Confirmed growth in a more favorable environment

In the first quarter of 2014, and in the context of a gradually improving global business environment, revenue was up +6.2% on a comparable basis and +1.0% on a reported basis. Developing economies maintained their high growth rate (up +14.2%) and advanced economies were also up again (by +3.1%). Growth was achieved across all business lines.

The Group continued to focus on improving its operational management. Efficiency gains amounted to 69 million euros at the end of March, including the contribution from the alignment plans initiated in 2013, which are beginning to deliver. Alignment plans will continue in the remainder of 2014.

The 12-month investment opportunities are stable at 3.6 billion euros. This high level reflects the confidence of our customers in the medium term. The investment backlog stands at 2.5 billion euros.

<table>
<thead>
<tr>
<th>Revenue (in millions of euros)</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2014/2013 change as reported</th>
<th>Q1 2014/2013 comparable change (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas &amp; Services</td>
<td>3,406</td>
<td>3,416</td>
<td>+0.3%</td>
<td>+5.7%</td>
</tr>
<tr>
<td>Engineering and Technology</td>
<td>147</td>
<td>175</td>
<td>+19.4%</td>
<td>+23.7%</td>
</tr>
<tr>
<td>Other activities</td>
<td>145</td>
<td>143</td>
<td>-1.7%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>TOTAL REVENUE</td>
<td>3,698</td>
<td>3,734</td>
<td>+1.0%</td>
<td>+6.2%</td>
</tr>
</tbody>
</table>

(a) Comparable growth, excluding currency, natural gas and significant M&A impacts
Revenue analysis

Group

Group revenue for the first quarter of 2014 totaled **3,734 million euros**, up +1.0% on a reported basis. Adjusted for the major currency, natural gas and significant M&A impacts, revenue increased +6.2%.

Unless mentioned otherwise, all changes in revenue described below are based on changes on a comparable basis, which excludes currency, natural gas and significant M&A impacts.

Gas & Services

In the first quarter of 2014, **Gas & Services** revenue was up +0.3% on a reported basis, reflecting a negative currency impact of -4.7%, a slightly positive natural gas impact of +0.7%, and the disposal of the Group’s stake in Anios, which occurred in 2013, for -1.4%. Comparable growth was up +5.7%.

Comparable Gas & Services sales growth (a)

The comparable growth of the Gas & Services activity is the best level achieved in the last nine quarters. Base business growth showed substantial improvement (+2.7%). Start-ups, ramp-ups and bolt-on acquisitions contributed +3.0% to revenue growth. Growth remained vigorous in the developing economies, up +14.2% on a comparable basis, and was up in the advanced economies by +3.1%.
<table>
<thead>
<tr>
<th>Revenue (in millions of euros)</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2014/2013 change as reported</th>
<th>Q1 2014/2013 comparable change(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>1,769</td>
<td>1,701</td>
<td>-3.8%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Americas</td>
<td>766</td>
<td>814</td>
<td>+6.2%</td>
<td>+11.6%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>780</td>
<td>816</td>
<td>+4.6%</td>
<td>+13.5%</td>
</tr>
<tr>
<td>Middle East and Africa</td>
<td>91</td>
<td>85</td>
<td>-6.9%</td>
<td>+2.9%</td>
</tr>
<tr>
<td>Gas &amp; Services</td>
<td>3,406</td>
<td>3,416</td>
<td>+0.3%</td>
<td>+5.7%</td>
</tr>
<tr>
<td>Large Industries</td>
<td>1,225</td>
<td>1,285</td>
<td>+4.9%</td>
<td>+6.2%</td>
</tr>
<tr>
<td>Industrial Merchant</td>
<td>1,254</td>
<td>1,229</td>
<td>-2.0%</td>
<td>+4.4%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>659</td>
<td>626</td>
<td>-5.0%</td>
<td>+5.3%</td>
</tr>
<tr>
<td>Electronics</td>
<td>268</td>
<td>276</td>
<td>+3.2%</td>
<td>+10.3%</td>
</tr>
</tbody>
</table>

(a) Comparable growth, excluding currency, natural gas and significant M&A impacts

**Europe**

At 1,701 million euros, revenue for Europe was almost stable, down just -0.2%, reflecting solid and regular growth in the Healthcare sector and in Gas & Services for Industry in developing economies. In Western Europe, Gas & Services for Industry fell slightly, mainly as a result of lower electricity prices and the disposals of non-strategic activities in 2013. Excluding those two factors, sales in Western Europe edged up by +0.3%.

**Europe Gas & Services revenue**

- **Large Industries** was down by -2.7% following the sale of three cogeneration units in Q4 2013 and Q1 2014, as well as the lower cost of electricity. Excluding those two factors, Large Industries in Europe grew by +1.3%. Oxygen volumes for the steel and hydrogen industry increased significantly throughout the region, particularly in Western Europe.

- **Industrial Merchant** revenue was down slightly -0.8%, due to the disposal of small businesses in Western Europe. Revenue continued to grow steadily in developing economies with Liquid volumes up substantially. Throughout the region, prices fell slightly by -0.2%, while costs slowed by -0.8%.

- **Healthcare** posted growth of +4.0% despite price pressure. Home Healthcare generated significant growth in volumes and revenue, driven by the continued increase in the number of patients treated. The medical gases for hospitals segment was impacted by a slight decline in volumes and continued decline in tariffs. Growth remained steady for Hygiene and Specialty Ingredients activities at +6.6% and +6.0% respectively.
Americas

Gas & Services revenue in the Americas totaled **814 million euros**, up +11.6%. The momentum remained strong throughout the region and in all business lines.

- **Large Industries** reported solid revenue growth of +13.1%. Hydrogen volumes were up significantly compared to the first quarter of 2013, which was marked by customer maintenance stoppages in the United States. Oxygen demand declined in the metals sector in Canada but remained stable in the rest of the Americas. Developing economies continued to post strong sales growth at +18.4%.

- **Industrial Merchant** activity achieved +6.7% growth thanks to sustained demand. Liquid volumes increased across the entire region. Pricing impact (up +4.4% zone-wide) was positive in all countries, and particularly pronounced in South America.

- **Healthcare** revenue was up +10.6% throughout the zone, driven by the strong increase in medical gas volumes and an increase in the number of Home Healthcare patients in Latin America.

- **Electronics** revenue increased by +42.6%, especially in the ALOHA™ and electronic specialty gases businesses, benefiting from the acquisition of molecule and advanced precursor specialist, Voltaix. Equipment and Installation revenue, which is more cyclical, was particularly dynamic.

Asia-Pacific

Revenue in the **Asia-Pacific** region was up +13.5% to **816 million euros**. Business was steady in all countries in the zone. Japan had a good first quarter, particularly in Industrial Merchant, and stronger sales in Electronics. China posted strong growth in Large Industries and Industrial Merchant. Other developing economies posted solid growth.

- Sustained by the start-ups recorded in late 2013 and early 2014, **Large Industries** sales increased by +21.6%. As a result, oxygen volumes were up. Hydrogen demand was also up benefiting from a favorable comparison basis in the first quarter of 2013 due to customer maintenance stoppages.

- **Industrial Merchant** sales increased by +11.5% relative to the first quarter of 2013. Prices were stable in the Asia-Pacific zone. Sales were strong in Japan, possibly benefiting from the anticipated VAT increase on 1 April 2014. Sales in developing economies also improved substantially in the first quarter, particularly in China. Helium sales were strong in all geographic regions.

- **Electronics** sales were up +5.2%, reflecting a recovery in global business. The Electronics business improved in Japan, back into growth mode, and continued to increase more strongly in the developing economies. ALOHA™ sales rose significantly in the zone, as did sales of carrier gases, which were particularly buoyant in China and Taiwan as a result of recent start-ups.
• **Healthcare** revenue increased by +9.7% thanks to good growth in Australia supported by bolt-on acquisitions in 2013 and a return to growth in Japan.

**Middle East and Africa**

Revenue in the Middle East and Africa stood at 85 million euros, up +2.9%. This result reflects the continuing instability in the Middle East and difficulties in supplying argon in the first months of the year, which were offset by continued strong growth in Africa.

**Engineering and Technology**

Engineering and Technology revenue totaled 175 million euros, up +23.7%, excluding the currency impact, compared to the first quarter of 2013. This increase was due to good progress of current projects.

At 267 million euros, order intake in the first quarter of 2013 reflected more selectivity in the Group investment decisions and the efforts devoted to executing current projects. Order intake for third-party projects was stable compared to the first quarter of 2013.

**Other activities**

<table>
<thead>
<tr>
<th>Revenue (in millions of euros)</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2014/2013 change as reported</th>
<th>Q1 2014/2013 comparable change(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welding</td>
<td>101</td>
<td>96</td>
<td>-4.6%</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Diving</td>
<td>44</td>
<td>47</td>
<td>+5.1%</td>
<td>+8.2%</td>
</tr>
<tr>
<td>TOTAL OTHERS</td>
<td>145</td>
<td>143</td>
<td>-1.7%</td>
<td>-0.6%</td>
</tr>
</tbody>
</table>

(a) Comparable growth excluding currency impact.

Other Activities revenue in the first quarter of 2014 declined by -0.6% to 143 million euros.

• **Welding** revenue decreased by -4.4% in the first quarter, still impacted by the weakness of the European economy.

• **Diving** activity (Aqua Lung) recorded its largest revenue increase, sustained by a bolt-on acquisition.
Quarterly highlights

Industrial developments

For the Large Industries sector, there were developments in both developing and advanced economies in the first quarter of 2014.

- In December 2013 and January 2014, Air Liquide strengthened its leadership position in growth markets with the start-up of eight large-scale production units around the world. Four of the units, based in China, are air gas separation units (ASUs), and have increased the Group’s oxygen production capacity in that country by almost 50%.
- In the Rhine-Ruhr industrial basin, Air Liquide entered into a major long-term supply contract with ThyssenKrupp to supply oxygen (4,600 tons per day), nitrogen and argon to ThyssenKrupp’s steelworks in the Duisburg basin. The gases will be produced by existing Air Liquide units, including the largest in Germany which started up in 2012. Supply will be via Air Liquide’s 500-kilometer local pipeline network. This success is an excellent illustration of the competitive advantage afforded by a pipeline network.

In Industrial Merchant, Air Liquide continued to develop its nitrogen production capacity in the United States to meet growing demand, particularly from the boom in oil and gas activity in the northern part of the country. The new Tioga plant in North Dakota started up in the first quarter and will supply nitrogen to the surrounding states. At the same time, Air Liquide updated its bulk distribution fleet in the U.S. (with 145 new trucks) to maintain driver safety and supply reliability.

New initiatives in the innovation field

Innovation is central to Air Liquide’s strategy.

In the first quarter of 2014, Air Liquide committed to new investment in the field of innovation, specifically:

- The modernization of its Research and Development Center at Paris-Saclay, the Group’s main global research center;
- The creation of a center for the development of gas packaging for Industry and Healthcare at the Paris-Saclay site;

These initiatives represent a total investment of nearly 100 million euro.

In 2013 Air Liquide launched two initiatives to promote open innovation: i-Lab, Air Liquide’s new ideas laboratory, and ALIAD, the Group’s capital investment subsidiary that takes minority stakes in innovative technology start-ups.

During the first quarter, ALIAD made equity investments in three technology start-ups: McPhy Energy, Solumix and Xylowatt.

- The French company McPhy Energy designs hydrogen generators based on water electrolysis and hydrogen storage in solid magnesium hydride to address the problem of storing renewable energy.
- Solumix has developed a new insulating construction material, made from natural raw materials. This investment will allow Air Liquide to leverage on the patents developed by its Research and Development department in the field of porous materials.
- Xylowatt has developed a technology for producing clean syngas from solid biomass. Air Liquide will help develop this technology for use in oxygen-based processes.
Investment cycle

Investment opportunities

The 12-month investment opportunities remained stable at 3.6 billion euros at the end of March 2014, with new projects entering the portfolio off-setting those signed by the Group, awarded to the competition or delayed. The portfolio includes several large projects.

Nearly two thirds of the 12-month investment opportunities are still located in developing economies, with China’s share increasing, but also more weight in North America. The portfolio also includes 11 takeovers representing approximately 20% of the total value of investment opportunities.

Investment decisions and investment backlog

Industrial and financial investment decisions amounted to 300 million euros during the quarter, reflecting more active selection in the Group’s investments and the absence of acquisitions. Industrial decisions accounted for 98% of that amount.

The investment backlog totaled 2.5 billion euros, guaranteeing a future contribution to revenue of approximately 1.2 billion euros in the coming years.

Start-ups

Seven new units started up during the first quarter of 2014, six of them located in developing economies and the other in Germany.

Operating performance

The Group’s efficiency gains for the quarter amounted to 69 million euros, slightly higher than those recorded during previous first quarters. This performance is the result of the contribution of the many projects across the entire Group in purchasing, logistics and energy efficiency, as well as adaptation plans initiated in 2013 that will continue this year.

Cash flow from operating activities after changes in working capital for the first three months of the year was solid at 484 million euros, up 9% excluding currency effects, more than covering the 471 million euros of net industrial capital expenditure. The Group’s financial structure remains solid.

Net capital expenditure, excluding transactions with minority shareholders, was 499 million euros for the quarter.

Outlook

This quarter confirms the return to a more favorable economic climate that started in the course of 2013. This environment is notably favorable for Electronics, a business that continues to develop in segments with higher added value.

The first quarter of 2014 was marked by stronger growth and by a significant contribution from start-ups as well as by higher demand from customers. The Group saw sustained growth in its activities in the Americas and Asia-Pacific as well as stability in Europe.

The operational performance is solid and the Group continues to reinforce its efficiency and its competitiveness, while undertaking growth initiatives.
The investment backlog of € 2.5 billion represents an important source of growth over the medium term.

In this context, and barring a degradation of the environment, Air Liquide is confident in its ability to deliver another year of net profit growth in 2014.
Currency, natural gas and significant M&A impacts

In addition to the comparison of published figures, financial information for first quarter 2014 is provided before currency, natural gas price fluctuations and significant M&A impacts.

Since gases for industry and health 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. Fluctuations in natural gas prices are generally passed on to customers through price indexation clauses.

Consolidated 2014 first quarter revenue includes the following:

<table>
<thead>
<tr>
<th>In millions of euros</th>
<th>Revenue Q1 2014</th>
<th>Q1 2014/2013 change</th>
<th>Currency</th>
<th>Natural gas</th>
<th>Significant scope</th>
<th>Q1 2014/2013 comparable change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td>3,734</td>
<td>+1.0%</td>
<td>(169)</td>
<td>+24</td>
<td>(47)</td>
<td>+6.2%</td>
</tr>
<tr>
<td>Gas &amp; Services</td>
<td>3,416</td>
<td>+0.3%</td>
<td>(161)</td>
<td>+24</td>
<td>(47)</td>
<td>+5.7%</td>
</tr>
</tbody>
</table>

(a) Excluding currency, natural gas and significant M&A impacts.

For the Group,

- The currency impact was -4.5%.
- The impact of higher natural gas prices was +0.6%.
- The significant M&A impact was -1.3%.

For Gas & Services,

- The currency impact was -4.7%.
- The impact of higher natural gas prices was +0.7%.
- The significant M&A impact was -1.4%.

This management report is also available on our website: http://www.airliquide.com/en/investors/financial-presentations.html