Air Liquide
creative oxygen

PRESS RELEASE

Paris, April 26, 2017

First quarter 2017:

Revenue growth: +38.5% as reported

Better activity in a more favorable economic environment

Q1 2017 Key Figures

• **Group revenue: 5,176 million euros**	**+38.5%**
• of which Gas & Services: 5,046 million euros	**+42.2%**
• **Gas & Services revenue, comparable basis:**	**+2.8%***
• of which Industrial Merchant:	**+2.6%***
• **Cash flow : 920 million euros**	

Q1 2017 Highlights

- **External parameters**: positive currency and energy impacts.
- **Long-term contracts**: air gases for steelmaking (France and Benelux) and nitrogen for the plastics industry (Oman).
- **Business portfolio management**: exclusive negotiations with Lincoln Electric on the sale of Air Liquide Welding, acquisitions in Healthcare (France and Colombia).
- **Innovations and new markets**: operational and optimization center for Large Industry production units (France), two new hydrogen charging stations (Japan).

* Variation Q1 2017/Q1 2016 on a comparable basis, excluding currency and energy (natural gas and electricity) impact: 2016 base adjusted as if on January 1, 2016 a) Airgas had been consolidated and the divestments requested by the US regulator (FTC) had been completed and b) Aqua Lung and Air Liquide Welding had been deconsolidated (discontinued operations as per IFRS 5).

Commenting on the first quarter of 2017, **Benoît Potier, Air Liquide Chairman and CEO,** said:

"The strong growth in sales this quarter reflects the Group's new scale as a result of the acquisition of Airgas. The increase in sales was also the result of a significant improvement in Industrial Merchant, the Group's largest business line, the solid growth in Healthcare and to a lesser extent in Large Industries, as well as the strength of the Global Markets & Technologies business.

In a more favorable economic context, the signs of improvement observed at the beginning of the year were confirmed during the first quarter. In fact, all geographies posted growth, notably North America with a recovery in its industrial production.

Moreover, the Group continues to deliver recurrent efficiency gains, to which are added the Airgas synergies thanks to the successful first steps of the integration, in line with our expectations. We also posted a sharp increase in cash flow.

Air Liquide is thus on track in the implementation of its company program for the period 2016-2020.

Assuming a comparable environment, Air Liquide is confident in its ability to deliver net profit growth in 2017".

Q1 2017 Group revenue reached **€ 5,176 million**, an increase of **+38.5%** on a reported basis as compared with Q1 2016. This includes the consolidation of Airgas sales. Q1 2017 revenue benefited also, to a lesser extent, from the positive impact of both currency (+2.4%) and energy (+2.7%). On a comparable basis,[1] Q1 2017 Group revenue rose +1.5% versus Q1 2016, impacted by weaker sales in Engineering and Construction.
Gas & Services revenue, which totaled **€ 5,046 million** this quarter, is up **+42.2%** on a reported basis versus Q1 2016. On a comparable basis, revenue grew +2.8% this quarter versus Q1 2016, and therefore much improved over the two previous quarters.

Revenue for all **Gas & Services** businesses rose this quarter on a comparable basis, with the exception of Electronics, which was virtually unchanged:

- In **Large Industries**, up **+2.7%**, revenue growth was driven by a strong rise in demand for air gases and hydrogen in the United States. The hydrogen production units in Yanbu, Saudi Arabia, were restarted in January following a turnaround of the customer's site for planned maintenance operations at the end of 2016, and reached a production record in March. Europe benefited from higher air gas sales volumes in most countries, particularly for the steel industry, but the sales were lower overall due to the shutdown of our operations in the Donbass in Ukraine and comparison effects. The Asia-Pacific region remained solid with, among other things, increasing sales in Japan for the metal industry.

- For **Industrial Merchant**, which this quarter accounted for 47% of Gas & Services sales, revenue increased by more than +90% on a reported basis and by **+2.6%** on a comparable basis. This is the first positive quarter on a comparable basis since Q4 2014. Sales were driven by a clear improvement in business in North America and Europe and by ongoing sustained growth in China.

  In **Europe**, sales were up +4.3% thanks to higher volumes of liquids, improved cylinder activity, and the positive impact of the number of working days. Activity was dynamic in France, Spain, Benelux and Eastern Europe. In **North America**, most market segments that Industrial Merchant serves were up. Demand for oil-related services rose sharply in Canada. At Airgas in the United States, gas sales were up, having accelerated in March, and benefited from a positive price effect. In **Asia-Pacific**, activity varied according to country: Japan was affected by lower equipment and installation sales, while liquid and cylinder volumes remained high. Overall, the price effect was positive at **+1.2%**, in a slight uptick in inflation, compared to just +0.5 % in 2016.

- **Electronics** revenue was virtually unchanged at **-0.4%.** This quarter was characterized in particular by an unfavorable basis of comparison to Q1 2016 due to exceptionally high neon prices and equipment and installation sales last year. The fundamentals of this business line remain solid. Carrier gas sales were robust in Asia-Pacific and the overall demand for Advanced Materials continued to be strong (with sales up by more than **+20%**). Geographically, revenue was driven by China, Taiwan and South Korea.

- **Healthcare** revenue, which rose by +22.4% on a reported basis and by **+5.5%** on a comparable basis, was solid. Revenue rose in all businesses and geographic areas. Demand for home healthcare services remained high and sales in Hygiene continued to be strong (**+11.3%**). Healthcare, which is pursuing its strategy of geographic expansion, reported double-digit sales growth in the developing economies.

Engineering and Construction revenue, which came to **€ 52.7 million**, declined sharply (-58.4%) on a comparable basis versus Q1 2016, adversely impacted by a decline in order intake in 2016. However, order intake showed improvement this quarter, as compared with Q1 2016, and higher bidding activity.

For **Global Markets & Technologies,** revenue for the period was **€ 77.4 million**, up **+19.2%** on a comparable basis. Growth was driven by the biogas sector as well as sales of hydrogen charging stations for mobility, helium sales, and maritime.

[1] Variation Q1 2017/Q1 2016 on a comparable basis, excluding currency and energy (natural gas and electricity) impact: 2016 base adjusted as if on January 1, 2016 a) Airgas had been consolidated and the divestments requested by the US regulator (FTC) had been completed and b) Aqua Lung and Air Liquide Welding had been deconsolidated (discontinued operations as per IFRS 5).

This quarter, the Group generated recurrent **efficiency gains** of **€ 67 million**, which is 10% more than during Q1 2016. The **Airgas synergies,** which amounted to **45 million USD** this quarter, are materializing rapidly, in line with our expectations.

Cash flow from operating activities before change in Working Capital Requirements increased markedly and amounted to **€ 920 million**. The **net debt-to-equity ratio** continued to decrease.

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UPCOMING EVENTS

Annual General Meeting of the Shareholders:
May 3, 2017

Ex-dividend date:
May 15, 2017

Dividend payment date:
May 17, 2017

First half 2017 revenue and results:
July 28, 2017

The world leader in gases, technologies and services for Industry and Health, Air Liquide is present in 80 countries with approximately 67,000 employees and serves more than 3 million customers and patients. Oxygen, nitrogen and hydrogen are essential small molecules for life, matter and energy. They embody Air Liquide's scientific territory and have been at the core of the company's activities since its creation in 1902.

Air Liquide's ambition is to lead its industry, deliver long term performance, and contribute to sustainability. The company's customer-centric transformation strategy aims at profitable growth over the long term. It relies on operational excellence, selective investments, open innovation, and a network organization implemented by the Group worldwide. Through the commitment and inventiveness of its people, Air Liquide leverages energy and environment transition, changes in healthcare and digitization, and delivers greater value to all its stakeholders.

Air Liquide's revenue amounted to € 18.1 billion in 2016 and its solutions that protect life and the environment represent more than 40% of sales. Air Liquide is listed on the Euronext Paris stock exchange (compartment A) and belongs to the CAC 40, EURO STOXX 50, and FTSE4Good indexes.

First Quarter 2017 Revenue

In the 1st quarter of 2017, the Group's revenue was up **+38.5%** in published data with Gas & Services revenue increasing by **+42.2%**. This strong growth reflects the integration of Airgas, but also the recovery in the Industrial Merchant activity, in particular in North America and Europe. The currency and energy impacts are also favorable and stand at +5.1% at the Group level.

On a comparable basis, Gas & Services sales were up **+2.8%** year-on-year, improving over the 4th quarter of 2016 (+1.7%). Sales growth in Industrial Merchant, at close to +3%, after eight consecutive quarters of decline, and the solid increase in Healthcare at +5.5%, represented solid growth drivers this quarter. The development of GMT (+19%) also supported growth. Large Industries sales were in line with expectations (+3%), with start-ups for the remainder of 2017 mainly expected during the 2nd and especially the 3rd quarter. Underlying activity momentum remained strong in Electronics, in particular for Advanced Materials and carrier gases, mainly in China, Taiwan and Singapore, but growth was penalized by an extremely high basis of comparison for neon and Equipment & Installation sales in the 1st quarter of 2016. Overall sales improved in all regions, with the Americas posting its strongest increase in two years.

With **67 million euros** delivered over the quarter, efficiencies were in line with the NEOS objective. Airgas synergies have materialized rapidly, with an additional **45 million U.S. dollars** in synergies this quarter, including the first growth synergies. Cash flow from operating activities before changes in working capital requirements increased markedly and amounted to **920 million euros**. The net debt-to-equity ratio continued to decrease.

Investment decisions reached approximately 500 million euros, of which 70 million euros relating to several acquisitions, three of which were carried out by Airgas. The investment backlog continued its very gradual decline, as expected, and stood at 2.0 billion euros; 12-month investment opportunities were flat overall at 2.1 billion euros.

REVENUE

Revenue (in millions of euros)	**Q1 2016**(a)	**Q1 2017**	**Q1 2017/2016 published change**	**Q1 2017/2016 comparable change**(b)
Gas & Services	3,548	5,046	+42.2%	+2.8%
Engineering & Construction	124	53	-57.4%	-58.4%
Global Markets & Technologies	65	77	+18.8%	+19.2%
TOTAL REVENUE	**3,737**	**5,176**	**+38.5%**	**+1.5%**

(a) Q1 2016 figures have been restated to account for IFRS 5, discontinued operations.
(b) Comparable growth based on 2016 adjusted sales excluding currency and energy price fluctuation impact.

Revenue Analysis

- **Revenue growth as published** is calculated based on the Group's 2016 sales after the deconsolidation of Aqua Lung and Air Liquide Welding sales, in accordance with IFRS 5.
- As of the **1st quarter of 2017** and for the **entire 2017 fiscal year**, Air Liquide will communicate a comparable sales growth based on 2016 adjusted sales, **excluding currency and energy (natural gas and electricity) impact**.

  Adjusted 2016 sales are computed as if, **on January 1st 2016, Airgas had been fully consolidated** and the **divestments** requested by the U.S. Federal Trade Commission **completed, and Aqua Lung and Air Liquide Welding had been deconsolidated.**
- **Reference to Airgas** now corresponds to the Group's Industrial Merchant and Healthcare activities in the United States within the new scope, after the merger of Airgas and Air Liquide U.S. operations.
- Unless otherwise stated, all changes in revenue outlined below are **on a comparable basis**.

Group

Group revenue for the 1st quarter of 2017 reached **5,176 million euros** and **growth as published** was **+38.5%** compared with the 1st quarter of 2016, driven by the consolidation of Airgas sales, a positive currency and energy impact, of +2.4% and +2.7% respectively, and by an improvement in Gas & Services activity. **Comparable growth** was up **+1.5%**. This was driven by a solid improvement in Gas & Services sales, in particular in Industrial Merchant activity, whereas Engineering & Construction sales remain weak following a slowdown in order intake in 2016.

Gas & Services

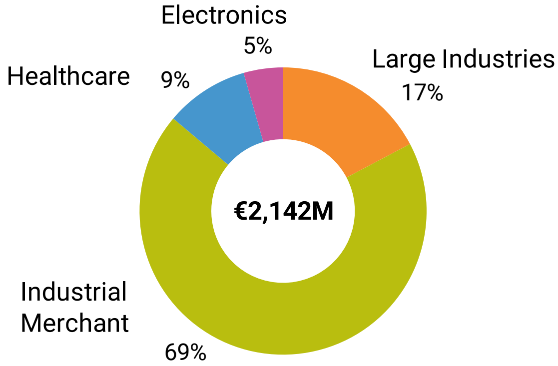
Gas & Services revenue totaled **5,046 million euros** in the 1st quarter of 2017, with **comparable growth** of **+2.8%**. On a **published basis**, sales were up **+42.2%**, thanks to the consolidation of Airgas sales and a positive currency (+2.5%) and energy (+2.8%) impact.

Revenue (in millions of euros)	**Q1 2016**	**Q1 2017**	**Q1 2017/2016**	**Q1 2017/2016 comparable change**
Europe	1,614	1,710	+5.9%	+2.6%
Americas	824	2,142	+160.0%	+3.7%
Asia-Pacific	966	1,024	+6.1%	+1.6%
Middle-East and Africa	144	170	+17.9%	+2.7%
GAS & SERVICES	**3,548**	**5,046**	**+42.2%**	**+2.8%**
Large Industries	1,207	1,392	+15.3%	+2.7%
Industrial Merchant	1,238	2,384	+92.6%	+2.6%
Healthcare	695	850	+22.4%	+5.5%
Electronics	408	420	+3.1%	-0.4%

Americas

Gas & Services revenue in the Americas amounted to **2,142 million euros**, up **+160%** as published and **+3.7%** on a comparable basis. Driven by the ramp-up of production units, Large Industries sales improved markedly, with very solid volumes. The improvement was very significant in Industrial Merchant, with sales up +2.6% over the quarter. Growth remained strong in South America, driven notably by developments in Healthcare.

Americas Gas & Services Revenue

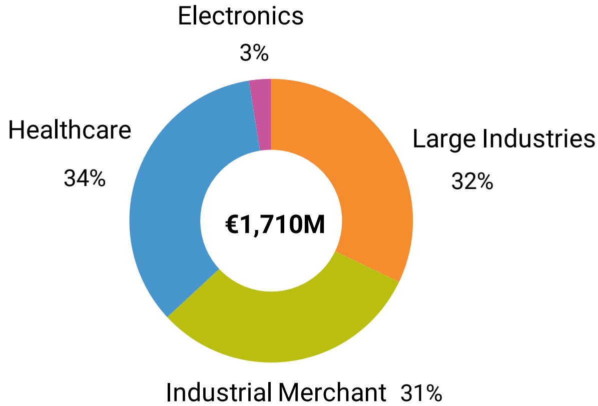


- **Large Industries** sales were up markedly at **+9.1%**, mainly supported by the ramp-up of units in the United States and South America. Very high hydrogen and air gases sales in the United States benefited from a limited number of customer maintenance turnarounds. The commissioning of the hydrogen cavern in 2016 offers greater flexibility for customers and allows the Group to develop its on-demand hydrogen sales.
- In **Industrial Merchant**, the positive growth over the quarter **(+2.6%)**, with an acceleration in March, **confirmed the signs of improvement** seen at the end of 2016, in particular in the United States and Canada. This marked a **change in trend** following two years of declining revenue. Sales were up in almost all market segments, in particular in the Food, Beverages, Pharmaceutical, Materials and Professionals & Retail sectors and also in Energy with marked increase in Canada. Liquid gas and cylinder volumes were up and the price impact in the region was +1.8% over the quarter.
- **Healthcare** revenue was up **+4.8%**. Sales in Canada continued to grow, benefiting notably via the contribution from a bolt-on acquisition in Home Healthcare. In South America, business continued to improve strongly with double-digit growth in Brazil and Argentina.
- Sales in **Electronics** were stable this quarter **(+0.3%)**. The positive impact on sales of double-digit growth in Advanced Materials and strong demand in analytical services offset Equipment & Installation sales that were weaker than in the 1st quarter of 2016.

Europe

Revenue in Europe totaled **1,710 million euros**, up **+2.6%**. Growth was solid in Industrial Merchant (+4.3%), confirming an improvement in the activity and benefiting from a favorable working day impact. Despite good air gases volumes in some countries, Large Industries sales were down -2.2%, impacted by an unfavorable comparison effect and the stoppage of activity in Ukraine. Healthcare continued to improve in Home Healthcare and medical gases and enjoyed strong growth in Hygiene and Specialty Ingredients.

Europe Gas & Services Revenue



- Sales in the **Large Industries** activity were down **-2.2%**. Air gas demand remained strong in France, Germany and Spain, thanks to an improvement in the steel markets. Sales were nonetheless penalized by an unfavorable comparison effect. Eastern Europe continued to grow, except for Ukraine where the activity was stopped due to recent events in the Donbass.
- **Industrial Merchant** revenue was up **+4.3%**. It benefited from a **favorable calendar effect**, with more working days than in the 1st quarter of 2016. All markets moved upwards, in particular Glass and Pharmaceutical sectors. Liquid gas and cylinder volumes were up. Sales

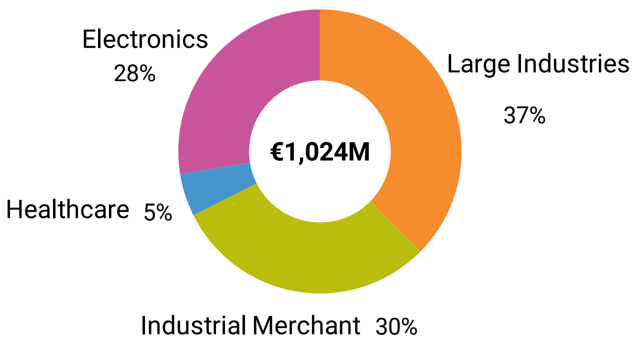
momentum in Iberia, France, Benelux and the United Kingdom was relatively strong, but remained more contrasted in Germany and Italy. Eastern European countries continued their sustained growth, particularly in Russia and Poland. Pricing impacts were up in a context of weak inflation and stabilized to relatively flat at -0.1%.

- **Healthcare** posted sustained growth of **+5.4%**. The Home Healthcare activity pursued strong organic growth due to an increase in the number of patients and a sustained level of activity in Southern Europe. Revenue for medical gases for hospitals was up supported by an increase in volumes despite pricing pressure. Hygiene and Specialty Ingredients sales were up markedly, reinforced notably by an acquisition in Specialty Ingredients.
- **Electronics** revenue was up **+1.4%**, with carrier gases up and Equipment & Installation sales for a new site.

Asia-Pacific

Revenue in the Asia-Pacific region increased **+1.6%** to **1,024 million euros**. Performance was contrasted by country: sales growth in China remained very solid but was negative in Japan, which continued to be penalized in Electronics by the strong decrease of neon prices and in Industrial Merchant by slower Equipment sales.

Asia-Pacific Gas & Services Revenue



- **Large Industries** sales were up **+4.5%**, thanks to the ramp-up of a unit in Australia, high hydrogen volumes for refineries in Singapore and oxygen volumes for steel customers in Japan. Activity in China grew, though without the benefit of the start-up of new units.
- **Industrial Merchant** revenue was down slightly by **-0.5%**. Performances remained contrasted by country. Sales in China continued to grow steadily, with an increase in liquid gas and cylinder volumes. Likewise developing economies also improved. In Japan, liquid gas volumes were up, but were subject to pricing pressure and Equipment sales were significantly weaker than in the 1st quarter of 2016. Prices were stable in the region this quarter.
- **Electronics** revenue was down **-1.0%**. Underlying activity remained very solid, although the comparison with 2016 was penalized by weaker Equipment & Installation sales and the significant drop in neon prices. The strong growth momentum of Advanced Materials continued in all countries in the region. Carrier gases showed solid growth, driven by the ramp-up of new units in China and Singapore.

Middle-East and Africa

Middle East and Africa revenue totaled **170 million euros**, up **+2.7%.** The hydrogen production units in Yanbu in Saudi Arabia were started-up again in January following a maintenance turnaround of the customer site in December 2016 and posted record production figures in March. Momentum was strong in Egypt with the continuing pre-loading of Large Industries units and growing volumes in Industrial Merchant. In South Africa, the Industrial Merchant activity returned to positive growth, benefiting in particular from additional working days. This favorable calendar also contributed to Healthcare growth.

Engineering & Construction

Engineering & Construction revenue totaled **53 million euros**, down **-58.4%** compared with the 1st quarter of 2016, due to the low level of order intake in 2016. It remained affected by the slowdown in major energy-related projects and the low number of new projects in a still difficult global environment.

However, total order intake reached **107 million euros**, up compared with 73 million euros in the 1st quarter of 2016. Half of all projects concerned air gases production units (ASU). Lastly, bidding activity was also higher.

Global Markets & Technologies

Global Markets & Technologies revenue was up **+19.2%** at **77 million euros.** Sales were strong, in particular in the biogas and maritime sectors. Helium volumes also increased.

Order intake was up and reached **78 million euros**.

2016 Highlights

Industrial Development

- In early January 2017, Air Liquide and **ArcelorMittal**, announced they had recently signed **long-term contracts** for the supply of oxygen, nitrogen and argon to ArcelorMittal's production sites in Benelux and France.
- In January 2017, Air Liquide announced having recently commissioned **the largest hydrogen storage facility in the world**. This underground cavern is located in Beaumont, Texas, in the Gulf Coast region of the U.S. This unique hydrogen storage cavern complements Air Liquide's robust supply capabilities along the Gulf Coast, offering greater flexibility and reliable hydrogen supply solutions to customers via Air Liquide's extensive Gulf Coast Pipeline System. This facility is **1,500 meters deep** and nearly **70 meters in diameter** and is capable of holding enough hydrogen **to back up a large-scale steam methane reformer (SMR) unit for 30 days**.
- Air Liquide and 12 leading energy, transport and industry companies have launched on January 17th, a global initiative to voice a united vision and long-term ambition for hydrogen to foster the energy transition. In the first global initiative of its kind, the '**Hydrogen Council**' is determined to position hydrogen among the **key solutions of the energy transition** and aims to **promote hydrogen** to help meet climate goals.
- Air Liquide inaugurated on January 26th in France, in the frame of the **Connect** project, an operation center that is unique in the industrial gas sector. It enables the **remote management of production** for 22 of the Group's units in France, optimizing their energy consumption and improving their reliability. With "**technological showcase**" certification from the Industry of the Future Alliance, Connect represents an investment of €20 million. This project is based on the implementation of new digital technologies at French production sites and on the creation of new skills.
- In early April, Air Liquide and **Oman Oil Refineries and Petroleum Industries Company** (Orpic), Oman's national refining company, announced having recently signed **a long term agreement** for the supply of nitrogen to the Liwa Plastics Industries Complex (LPIC), a new plastics production complex including the country's first steam cracker Orpic is adding to its existing production facilities, in Sohar industrial port area in Oman. Investing around **€20 million** to build a state-of-the-art nitrogen production unit with a total capacity of 500 tons of nitrogen per day, Air Liquide will strengthen its leadership position in a key industrial area to support the growth of its customer Orpic.

Acquisitions in Healthcare

- Air Liquide pursued its external growth strategy in Healthcare. The Group announced that its subsidiary Seppic, designer and supplier of specialty ingredients for health and beauty, recently finalized the acquisition of the **Serdex** division of Bayer. This acquisition strengthens Seppic's footprint in **natural active ingredients for cosmetics**. The global specialty active ingredients for cosmetics represent a market over €900 million, of which natural active ingredients are a fast growing segment.
- The Groupe announced on January 24th the acquisition of **Oxymaster**, a national **home healthcare sector player in Colombia**. Present in the Colombian market for almost 20 years, Oxymaster is specialized in **home treatment and support for patients suffering from respiratory conditions** (sleep apnea, Chronic Obstructive Pulmonary Disease, chronic respiratory failure). Oxymaster has more than 240 employees and serves over 21,000 patients. The company generated revenues of approximately €9 million in 2016.

New hydrogen charging stations for mobility in Japan

In March, Air Liquide completed the construction of two hydrogen charging stations in Japan. The **Fukuoka Miyata** and **Kobe Shichinomiya** stations are respectively the 4th and 5th hydrogen charging stations for public use in Japan. To date, 75 hydrogen charging stations have already been designed and installed by Air Liquide worldwide.

New visual identity

The acquisition of Airgas and the launch of the NEOS Company Program for the period 2016-2020 mark a new milestone in the history of Air Liquide. The Group is transforming and is changing its visual identity with a **new logo**, the fifth since the company was founded 115 years ago. This new visual identity, which embodies the transformation of Air Liquide, is that of a leading Group, expert and innovative, that is close to its stakeholders and open to the world.

Bond issue

A transaction, issued under the Group's €12 billion Euro Medium Term Note (EMTN) programme, allowed the issue of a **€600 million** bond with a 10-year maturity at a yield of 1.116%. This recent transaction brings the total outstanding amount of bonds issued to this day to approximately €15.2 billion, with an average maturity of 6.8 years. Proceeds from this bond will allow the Group to refinance its two bonds maturing in June and July 2017, and to continue funding sustainably its long term growth while benefiting from very attractive market conditions.

Portfolio Management

Air Liquide announced it has entered into exclusive negotiations with **Lincoln Electric Holdings**, Inc. ("Lincoln Electric") (Nasdaq: LECO), the world leader in design, development and manufacture of arc welding products, robotic arc welding systems, plasma and oxy-fuel cutting equipment, to **sell Air Liquide Welding**, its subsidiary specializing in the manufacture of welding and cutting technologies.

Investment Cycle

Investment Opportunities

At the end of March 2017, the **12-month portfolio of opportunities** totaled **2.1 billion euros**, down slightly compared with 2.2 billion euros at the end of 2016. New projects entering the portfolio partly offset those signed by the Group, awarded to the competition or delayed. The global portfolio, which includes all projects including those which may be signed after the next 12 months, was solid and stood at between 4.5 and 5 billion euros.

Developing economies represented more than half of the portfolio, which is greater than at December 31, 2016. Investment opportunities are greatest in the Americas, followed by Europe then Asia. This breakdown of the portfolio of opportunities is similar to the new breakdown of Group sales.

Approximately 40% of the portfolio of opportunities corresponds to projects with investments of less than 50 million euros and only a few projects are greater than 100 million euros. The average size of projects is more modest, thus contributing to a better distribution of risk.

Investment Decisions and Investment Backlog

In the 1st quarter of 2017, industrial and financial investment decisions reached almost **500 million euros**, with industrial decisions accounting for around 85% of this amount.

Financial investment decisions reached approximately **70 million euros.** These mainly related to an acquisition in Home Healthcare in Colombia and the acquisitions of distributors in Industrial Merchant, in particular three in the United States which highlight the continuing market consolidation by Airgas.

The investment backlog amounted to **2.0 billion euros**, a slight decrease compared with 2.1 billion euros at the end of 2016. The investment backlog should lead to a **future contribution to revenue** of approximately **0.8 billion euros** per year after full ramp-up.

Start-ups

Two new units started up during the 1st quarter of 2017: a hydrogen pipeline network in the Middle East and an air separation unit (ASU) in South America. The main start-ups for the year are expected at the end of the 2nd quarter and during the 3rd quarter.

Operating Performance

The Group's **efficiency gains** in the 1st quarter amounted to **67 million euros**. This performance was based on continued efforts and integrated many projects throughout the Group, principally this quarter, in industrial operations (production, logistics), in purchasing and in the reorganization of certain activities. Regarding industrial operations, daily energy management review and bulk supply chain optimization in certain geographies represent an important part of efficiencies. There is also a more important contribution from realignement and restructuring in Engineering & Construction and in several countries.

The additional **Airgas synergies** have materialized rapidly and reached **45 million U.S. dollars** in the 1st quarter. They came in particular from internal bulk sourcing, implementation of shared services and improvement of back-office processes. The first revenue synergies materialized with better availability of bulk products and new offers proposed to customers.

Cash flow from operating activities before changes in working capital requirements for the first three months of 2017 amounted to **920 million euros** and corresponded to 17.8% of Group revenue. In particular, this enabled to ensure financing for net capital expenditures which amounted to 630 million euros for the 1st quarter 2017, out of which approximately 560 million euros in industrial investments. The net debt-to-equity ratio pursued its decrease which started end of 2016.

Outlook

The strong growth in sales this quarter reflects the Group's new scale as a result of the acquisition of Airgas. The increase in sales was also the result of a significant improvement in Industrial Merchant, the Group's largest business line, the solid growth in Healthcare and to a lesser extent in Large Industries, as well as the strength of the Global Markets & Technologies business.

In a more favorable economic context, the signs of improvement observed at the beginning of the year were confirmed during the first quarter. In fact, all geographies posted growth, notably North America with a recovery in its industrial production.

Moreover, the Group continues to deliver recurrent efficiency gains, to which are added the Airgas synergies thanks to the successful first steps of the integration, in line with expectations. A sharp increase in cash flow was also posted.

Air Liquide is thus on track in the implementation of its company program for the period 2016-2020.

Assuming a comparable environment, Air Liquide is confident in its ability to deliver net profit growth in 2017.

APPENDICES

Significant scope, currency and energy impact

- <u>Currency and energy impacts</u>

Since January 1st, 2015, the energy impact includes natural gas and electricity impacts. It may also include other Large Industries energy feedstocks in the future.

Since industrial and medical gases are rarely exported, the impact of currency fluctuations on activity levels and results is limited to euro translation impacts with respect to the financial statements of subsidiaries located outside the euro zone. The currency effect is calculated based on the aggregates for the period converted at the exchange rate of the previous period.

In addition, the Group passes on variations in the cost of energy (electricity and natural gas) to its customers via indexed invoicing integrated into their medium and long-term contracts. This indexing can lead to significant variations in sales (mainly in the Large Industries Business Line) from one period to another depending on fluctuations in prices on the energy market.

- <u>Published growth</u>

Considering the disposal of Aqua Lung closed on December 30, 2016, and the fact that Air Liquide entered into exclusive negotiations with Lincoln Electric to sell its Air Liquide Welding subsidiary (press release of March 2, 2017), these “Other Activities” are no longer consolidated in Group sales, in accordance with IFRS 5.

<u>Revenue growth as published</u> is calculated based on the Group’s 2016 sales after the deconsolidation of Aqua Lung and Air Liquide Welding revenue, in accordance with IFRS 5.

- <u>Adjusted 2016 sales and comparable growth</u>

The closing of the Airgas acquisition was effective on May 23, 2016 and the Industrial Merchant and Healthcare activities of Airgas and Air Liquide in the United States were merged on October 1, 2016. As a consequence, it is no longer possible to isolate Air Liquide and Airgas activities as to the former scope.

<u>Reference to Airgas</u> now corresponds to the Group’s Industrial Merchant and Healthcare activities in the United States within the new scope after the merger of Airgas and Air Liquide U.S. operations.

In addition to the comparison of published figures, adjusted 2016 sales data is provided below to offer a comparable basis for 2016: **<u>adjusted 2016 sales</u>** are computed as if, **on January 1st 2016, Airgas had been fully consolidated** and the **divestments** requested by the U.S. Federal Trade Commission **completed, and Aqua Lung and Air Liquide Welding had been deconsolidated.**

As of the **1st quarter of 2017** and for the **entire 2017 fiscal year**, Air Liquide will communicate a comparable sales growth based on 2016 adjusted sales, **excluding currency and energy (natural gas and electricity) impact**.

Quarterly 2016 adjusted sales:

in €m	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016
Group	**4,857**	**4,877**	**4,922**	**5,156**	**19,812**
Gas & Services	4,668	4,666	4,744	4,930	19,008
Industrial Merchant	2,261	2,271	2,270	2,293	9,095
Healthcare	792	807	813	846	3,258
Americas	1,944	1,957	2,003	2,003	7,907
Americas IM	1,381	1,370	1,381	1,369	5,501
Americas HC	181	186	191	188	746

NB: figures not reported in the above table are already published data and are not impacted by the Airgas acquisition adjustment.

Consolidated 2017 1st quarter revenue includes the following impact:

In millions of euros	*Revenue Q1 2017*	*Q1 2017/2016 published change*	Currency[a]	Natural gas[a]	Electricity[a]	*Q1 2017/2016* comparable change[b]
Group	**5,176**	*+38.5%*	+117.0	+104.3	+25.3	*+1.5%*
Gas & Services	**5,046**	*+42.2%*	+116.0	+104.3	+25.3	*+2.8%*

(a) Based on Q1 2016 adjusted sales as if, on January 1st 2016, Airgas had been fully consolidated and the divestments requested by the U.S. Federal Trade Commission completed, and Aqua Lung and Air Liquide Welding had been deconsolidated.
(b) Comparable growth based on 2016 adjusted sales excluding currency and energy price fluctuation impact.

For the Group,

- The currency impact was +2.4%.
- The impact of natural gas price fluctuations was +2.2%.
- The impact of electricity price fluctuations was +0.5%.

For Gas & Services,

- The currency impact was +2.5%.
- The impact of natural gas price fluctuations was +2.2%.
- The impact of electricity price fluctuations was +0.6%.