

2015 Performance Share and Stock Option Plans

L’Air Liquide’s Board of Directors, at their meeting of 28 September 2015, adopted the performance share and stock option plans for 2015 which aim, in addition to incentive and profit-sharing schemes, to associate employees more closely with the company’s performance. For the first time, performance shares will be granted to the executive officers, in substitution (and not in addition) to stock options.

Evolution of the principles

- 1) After review of the long-term remuneration policy for the Group’s employees, particularly in respect of practices of equivalent-sized groups, the Board decided to give priority to performance shares (formally known as “CGSE” and renamed “performance shares”) in the volumes granted, reducing the number of stock options granted accordingly. In this context, the Board decided, in accordance with the authorisation given by the shareholders on 6 May 2015 (i) to allow performance shares to be granted to the executive officers and members of the Executive Committee who had previously been limited to stock options, with the substitution of performance shares (and not in addition) to stock options; and (ii) with a preference to award performance shares for employees who had been previously benefited from a mix of stock options and performance shares, or limited to stock options.
- 2) The Board considered that maintenance of both plans allows for flexible management of the remuneration policy. The priority given to performance shares, at a practically equivalent cost for the Company, allows for a plan with less dilution and potential favourable tax treatment in the near future.
- 3) In accordance with the commitments made, the award of performance shares (which now includes the executive officers) is subject to reinforcement of the performance conditions with the addition of a second criterion which includes two external reference indexes, thereby making the performance conditions identical to those for stock options; thus, these performance conditions are applicable to all the stock options and performance shares granted to any beneficiary.
- 4) Furthermore, in accordance with the law in favour of revenue from work (LFRT) of 3 December 2008, the award of performance shares to the executive officers is accompanied by the implementation of a scheme in favour of the Group’s employees in France with regard to the current financial year. All the Company’s employees and 97.71% of the employees of the Group’s French entities, who are covered by an incentive plan or a special or voluntary profit sharing plan, will receive an additional incentive or profit sharing amount or benefit from an improvement in the formula of their agreements in 2015. For L’Air Liquide SA, the average incentive amount paid in this respect is €300 per employee.

New policy for the award to executive officers

- 1) On the basis of grants to the executive officers at a constant volume when compared to the 2014 stock option plan, the Board of Directors adopted for 2015 the following breakdown of the mix of performance shares/stock options for the executive officers: 70% options, 30% performance shares (see the details of the quantities allocated as set forth below). Over the long term, the objective is an award of both plans in equal proportions. As the IFRS value of a performance share exceeds that of a stock option, the total

valuation of these awards amounts to €1 827 870 for Benoît Potier and €1 041 886 for Pierre Dufour. These amounts represent a 13% increase as compared to 2014 yet 7 % inferior as compared to 2013. They correspond to an annual average increase since 2008 (year preceding the global financial crisis) of 0.2% for Benoît Potier and 4.9% for Pierre Dufour.

- 2) Within the initial limit of 38 months as authorised by the Annual Shareholders' Meeting, the Board of Directors sets annual limits for the grants to the executive officers, expressed (i) as a percentage of the share capital and (ii) as a multiple of their remuneration.

In the context of the decision to grant performance shares to the executive officers, and replace part of the stock option grant, the Board **reviewed the maximum quantities of each grant allowed under the plans** to the executive officers, expressed as a percentage of the share capital and a multiple of the executive officer's remuneration in accordance with the AFEP/MEDEF Code. It was therefore decided:

- As regards the executive officers:
 - stock options: significantly lower the limit of total stock options to 0.05% of the share capital (instead of 0.1% previously) granted for the year to the two executive officers, in a desire for consistency and with the replacement of some stock options by performance shares; through this limit, the Board sets an annual limit which is considerably lower than annual average limit of 0.3% of the share capital for 38 months by the Annual Shareholders' Meeting;
 - performance shares: establish a limit of total performance shares to 0.017% of the share capital granted for the year to the two executive officers (equally significantly lower than the average limit of 0.15% of the share capital for 38 months by the Annual Shareholders' Meeting)
- For each executive officer individually:
 - to set the relative limit on the total cumulative IFRS value of the stock options and performance shares granted for the year to each executive officer at approximately 1.5 times the amount of his maximum gross annual remuneration (instead of former limit of 1 time).

- 3) The **restrictions** on the exercise of stock options during the closed periods surrounding the publication of the financial statements defined by the Company **also apply to performance shares** which may not be sold by the executive officers during such periods.

- 4) Moreover, at the time of this grant, in accordance with the AFEP/MEDEF Code and in line with established practices in the Company, the Board of Directors notes the **engagement** by Benoît Potier and Pierre Dufour **not to carry out hedging transactions** not only for the stock options/shares resulting from the exercise of stock options but **equally with regard to performance shares** awarded, throughout their entire terms of office.

- 5) **The share holding obligation imposed** on the executive officers pursuant to the provisions of the French Commercial Code is adjusted as from the date of this plan. It **applies both to shares resulting from the exercise of stock options and to performance shares** as granted to the executive officers.

As of 2015, where stock options/performance shares are granted to the executive officers, the executive officers must retain a minimum quantity of shares corresponding to 50% of the capital gains at time of the acquisition, net of social charges and tax, at each exercise of stock options/final vesting of performance shares, in registered form, and until the termination of their appointments. This percentage will be reduced to 5% when the quantity of shares held represents an amount equivalent (or greater) to three times the executive officer's gross fixed annual remuneration.

Furthermore, remains today, the internal rule defined by the Board of Directors since 2008, whereby the executive officers must hold a number of shares equivalent to twice the gross fixed annual remuneration for the Chairman and Chief Executive Officer and the amount of the gross fixed annual remuneration for the Senior Executive Vice-President, continues in force. This obligation will continue to exist until it is exceeded by the effect of the above-mentioned rules from the French Commercial Code. The Board of Directors noted that this holding obligation was complied with by each of the executive officers at 1 July 2015.

In light of the strict rules for the holding of shares thereby implemented, the award of performance shares to the executive officers will not be conditional on the purchase of additional shares by the executive officers when the shares awarded become available, as an exception to the recommendations in the AFEP/MEDEF Code (Article 23.2.4).

- 6) Against this background, the Board of Directors pursued its policy of enlargement of the total number of beneficiaries undertaken over the last three years, including once more this year inventors and innovators in particular; the total number of beneficiaries within the scope of the 2015 plans is 1770 beneficiaries, representing 3.45% of the Group's workforce.

2015 Stock Option Plan

The Board granted options to subscribe for shares in the Company to a certain number of employees, to Executive Committee members and to the executive officers of the Company in accordance with the following terms:

Exercise price

The exercise price is €105 (corresponding to the average of the opening trading prices for the Air Liquide share during the twenty trading sessions prior to the date of the Board of Directors' meeting, rounded down to the nearest euro).

Volume of grants

- Executive officers

	Volume	IFRS value	% of share capital
Benoît Potier	70 000 options	€892 570	0.02%
Pierre Dufour	39 900 options	€508 765	0.012%

- Other beneficiaries

The Board of Directors also decided to grant 357 294 stock options to 397 beneficiaries.

In total, it granted 467 194 options to subscribe for shares representing 0.14% of the share capital to 399 beneficiaries, representing 0.78% of the workforce.

2015 Plan Regulations

The provisions of the Regulations for the 2015 Plan are unchanged as compared to the Regulations for the 2014 Plan (10-year exercise period; 4-year vesting period) except for a technical change made to the method of calculation of one of the performance conditions; these conditions now apply to both the stock option plans and the performance share plans (see below). Furthermore, a condition of presence/continued employment in the Group at the time of exercise of the options is also required as in 2014.

2015 Performance Share Plan

The Board awarded performance shares to a certain number of employees, to Executive Committee members and to the executive officers of the Company in accordance with the following terms:

Volume of awards

- Executive officers

	Volume	IFRS Value	% of share capital
Benoît Potier	10 000 performance shares	€935 300	0.003%
Pierre Dufour	5 700 performance shares	€533 121	0.002%

- Other beneficiaries

The Board of Directors also decided to award 271 472 performance shares to 1742 beneficiaries.

In total, it awarded 287 172 performance shares representing 0.084% of the share capital in terms of the number of shares to 1744 beneficiaries, representing 3.40% of the workforce.

2015 Plan Regulations

- a) New provisions:

France and World Plans:

Following the decision to allow the award of performance shares to the executive officers:

- ✓ The new name of “performance shares” was adopted to replace the designation as “CGSE” that was used until now;
- ✓ The performance conditions were changed to reflect identical performance conditions as those applicable to the Stock Option Plan (see below)

France plan only:

- ✓ The wording was adapted in order to reflect the inclusion of the executive officers among the beneficiaries of the Plan;
- ✓ The **presence condition** required to benefit from performance shares at the end of the vesting period is aligned, for the executive officers, with the condition that is applicable to them in the stock option plans, the loss of the rights being limited to cases of resignation or removal from office in the event of gross misconduct.

- b) The other provisions of the Regulations for the 2015 Plans are identical to those in the 2014 Plans including, in particular, the vesting/holding periods (3 years then 2 years for France; 4 years and no holding period for the international plan).

Performance conditions

- ✓ The performance shares award has been subject to reinforcement of the performance criteria with the addition of a second criterion to include two external reference indexes, and thus the performance conditions are identical to those defined for the stock option plan; **these performance conditions are applicable to all stock options and performance shares granted to all beneficiaries.**

- ✓ The calculation methodology regarding the performance condition relative to recurring EPS has been modified, thus avoiding the threshold effect resulting from the assessment of the performance for year 3 as compared to year 0. Instead, the average of the annual growth rate is now used. In light of the above, the objective of growth in recurring EPS, from date-to-date over 3 years, for the previous plans becomes an objective of annual average growth over the same period of 3 years. **Subject to this reservation, the performance conditions are identical to those for the 2014 stock option plan.**

On the Remuneration Committee’s recommendation, the Board has decided that the number of options which may be exercised upon the total number of stock options granted, and the number of performance shares that ultimately vest, for the 2015 plans, will be in function of the following:

- (i) up to 65% of the stock options/performance shares granted, on the realisation of an objective set by the Board, consisting of the non-diluted average annual growth rates in net earnings per share excluding foreign exchange impact and exceptional items for financial years 2015, 2016 and 2017 (“Recurring EPS”); the growth objective set takes into account the economic environment, historical growth and the Group’s medium-term ambitions. Once the objective has been set, the grant decreases on a straight-line basis to zero if there is no growth in EPS. For information, over the last three years, the objective was extremely close to the rates of growth in EPS shown in the consolidated annual budgets presented to the Board of Directors; and
- (ii) up to 35% of the stock options/performance shares granted,
- for 50% of the stock options/performance shares referred to in paragraph (ii): an objective of Total Shareholder Return as set by the Board, defined as the average annual growth rate of an investment in Air Liquide shares for financial years 2015, 2016 and 2017 (“AL TSR”). From the objective set, the grant decreases on a straight-line basis, to a lower limit which remains significantly higher than the rate of return on capital.
 - for 50% of the stock options/performance shares referred to in paragraph (ii): Total Shareholder Return from an investment in Air Liquide shares with reinvested dividends – source: Bloomberg (“B TSR”), compared to a reference index made up of:
 - one-half weighted on the CAC 40 index, reinvested dividends (source: Bloomberg), and
 - one-half weighted on the Total Shareholder Return of the companies in the industrial gas sector (the average of Air Liquide, Linde, Praxair and Air Products), reinvested dividends (source: Bloomberg).

The median objective is based on a performance equal to the average of the two indexes cited above. The rate of realisation is 0% if the rate of return on Air Liquide shares is 3% lower than the median objective and 100% if the rate of return on Air Liquide shares is more than 3% higher than the objective.

In summary, the applicable performance conditions are as follows:

Percentage	65%	35%	
Objective	Average of annual growth rates in net earnings per share excluding foreign exchange impact and exceptional items for financial years 2015, 2016 and 2017	50% Total Shareholder Return 2015/2016/2017	50% Total Shareholder Return vs. benchmark ½ CAC 40 – ½ peers 2015/2016/2017
Achievement	From 0% to 100% if the objective is achieved	Low objective 0%	High objective 100%

The rate of achievement of the performance conditions will be recorded by the Board at the time of its adoption of the financial statements for the 2017 financial year. The targets set for each performance condition will be made public *ex post*, at the end of the Board meeting determining the rate of achievement of the performance conditions. The result achieved and the percentage of stock options/performance shares that vest will also be communicated.

- ✓ The Board of Directors had given its agreement in principle to the performance conditions adopted for the 2015 Plans at its meeting on 6 May 2015. Further to the requests made by certain investors, the Board of Directors confirmed that, as from 2016, the performance conditions applicable to the annual plans decided in the autumn will now be set at the beginning of the year at the meeting in February, in order to have a reference period of three full years.

CONTACTS

Corporate Communications

Annie Fournier
+33 (0)1 40 62 51 31
Caroline Philips
+33 (0)1 40 62 50 84

Investor Relations

Aude Rodriguez
+33 (0)1 40 62 57 08
Erin Sarret
+33 (0)1 40 62 57 37

World leader in gases, technologies and services for Industry and Health, Air Liquide is present in 80 countries with more than 50,000 employees and serves more than 2 million customers and patients. Oxygen, nitrogen and hydrogen have been at the core of the company's activities since its creation in 1902. Air Liquide's ambition is to be the leader in its industry, delivering long-term performance and acting responsibly.

Air Liquide ideas create value over the long term. At the core of the company's development are the commitment and constant inventiveness of its people.

Air Liquide anticipates the challenges of its markets, invests locally and globally, and delivers high-quality solutions to its customers and patients, and the scientific community.

The company relies on competitiveness in its operations, targeted investments in growing markets and innovation to deliver profitable growth over the long-term.

Air Liquide's revenues amounted to € 15.4 billion in 2014, and its solutions that protect life and the environment represented more than 40% of sales. Air Liquide is listed on the Paris Euronext stock exchange (compartment A) and is a member of the CAC 40 and Dow Jones Euro Stoxx 50 indexes.