Air Liquide
creative oxygen

PRESS RELEASE
AND ACTIVITY REPORT

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3rd quarter 2018

- **Continued strong growth**
- **Dynamic business development**

Key Figures (in millions of euros)	Q3 2018	2018/2017 as published	2018/2017 comparable (1)
Group Revenue	**5,271**	**+6.6%**	**+6.0%**
Gas & Services Revenue	*5,066*	*+5.8%*	*+5.2%*
Engineering & Construction Revenue	*105*	*+39.0%*	*+38.9%*
Global Markets & Technologies Revenue	*100*	*+22.1%*	*+22.7%*

(1) Comparable growth excluding the currency, energy (natural gas and electricity) and significant scope impacts; see reconciliation in appendix.

Commenting on the 3rd quarter of 2018, Benoît Potier, Chairman and CEO, said:

"The strong sales growth recorded in the 1st half of this year continued through this quarter. Group revenue totaled 5.3 billion euros, an increase of 6.6% that was driven by all Group businesses: Gas & Services, Engineering & Construction, and Global Markets & Technologies. The currency impact softened, though it remains negative. The sales increase also reflects higher energy prices.

All Gas & Services activities are reporting growth that is near the top of our medium-term objectives whether for Industrial Merchant, Large Industries, Healthcare, or Electronics. From a geographic perspective, our activities continue to progress in every zone of the world, particularly in Asia and the United States.

In addition, the Group is ahead on its annual operational efficiency program and will achieve synergies linked to the integration of Airgas as early as beginning 2019, which is more than one year ahead of schedule. Cash flow from operations remains high and the investment cycle remains particularly well oriented, with a high level of opportunities 12 months out. Investment decisions, fuel for future growth, are up substantially and total 1.9 billion euros at the end of September.

Our performance since the start of the year already reflects the structuring decisions that we have made over the course of the last two years, with the integration of Airgas, the reorganization of the company around the customer, the digital transformation, and the implementation of a new approach to innovation.

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

3rd quarter 2018 highlights

- **Innovation**: inauguration of the Paris Innovation Campus in the "Plateau de Saclay" (Paris area), with a totally renovated R&D center and the announcement that a deep tech start-up accelerator is being created.
- **New decisions:**
    - Investment for a **major customer** in the Gulf Coast.
    - **Entry in Kazakhstan**, with the signing of a long-term contract to supply hydrogen and the takeover of an existing production unit.
    - **Electronics:** three new investments, in China and in Singapore.
    - **GM&T:** bio-methane in Northern Europe
- **Hydrogen energy**: inauguration of an electrolyzer for the production of carbon-free hydrogen in Denmark. New meeting of the Hydrogen Council in San Francisco, which now brings together 54 global reach companies.

Group revenue stood at **5,271 million euros** in the 3rd quarter of 2018, up **+6.0%** on a comparable basis and at the high end of the NEOS target range. This strong growth was in line with that of the 1st half year and was driven by a robust market environment overall. This was supported by high Gas & Services sales, an improvement in Engineering & Construction and the strong growth of Global Markets & Technologies. The negative currency impact eased over the quarter to -1.2%, mainly due to a stronger US dollar against the euro. The energy impact was higher, at +2.3%. The sale of the Airgas Refrigerants business at the end of 2017 led to a significant scope impact of -0.5%. Published change in Group revenue was therefore up +6.6% over the quarter.

Gas & Services revenue reached **5,066 million euros** during the 3rd quarter, up **+5.2%** on a comparable basis. All regions contributed to this growth.

- Gas & Services revenue in the **Americas zone** stood at **2,017 million euros** over the quarter, i.e., an increase of **+5.4%**, higher than in the 1st half of the year. This reflected a high level of activity in Large Industries (+10.2%), in particular in the United States. Industrial Merchant sales enjoyed solid growth again (+4.2%) with a higher price impact in the United States. Healthcare revenue continued to improve markedly (+7.1%) in the zone.
- Revenue in the **Europe zone** totaled **1,779 million euros** in the 3rd quarter, up **+3.1%**. Large Industries saw an increase in sales over the quarter (+4.2%), driven by strong demand for hydrogen for refining and a start-up in Eastern Europe. Growth was solid in Industrial Merchant (+2.8%), in line with the 1st half of the year. Healthcare continued its steady growth (+4.9%), mainly supported by organic sales growth.
- Revenue in the **Asia-Pacific zone** was up **+6.4%** in the 3rd quarter at **1,099 million euros**. This was mainly thanks to the strong momentum in the Industrial Merchant and Electronics activities. The slight decline in Large Industries sales (-1.2%) was due to several customer maintenance turnarounds and a weaker contribution to sales from units that started up in China during the 3rd quarter of 2017. Industrial Merchant continued to improve strongly in the zone (+7.7%), driven by the markedly high growth that continued in China. Double-digit Electronics sales growth (+16.4%) benefited from thriving demand for new molecules and exceptionally high Equipment & Installation sales.
- Revenue in the **Middle East and Africa** zone amounted to **171 million euros**, up **+16.3%**. The start-up of the world's largest air separation unit in South Africa at the end of 2017 contributed greatly to Large Industries sales growth. Business momentum remained strong in Egypt.

In line with the 1st half of the year, Gas & Services revenue benefited from a strong contribution from all business lines and a sustained increase in the base business. In **Industrial Merchant**, sales growth remained strong (**+4.2%**), driven by the majority of end markets. Price impacts were higher (+2.9%) and reflected an improved correlation with inflation. Large Industries (+5.4%) benefited from the start-up and ramp-up of units, strong demand for oxygen and hydrogen in the Americas zone and for hydrogen for the refining industry in Europe. Several customer maintenance turnarounds limited growth in the Asia zone. Momentum in Healthcare was strong (+5.7%), in particular in Home Healthcare, where the number of patients treated continued to increase, and in Specialty Ingredients. Electronics revenue climbed +8.5%, mainly driven in Asia by the start-up of Carrier Gases units and the strong demand for new molecules, and by exceptionally high Equipment & Installations sales.

Engineering & Construction revenue totaled 105 million euros, up +38.9% compared to the 3rd quarter of 2017. It benefited from the gradual improvement in order intake seen since the beginning of 2017.

Global Markets & Technologies sales were up +22.7% at 100 million euros. The main contributor to this growth was the bio-methane sector, which benefited from the ramp-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.

The Group's efficiency gains reached 80 million euros in the 3rd quarter and 254 million euros at end-September, outpacing the NEOS program annual target of more than 300 million euros.

Additional Airgas synergies represented 13 million US dollars in the 3rd quarter and a cumulated 273 million US dollars since the acquisition of Airgas. The initial target of 300 million US dollars will be reached at the beginning of 2019, i.e., more than a year earlier than the initial target.

Cash flow from operating activities before changes in working capital requirements for the first 9 months of the year reached 3,005 million euros, or 19.5% of sales. It allowed in particular the financing of net capital expenditure, including transactions with minority shareholders, which totaled 1,655 million euros at the end of September and represented 10.7% of sales, in line with the mid-term strategic plan.

Investment momentum remained strong. Industrial and financial investment decisions totaled around 510 million euros for the 3rd quarter, i.e., a total of 1.9 billion euros since the beginning of the year, representing an increase of +15% over the first 9 months. The 12-month portfolio of opportunities totaled 2.6 billion euros at the end of September 2018, up 100 million euros compared with the end of June 2018. The 12-month portfolio of investment opportunities was balanced in terms of project size, which helps limit risks, as well as geographic spread and breakdown by business sector.