

2018 PERFORMANCE SHARES AND STOCK OPTIONS PLANS

The Board of Directors of L’Air Liquide at its meeting on September 25, 2018 adopted the 2018 performance share and stock option plans which are aimed, above and beyond incentive and mandatory profit sharing, at associating employees to a greater extent with the company’s performance.

Principles of the 2018 grant

For the Executive Officer, the 2018 grant is in line with the remuneration policy for 2018 defined by the Board of Directors on February 14, 2018 and approved by the Shareholders' Meeting on May 16, 2018. It is part of the objective of total annual remuneration set for 2018 by the Board of Directors, in which: (i) the weight of the variable elements continues to represent approximately 75% of the total annual remuneration and (ii) in the balance between fixed part, variable part and LTI, a slightly greater weight (approximately 40% of the total annual target remuneration) continue to be given to the long-term motivation.

In this context, it was agreed by the Board of Director on February 14, 2018 that the award of performance shares and stock options to Benoît Potier in 2018 would represent an IFRS value of approximately €2,250k, an increase of 7.14% as compared to 2017.

On the basis of these principles, the Board of Directors made the following grants at its meeting on September 25, 2018:

2018 Stock Options Plan

The Board granted options to subscribe for shares in the Company in accordance with the following terms:

Exercise price

The exercise price is €107 (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 officer

	Volume ¹	IFRS value in € ¹	Volume as a % of the share capital ¹
Benoît Potier	23,690 Stock options	449,714	0.0055%

¹ Amount calculated on the basis of the IFRS value as at September 25, 2018, with a share price of €110.05

- Other beneficiaries

The Board of Directors also decided to grant 49,690 options to 216 employee beneficiaries.

In total, it granted 73,380 options to subscribe for shares, representing 0.017% of the share capital in terms of the number of shares, to 217 beneficiaries, representing 0.32% of the workforce.

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2018 Plan Regulations

Subject to the performance conditions that apply to both the performance share and stock option plans (defined below), the provisions of the 2018 Plan Regulations are unchanged as compared to those of the 2017 Plan (term: 10 years; lock-up period of 4 years; definition of a condition of continued employment/presence in the Group at the time of exercise of the options).

2018 Performance Shares Plans

The Board awarded performance shares in accordance with the following terms:

Volume of awards

- Executive officer

	Volume²	IFRS value in €²	Volume as a % of the share capital²
Benoît Potier	18,230 shares	1,800,249	0.0043%

² Amount calculated on the basis of the IFRS value as at September 25, 2018, with a share price of €110.05

- Other beneficiaries

The Board of Directors also decided to award 375,544 performance shares to 1,696 distinct beneficiaries (representing 1,733 allocations to employees of the Group).

In total, it therefore awarded 393,774 performance shares representing 0.09% of the share capital to 1,697 distinct beneficiaries (representing 1,734 allocations), 2.57% of the workforce.

2018 Plan Regulations

Subject to the performance conditions that apply to both the performance share and stock option plans (defined below), the provisions of the 2018 “France” and “World” Performance Share Plan Regulations are identical to those of the 2017 Plans and in particular:

- For France, the vesting period is set at 3 years and the holding period at 2 years. As for the “World” Plan, it provides for a vesting period of 4 years with no additional holding obligation.
- Definition of a condition of continued employment/presence at the end of the vesting period in order to receive the definitive award of shares.

Combined

On a combined basis, all 2018 Performance Share and Stock Option Plans combined, the grants decided by the Board on September 25, 2018 are as follows:

Executive Officer

	Volume¹	IFRS Value in €¹	Volume as a % of the share capital¹
Benoît Potier	23,690 Stock options	449,714	0.0055%
	18,230 Shares	1,800,249	0.0043%
Total		2,249,963	

¹ Amount calculated on the basis of the IFRS value as at September 25, 2018, with a share price of €110.05.

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All the beneficiaries

Total number of stock options	73,380 (i.e. 0.017% of the share capital)
Total number of performance shares	393,774 (i.e. 0.09% of the share capital)
Number of allocations	1,734 (including 1,697 distinct beneficiaries)
% of workforce	2.59 %

The lists of employee beneficiaries were prepared with the aim of ensuring a certain rotation and an enlargement of the population of beneficiaries. 28.03 % of the beneficiaries of the September 25, 2018 Plans are employees to whom no stock options/performance shares were granted over the last 5 years.

Performance conditions applicable to the 2018 Stock Option and Performance Share Plans

All the stock options and performance shares granted to any beneficiary within the scope of the September 25, 2018 Plans are subject to the following performance conditions that apply to both the Stock Option and Performance Share Plans. These conditions were adopted by the Board of Directors on February 14, 2018.

The number of stock options that may be exercised out of the total number of stock options granted and the number of performance shares definitively awarded within the scope of the 2018 Plans will therefore depend:

(i) **For 65% of the stock options/performance shares granted**, on the rate of achievement of an objective, set by the Board, consisting of the average of the annual rates of growth in Group undiluted net earnings per share excluding foreign exchange impact and excluding significant exceptional items ("**Recurring EPS**") for financial years 2018, 2019 and 2020. At the objective set, the grant is 100% then decreases on a straight-line basis to zero if there is no growth in EPS.

This objective has been set, as for the 2017 Plans, at a level of growth included within the bracket of +6% to +10% per year. The objective will be communicated ex post;

(ii) **for 35% of the stock options/performance shares granted**,

- for 50% of the stock options/performance shares referred to in sub-paragraph (ii): on an objective of Total Shareholder Return set by the Board, defined as the average annual growth rate of an investment in Air Liquide shares, reinvested dividend, for fiscal years 2018, 2019 and 2020 ("**AL TSR**"). The absolute TSR objective is set on a consistent basis with historical performances. At the objective set, the grant is 100% then decreases on a straight-line basis, to a lower limit,
- for 50% of the stock options/performance shares referred to in sub-paragraph (ii): on the rate of Total Shareholder Return from an investment in Air Liquide shares, reinvested dividends – sourced from Bloomberg ("**B TSR**"), compared to the CAC 40 TSR Index, reinvested dividends (sourced from Bloomberg) for fiscal years 2018, 2019 and 2020.

The rate of achievement will be 0% if the average of Air Liquide TSR is lower than the average of the CAC 40 TSR, 50% if it is equal to the average of the CAC 40 TSR and 100% if it is at least higher than 2% of the average of CAC 40 TSR on the basis of a straight-line change. Any grant for a performance lower than the average of CAC 40 TSR is impossible.

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In sum, the applicable performance conditions are as follows:

Weighting	65 %	35 %	
		Dont 50 %	Dont 50 %
Performance conditions	Average of annual growth rates in recurring EPS	AL TSR	B TSR
Objective	Level of growth set within a range of +6% to + 10% per annum (the precise level will be communicated ex post)	Total Shareholder Return set on a consistent basis with historical performances (the objective will be communicated ex post)	<ul style="list-style-type: none"> - 0% if the Air Liquide rate of return is lower than the average of CAC 40 TSR - 50% if the Air Liquide rate of return is equal to the average of CAC 40 TSR - 100% if the Air Liquide rate of return is at least higher than 2% of the average of CAC 40 TSR (change on a straight-line basis)
Achievement of performance conditions	This information will be published in 2021.		

The rate of achievement of the performance conditions will be recorded by the Board at the time of adoption of the financial statements for the 2020 fiscal year. The result achieved and the percentage of performance shares that vest/options that are exercisable will also be communicated.

Specificities relating to the Executive Officer

✓ Limits on the grant for the executive officer

Within the scope of the sub-limits authorized by the Annual Shareholders' Meeting for 38 months, and most recently by the Combined Shareholders' Meeting of May 12, 2016 (18th and 19th resolutions), the Board of Directors sets lower annual limits for grants to the executive officers, expressed (i) as a percentage of the capital and (ii) as a multiple of their remuneration, in accordance with the recommendations of the AFEP/MEDEF Code.

The limits set by the Board of Directors for 2018 are identical to those for 2017 and are as follows:

- (i) the total number of performance shares granted in 2018 to the sole executive officer may not grant entitlement to a number of shares exceeding 0.012% of the capital (it being understood that a sublimit on grants of 0.15% of the capital for 38 months was set by the Annual Shareholders' Meeting on May 12, 2016).

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(ii) the total number of stock options granted in 2018 to the sole executive officer may not grant entitlement to a number of shares exceeding 0.035% of the capital (it being specified that a sublimit on grants of 0.3% of the capital for 38 months was set by the Annual Shareholders' Meeting on May 12, 2016).

(iii) The maximum cumulative IFRS value of the stock options and performance shares granted to the executive officer may not exceed (for all the 2018 SO and PS Plans combined) approximately 1.5 times the amount of his maximum gross annual remuneration (fixed+ variable maximum) (it being specified that the stock options and the performance shares granted to the Executive Officer represent approximately 40% of the total annual target remuneration).

✓ **Implementation of the LTI proration principle**

Pursuant to the decision taken by the Board on February 14, 2018, the 2018 grant of LTI to the executive officer shall be subject to the principle of proration.

In practice, in the event of executive officer's departure for a reason other than his resignation or dismissal for serious misconduct, the total allocation rate (after applying the performance conditions) would be reduced on a prorated basis to the number of months' actual presence of the executive officer at the Group during the period of assessment of the performance criteria.

The executive officer will remain subject to all the provisions of the plans and, more specifically, those relating to the vesting period, the lock-up and the holding periods of the shares and stock options granted.

In addition, no grant shall be awarded to the executive officer in the year of his departure, in accordance with the Afep/Medef code.

✓ **Other specific rules**

The other specific rules applicable to the Executive Officer were restated by the Board on September 25, 2018 and are as follows:

- **Obligations regarding the restriction on the exercise of stock options and the sale** of performance shares during the "blackout periods" prior to the publication of the financial statements as defined by the Company.
- **Commitment not to carry out hedging transactions** with regard to the risk concerning stock options/shares resulting from the exercise of stock options and concerning the performance shares awarded, throughout the length of their term of office.
- **Share ownership obligations:**
 - obligation to retain, in registered form, until the termination of their duties, a minimum quantity of shares corresponding to 50% of the capital gain on acquisition net of social charges and taxes for each exercise of stock options/final award of performance shares. This percentage will be adjusted downwards to 5% as soon as the quantity of shares held represents an amount equal to at least 3 times the executive officer's fixed gross annual remuneration.
 - pursuant to the internal rule defined by the Board of Directors since 2008, obligation for the Chairman and Chief Executive Officer to hold, in a registered account, a number of shares equivalent to twice the fixed gross annual remuneration. This obligation will remain in force until it is exceeded by the effect of the above-mentioned rules resulting from the French Commercial Code.

These obligations are in line with the recommendations of the AFEP/MEDEF Code of June 2018.