.8% compared with the 1st half of 2018 due to a larger proportion of Group projects following the rise in investment decisions.

Global Markets & Technologies sales were up **+10.7%** in the 1st half of the year at **240 million euros**. Biogas remained the main contributor to growth. Sales related to the Turbo-Brayton technology, which enables the refrigeration and liquefaction of natural gas when transported by sea, also posted strong growth.

Group **Operating Income Recurring (OIR)** amounted to **1,814 million euros** in the 1st half of 2019, an increase of +12.2% as published. Comparable growth was +9.4%. The **operating margin (OIR to revenue)** stood at **16.6%**, an improvement of **+70 basis points** compared with the 1st half of 2018, including +10 basis points coming from the application of IFRS 16. The energy impact was not material over the half-year.

Gas & Services operating margin stood at **18.4%**, an improvement of **+60 basis points** compared with the 1st half of 2018, including +10 basis points coming from the application of IFRS 16. The energy impact on the margin was not material over the half-year.

Efficiencies amounted to **197 million euros** during the first six months of the year, up by a strong +13.9% compared with the 1st half of 2018 and in line with the annual objective now fixed at more than 400 million euros, due to the reinforcement of the program since the beginning of the year.

Net profit (Group share) amounted to **1,059 million euros** in the 1st half of 2019, an increase of +1.8% as published. Excluding the exceptional loss provisioned following the disposal agreement of the Fujian units in the 1st half of 2019 and the non-recurring gain on net finance costs in the 1st half of 2018, **recurring net profit was up +12.1%.**

Cash flow from operating activities before changes in working capital requirements amounted to 2,297 million euros in the 1st half of 2019, an increase of +14.8% and of +8.6% excluding IFRS 16, which was slightly higher than the increase in sales as published. It stood at the high level of 21.0% of sales. Gross industrial capital expenditure amounted to 1,201 million euros, up +9.6% compared with the 1st half of 2018 and represented 11.0% of sales, in line with the NEOS strategic plan. The net debt[1] to equity ratio, adjusted for the seasonal effect of the dividend payment, stood at 70.7%.

Industrial and financial investment decisions reached 1.8 billion euros in the 1st half of 2019, up more than 300 million euros compared with the 1st half of 2018 mainly due to the acquisition of Tech Air in the United States. The strong momentum of investment projects continued with the 12-month portfolio of opportunities stabilizing at the high level of 2.7 billion euros at the end of June 2019.

The recurring Return on Capital Employed (ROCE) stood at 8.3%[2] at the end of the 1st half 2019, up +30 basis points.

The Air Liquide Board of Directors met on July 29, 2019. During this meeting, the Board reviewed the consolidated financial statements for the first half ending June 30, 2019. 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.

[1] *Excluding lease liabilities (IFRS16).*
[2] *Excluding the exceptional loss provisioned following the disposal agreement of the Fujian units in the 1st half of 2019, see reconciliation in appendix.*