

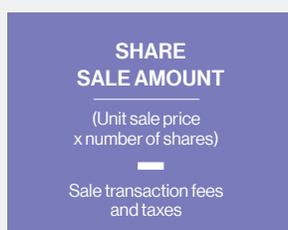
CAPITAL GAINS AND THEIR TAXATION

The gain on the sale of shares is called a "capital gain". It is the difference between their sale amount and their purchase amount.

The elements of taxation described in this factsheet are applicable to French residents for tax purposes.



HOW IT WORKS (French tax)



↓
This information
is included in your sale
transaction statement.



↓
This information
is included:
• for purchases,
in your purchase
transaction statement,
• for gifts, on your 2735 gift
form or notarial deed,
• for an inheritance,
on the 2705 and 2706
inheritance declarations
forms.



↓
Capital gains on sales realized in 2016 are subject to income tax based on a progressive scale.
They may be reduced by capital losses on your portfolio incurred during the same year or capital losses that have not been deducted but were realized in the previous 10 years. The social contributions rate is 15.5%. It is applied to the capital gain before deduction.

Tax deductions

Capital gains are subject to a tax deduction based on how long the shares have been held since their acquisition date:

▶ **50% for a share holding period from 2 to 8 years;**

▶ **65% for a share holding period of 8 years or more.**

Capital increase: taxation of PSRs

The sale of preferential subscription rights (PSRs) made as part of a share capital increase in September 2016 was taxed as a capital gain on sale without allowance.

The gain must be included in your total sales when paying your capital gains tax. The amounts received are taxable from the first euro. It is included on your tax reporting form (IFU).

It is not eligible for the holding period allowance for the shares of which the PSRs have been separated. Don't forget to include them on your tax return.

(a) Unit purchased price adjusted where required for the attribution of free shares during the share holding period.



FOCUS ON

Two scenarios that provide exemption from capital gains tax

- ▶ **Having a share savings plan**, and keeping your shares for a period of five years from the account opening date. The capital gains realized after this period are only subject to social security contributions. Important: shares from another account cannot be transferred to a share savings plan. Only transfers from the share savings plan's cash account can be used to invest in shares. The cash investment limit is €150,000 per plan.
- ▶ **Making a gift** is still fully exempt from rights, taxes and social contributions up to maximum amounts set by French law. Unrealized capital gains on shares are then tax exempt, as long as the transaction is reported to the tax authorities (see pages 46-47 on passing on shares and taxation). **Plan to make your end-of-year gifts from September.**

† The "Shares and taxation" web conference, presented by our experts, can be found on airliquide.com / Shareholders



Make your calculations!

Direct registered shareholders: our experts are available to explain how shares are taxed and how to calculate your capital gains. Estimate the net acquisition price of your shares, your capital gains and taxes owed, as well as the amount to be added to your assets to calculate your French wealth tax using the tax simulators available at airliquide.com / Shareholders

Deduction of losses

The losses are attributable without a tax deduction on the capital gains. To determine the taxable amount, the balance obtained in this way benefits from the tax deduction linked to the holding period for sold

shares that resulted in a capital gain. The taxpayer is responsible for calculating and declaring in the 2042 form the net amount of the tax deduction for the holding period applicable to the capital

gains (page 3, box 3SG) and the net amount after the tax deduction (page 3, box 3VG if taxable capital gain or box 3VH if loss). The 2074 form can be used to itemize your calculations.

† See the sample figures available on airliquide.com / Shareholders / Manage your shares / Capital Gains

† The "Shares and taxation" web conference, presented by our experts, can be found on airliquide.com / Shareholders



REMEMBER

Wealth tax: choose the right calculation method

The value of your share portfolio is included in your taxable assets for the "Impôt de Solidarité sur la Fortune (ISF)", or "wealth tax". **The tax authorities allow two ways of valuing your assets:** either the

closing price on December 31, 2016: €105.65 for the Air Liquide share; or the average closing price for the last 30 trading days in 2016: €100.52 for the Air Liquide share. The tax administration allows taxpayers

to choose the most advantageous valuation for each share in their portfolio. This information appears on your recent account statement or can be consulted in your personal online account.

New: tax on financial transactions

From January 1, 2017, the tax rate on share acquisitions changed from 0.2% to 0.3%. Please note that this tax applies only to share purchases. The 2017 Finance Tax states that this increase applies to transactions negotiated on December 29 and 30, 2016 and completed from 2017.