FIRST HALF 2018 FINANCIAL REPORT

Air Liquide
creative oxygen

Content

ACTIVITY REPORT – FIRST HALF 2018

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First Half 2018
Financial Report

The world leader in gases, technologies and services for Industry and Health, Air Liquide is present in 80 countries with approximately 65,000 employees and serves more than 3.5 million customers and patients. Oxygen, nitrogen and hydrogen are essential small molecules for life, matter and energy. They embody Air Liquide's scientific territory and have been at the core of the Company's activities since its creation in 1902.

Air Liquide's ambition is to lead its industry, deliver long-term performance and contribute to sustainability. The Company's customer-centric transformation strategy aims at profitable growth over the long term. It relies on operational excellence, selective investments, open innovation and a network organization implemented by the Group worldwide. Through the commitment and inventiveness of its people, Air Liquide leverages energy and environment transition, changes in healthcare and digitization, and delivers greater value to all its stakeholders.

Air Liquide's revenues amounted to 20,3 billion euros in 2017 and its solutions that protect life and the environment represented more than 40% of sales. Air Liquide is listed on the Euronext Paris stock exchange (compartment A) and belongs to the CAC 40, EURO STOXX 50 et FTSE4Good indexes.

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H1 2018 PERFORMANCE

The half year benefited from strong growth in markets globally well oriented. Group revenue totaled 10,162 million euros in the 1st half of 2018, up +5.8% on a comparable basis, and close to the high end of the NEOS target range. This was supported by high Gas & Services sales, an improvement in Engineering & Construction and the strong growth of Global Markets & Technologies. The currency impact was strongly negative over the half year at -6.8%, mainly due to the appreciation of the euro against the US dollar, but eased slightly during the 2nd quarter. The energy impact was slightly positive at +0.4%. The sale of the Airgas Refrigerants business at the end of 2017 led to a significant scope impact of -0.7%. Published Group revenue variation was therefore down -1.3% over the half year.

Gas & Services revenue reached 9,769 million euros during the 1st half, up +5.0% on a comparable basis, with a strong contribution from developing economies (+12.3%).

- Gas & Services revenue in the Americas zone stood at 3,874 million euros over the half year, up +4.6%. This reflects a high level of activity in Industrial Merchant (+4.5%), in particular in the United States. Large Industries posted solid growth (+3.1%) despite customer maintenance turnarounds during the 2nd quarter. Healthcare sales were up markedly (+8.9%) across the zone.
- Revenue in the Europe zone totaled 3,464 million euros in the 1st half, up +2.3%. Growth stabilized at a solid level in Industrial Merchant (+2.6%). Large Industries posted higher sales over the half year (+2.2%) despite several customer maintenance turnarounds during the 2nd quarter. Healthcare continued its steady growth (+4.5%) marked by stronger growth in the 2nd quarter and despite a limited contribution from bolt-on acquisitions.
- Revenue in the Asia-Pacific zone totaled 2,107 million euros in the 1st half. This represented an increase of +8.8%, driven notably by strong momentum in China (>+10%). All business lines posted strong growth in the zone and accelerated in the 2nd quarter (+10.8%). In Large Industries, higher sales (+6.4%) were due to the ramp-up of units started up in the 3rd quarter of 2017 coupled with strong demand. Industrial Merchant was up markedly in the zone (+6.8%), with very strong growth in China. Double-digit Electronics sales growth (+14.1%) benefited from thriving demand for new molecules and exceptionally high sales of Equipment & Installation.
- Revenue in the Middle East and Africa zone amounted to 324 million euros, up +16.6%. Sales benefited from the start-up at the end of 2017 of the largest air separation unit in the world in South Africa, favorable business momentum in Egypt, and the launch of the Home Healthcare activity in Saudi Arabia through an acquisition.

All business lines contributed to growth over the half year. In Industrial Merchant, sales growth was robust (+4.3%), supported in particular by the manufacturing sector, metal fabrication and construction. The price impact stood at +1.9%. Large Industries (+5.2%) benefited from the ramp-up of units, including a major unit in South Africa. Air gases volumes were up markedly, driven by the chemicals sector, whereas hydrogen volumes were penalized by a higher number of customer maintenance turnarounds compared to last year. In Healthcare, growth was dynamic (+5.9%) in particular in Home Healthcare where the number of diabetic patients and patients treated for sleep apnea continued to increase. Demand was also very dynamic in Electronics, with revenue up +6.7%, driven by Carrier Gases, new molecules and exceptionally high Equipment & Installation sales during the 2nd quarter.

Engineering & Construction revenue totaled 180 million euros, up +29.8% compared to the 1st half of 2017, benefiting from the gradual improvement in order intake seen in 2017.

Global Markets & Technologies sales were up +29.2% at 213 million euros. These were particularly dynamic in the biogas sector, which benefited from the start-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.

Efficiencies amounted to 174 million euros during the first six months of the year, ahead of the annual target of over 300 million euros from the NEOS program. They include a contribution of 14 million euros from Airgas for the first time.

Airgas synergies represented a cumulated 260 million US dollars since the acquisition of Airgas in May 2016 and 45 million US dollars over the first six months of 2018. The 300 million US dollar target will be reached in H1 2019, i.e., 12 months earlier than initially forecasted.

The Group's operating income recurring (OIR) reached 1,617 million euros in the 1st half of 2018, down -2.3% as published, but up +4.8% excluding the currency impact and +6.2% on a comparable basis over the 1st half of 2017. The operating margin (OIR to revenue) stood at 15.9% and 16.0% excluding the energy impact, which corresponds to a slight decrease of -10 basis points compared with the 1st half of 2017. This was mainly due to the negative operating income recurring generated by Engineering & Construction still under loaded. Moreover, the disposal of the Airgas Refrigerants business had a dilutive impact on the margin; excluding the disposal, the operating margin would have been stable.

The Gas & Services operating margin stood at 17.8%, up + 30 basis points excluding energy compared with the 1st half 2017.

Net profit (Group share) amounted to 1,040 million euros in the 1st half of 2018, an increase of +12.1% or more than +20% excluding the currency impact.

Net cash after changes in working capital requirement (and other items) was 1,770 million euros, an increase of +11.1% compared with the 1st half of 2017, largely exceeding the change in sales (published change of -1.3%). Net indebtedness at June 30, 2018 reached 14,217 million euros.

The 12-month portfolio of opportunities totaled 2.5 billion euros at the end of June 2018, up 200 million euros compared with March 2018. Industrial and financial investment decisions reached 1.4 billion euros in the 1st half of 2018, up more than +30% compared with the 1st half of 2017. Net capital expenditure totaled 1,133 million euros and represented 11.1% of sales, in line with the NEOS strategic plan.

Except where indicated, all revenue and operating income recurring growth discussed below are made on a comparable basis, excluding the currency, energy and significant scope impacts. The reference to Airgas corresponds to the Group's Industrial Merchant and Healthcare activities in the United States.

Key Figures

(in millions of euros)	**H1 2017**	**H1 2018**	**2018/2017 published change**	**2018/2017 comparable change**
Total Revenue	**10,293**	**10,162**	**-1.3%**	**+5.8%**
Of which Gas & Services	*9,978*	*9,769*	*-2.1%*	*+5.0%*
Operating income recurring	1,656	1,617	-2.3%	+6.2%
Operating income recurring (as % of revenue)	16.1%	15.9%		
Variation excluding energy		*- 10 bps*		
Other non-recurring operating income and expenses	(2)	(30)		
Net profit (Group share)	928	1,040	+12.1%	
Adjusted earnings per share (in euros) [(a)]	**2.18**	**2.44**	**+12.1%**	
Net cash flows from operating activities [(b)]	1,593	1,770	+11.1%	
Net capital expenditure [(c)]	1,162	1,133		
Net debt	15,610	14,217		
Debt-to-equity ratio [(d)]	90.0%	78.6%		
Return On Capital Employed – ROCE after tax [(e)]	**7.4 %**	**8.5 %**		
Recurring ROCE [(f)]	**7.4 %**	**8.0 %**	+ 60bps	

(a) 2017 figure restated for the impact of the free share attribution on October 4, 2017.
(b) Cash flow after changes in working capital requirements and other items.
(c) Net cash flows used in investing activities including transactions with minority shareholders.
(d) Adjusted to spread the dividend payment in H1 out over the full year.
(e) Return on capital employed after tax: see definition and reconciliation in appendix
(f) Excluding 2017 exceptional items and the impact of the US tax reform that had no impact on cash flow.

Income Statement

REVENUE

Half-Year Revenue *(in millions of euros)*	H1 2017	H1 2018	2018/2017 published change	2018/2017 comparable change
Gas & Services	9,978	9,769	-2.1%	+5.0%
Engineering & Construction	146	180	+23.6%	+29.8%
Global Markets & Technologies	169	213	+26.3%	+29.2%
TOTAL REVENUE	**10,293**	**10,162**	**-1.3%**	**+5.8%**

Revenue by quarter *(in millions of euros)*	Q1 2018	Q2 2018
Gas & Services	4,831	4,938
Engineering & Construction	85	95
Global Markets & Technologies	94	119
TOTAL REVENUE	**5,010**	**5,152**
2018/2017 Group published change	**-3.2%**	**+0.7%**
2018/2017 Group comparable change	**+6.0%**	**+5.6%**
2018/2017 Gas & Services comparable change	**+5.0%**	**+5.1%**

Group

The half year benefited from strong growth in markets globally well oriented. Group revenue totaled 10,162 million euros in the 1st half of 2018, up +5.8% on a comparable basis, and close to the high end of the NEOS target range. This was supported by high Gas & Services sales, an improvement in Engineering & Construction and the strong growth of Global Markets & Technologies. The currency impact was strongly negative over the half year at -6.8%, mainly due to the appreciation of the euro against the US dollar, but eased slightly during the 2nd quarter. The energy impact was slightly positive at +0.4%. The sale of the Airgas Refrigerants business at the end of 2017 led to a significant scope impact of -0.7%. Published Group revenue variation was therefore down -1.3% over the half year.

Gas & Services

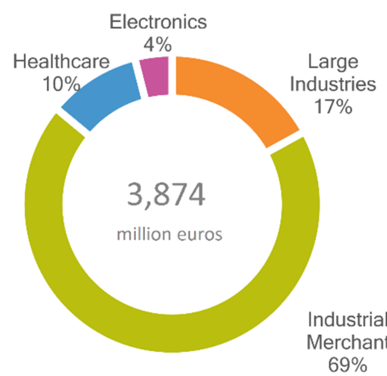
Gas & Services revenue reached 9,769 million euros during the 1st half, up +5.0% on a comparable basis. This was driven by a strong contribution from all business lines and a sustained increase in base business. Industrial Merchant growth was robust (+4.3%), in particular in Asia and the Americas. Large Industries (+5.2%) benefited from a major start-up in South Africa at the end of the 4th quarter of 2017, but growth was penalized by customer maintenance turnarounds in Europe and the Americas in the 2nd quarter of 2018. Growth in Healthcare was dynamic (+5.9%) despite a limited contribution from bolt-on acquisitions. Demand remained very dynamic in Electronics, with revenue up +6.7%, driven in particular by high Equipment & Installation sales. Published sales were down -2.1% due to unfavorable currency and scope impacts (at -6.8% and -0.7% respectively), which were only partially offset by a positive energy impact of +0.4%.

Revenue by geography and business line *(in millions of euros)*	**H1 2017**	**H1 2018**	**2018/2017 published change**	**2018/2017 comparable change**
Americas	4,251	3,874	-8.9%	+4.6%
Europe	3,371	3,464	+2.8%	+2.3%
Asia-Pacific	2,032	2,107	+3.7%	+8.8%
Middle East & Africa	324	324	+0.0%	+16.6%
GAS & SERVICES REVENUE	**9,978**	**9,769**	**-2.1%**	**+5.0%**
Large Industries	2,694	2,718	+0.9%	+5.2%
Industrial Merchant	4,757	4,501	-5.4%	+4.3%
Healthcare	1,690	1,714	+1.4%	+5.9%
Electronics	837	836	-0.2%	+6.7%

Americas

Gas & Services revenue in the Americas zone stood at 3,874 million euros over the half year, up +4.6%. This reflects a high level of activity in Industrial Merchant (+4.5%), in particular in the United States. Large Industries posted solid growth (+3.1%) despite customer maintenance turnarounds during the 2nd quarter. Healthcare sales were up markedly (+8.9%) across the zone.

Americas Gas & Services H1 2018 Revenue



- Large Industries posted revenue growth of +3.1%. It benefited from strong air gases sales growth, driven by the start-up and ramp-up of units in Latin America and by high prices in North America following the storms at the beginning of the year. Growth was penalized in the 2nd quarter by several customer maintenance turnarounds which impacted cogeneration and hydrogen sales in the United States.
- Industrial Merchant sales were up +4.5%. Growth was strong in the United States and increased in the 2nd quarter driven by very solid cylinder gas and hardgoods sales which benefited from higher demand in all end markets, in particular manufacturing, metal fabrication and construction. In Canada, cylinder gas and hardgoods sales were up and offset weaker liquid nitrogen volumes, in particular in the oil extraction sector. Growth in South America remained dynamic, despite the impact of strikes in Brazil during part of the 2nd quarter. The price impact in the zone was +2.2%.
- Healthcare revenue was up +8.9%, with limited contribution from bolt-on acquisitions. Growth was strong in Medical Gases in the United States and in Home Healthcare in Canada, more specifically in sleep apnea. Activity maintained its strong momentum in Latin America.
- Electronics revenue was up +1.9%, with a decrease in the 1st quarter but a +5.0% increase in the 2nd quarter, due notably to high Equipment & Installation sales.

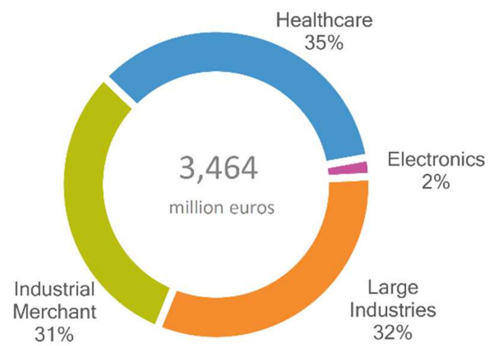
Europe

Revenue in the Europe zone totaled 3,464 million euros in the 1st half, up +2.3%. Growth stabilized at a solid level in Industrial Merchant (+2.6%). Large Industries posted higher sales over the half year (+2.2%) despite several customer maintenance turnarounds during the 2nd quarter. Healthcare continued its steady growth (+4.5%) marked by stronger growth in the 2nd quarter and despite a limited contribution from bolt-on acquisitions.

- Large Industries revenue was up +2.2% in the 1st half of 2018, following a year in decline in 2017. Growth in the 1st quarter was driven by a marked increase in hydrogen volumes due to good activity levels at refineries in the Benelux and Germany. However, it was impacted during the 2nd quarter by a high number of customer maintenance turnarounds in hydrogen. Half-year growth was dynamic in Eastern Europe and Turkey.

- Industrial Merchant sales were up +2.6% over the half year, slightly impacted in the 2nd quarter by a shortage of CO_2 due to stoppages at several sources, in particular in France and the Benelux. Liquid gas sales were up markedly in Germany during the 2nd quarter and Italy confirmed a high level of cylinder gas and liquid gas activity. Growth continued at a fast pace in Eastern Europe, in particular in Poland, Russia, and in Turkey. In the Europe zone, sales of liquid gas increased twice as fast as those of cylinder gas in the 1st half. The manufacturing and small craftsmen sectors were the most dynamic. The price impact continued to strengthen and reached +1.0%.
- Healthcare pursued its steady development posting sales growth of +4.5%; the growth was stronger in the 2nd quarter compared to the 1st (+5.5% vs. +3.4%) and marked by a limited contribution from bolt-on acquisitions. Home Healthcare momentum was positive and the number of diabetic patients and patients treated for sleep apnea continued to increase, in particular in Northern Europe. Sales in Specialty Ingredients grew significantly, in particular in cosmetics and adjuvants for vaccines.

Europe Gas & Services H1 2018 Revenue

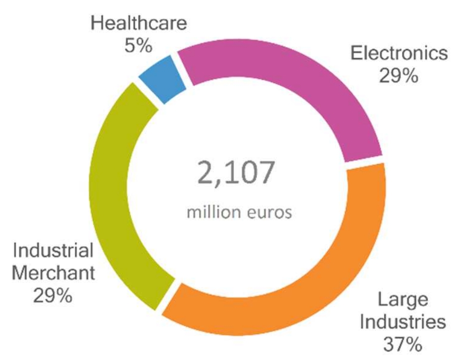


Asia-Pacific

Revenue in the Asia-Pacific zone totaled 2,107 million euros in the 1st half. This represented an increase of +8.8%, driven notably by strong momentum in China (>+10%). All business lines posted strong growth in the zone and accelerated in the 2nd quarter (+10.8%). In Large Industries, higher sales (+6.4%) were due to the ramp-up of units started up in the 3rd quarter of 2017 coupled with strong demand. Industrial Merchant was up markedly in the zone (+6.8%), with very strong growth in China. Double-digit Electronics sales growth (+14.1%) benefited from thriving demand for new molecules and exceptionally high sales of Equipment & Installation.

- Large Industries sales were up +6.4% over the half year, driven by the ramp-up of units started up in the 3rd quarter of 2017 in China. These additional sales largely offset the loss of revenue from three isolated units in Northern China which were sold at the end of 2017. Customer demand was very high, in particular in China in chemicals and steel, and in South Korea and Singapore in refining.
- Industrial Merchant sales were up +6.8%, with performances varying greatly by country. In China, growth continued to exceed +15%, driven in particular by a strong increase in cylinder gas and liquid argon volumes as well as by higher prices. Revenue in Japan was down due to high equipment sales in 2017, in particular during the 1st quarter. Business in Australia continued to improve. Price impacts stood at +1.9% for the zone and remained high in China.
- Electronics revenue was up by a high +14.1%. It benefited from the dynamic demand for new molecules, in particular in Taiwan and South Korea, ramp-ups in Carrier Gases, as well as exceptionally high Equipment & Installation sales, which were up by more than +50%.

Asia-Pacific Gas & Services H1 2018 Revenue



Middle East and Africa

Revenue in the Middle East and Africa zone amounted to 324 million euros, up +16.6%. Large Industries sales benefited from the start-up at the end of 2017 of the largest air separation unit in the world in South Africa. Business momentum remained favorable in Egypt, with the start-up of an air separation unit during the 1st quarter and growing volumes in Industrial Merchant. Healthcare continued to develop steadily, in particular in South Africa and Saudi Arabia, where a recent bolt-on acquisition led to the launch of the Home Healthcare activity.

Engineering & Construction

Engineering & Construction revenue totaled 180 million euros, up +29.8% compared to the 1st half of 2017, benefiting from the gradual improvement in order intake seen in 2017.

Order intake reached 445 million euros, an increase compared with 329 million euros in the 1st half of 2017. Air separation units accounted for around 60% of orders. These included Group projects and third-party customer orders, in particular in Asia and Eastern Europe.

Global Markets & Technologies

Global Markets & Technologies sales were up +29.2% at 213 million euros. These were particularly dynamic in the biogas sector, which benefited from the start-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.

Order intake was up compared with the 1st half of 2017 and reached 227 million euros.

> Focus
>
> - Air Liquide and 10 large Japanese companies, representing several industries and finance, announced the creation in March of the "Japan H2 Mobility" consortium for the purpose of accelerating the deployment in Japan of hydrogen stations and fuel cell electric vehicles. The 11 founding companies will contribute to the development of a large-scale hydrogen infrastructure in order to build a network of 320 stations by 2025, and 900 by 2030. Today, there are about 100 stations already in operation in Japan. For its part, Air Liquide will install and operate some 20 stations by 2021.
> - In March, Air Liquide inaugurated a new hydrogen station near Versailles in France. This station will fuel two hydrogen-powered buses, scheduled for rollout in 2019, and supplement the Paris hydrogen taxi fleet "Hype" which is developing rapidly with 75 hydrogen-powered vehicles and plans to deploy a total of 200 by the end of 2018. This is the third station that has been installed by Air Liquide in the Greater Paris Area.
> - Air Liquide has commissioned three new biomethane production units, in the United States, in France, and in the United Kingdom in the 1st quarter 2018, doubling its biomethane production capacity, which now stands at 60 MW, the equivalent of 500 GWh for a full year of production. Over the course of the last four years, the Group has decided around 100 million euros in investments in biomethane production. The Group operates 10 production units around the world, designed to purify biogas in order to transform it into biomethane and inject it into the natural gas network.

OPERATING INCOME RECURRING

Operating income recurring before depreciation and amortization totaled 2,496 million euros, down -2.4% as published compared to the 1st half of 2017 due to a highly negative currency impact over the half year.

Purchases were up +1.1%, in particular those of materials and equipment, more specifically for the Equipment & Installation business in Electronics and for Engineering & Construction with projects moving forward. Moreover, attention paid to costs helped decrease personnel costs and other expenses and income at a faster pace than sales (-2.7% and -3.1% respectively, compared with as published sales down -1.3%).

Depreciation and amortization reached 879 million euros, down -2.4% due to the currency impact. Excluding the currency impact, depreciation and amortization growth nevertheless remained lower than revenue growth despite the impact of start-ups and ramp-ups.

Efficiencies amounted to 174 million euros during the first six months of the year, ahead of the annual target of over 300 million euros from the NEOS program. They include a contribution of 14 million euros from Airgas for the first time. Excluding Airgas, they represent savings on cost base of 2.9%. Almost 50% of these efficiencies related to industrial projects targeting in particular a decrease in logistic costs and the optimization of the operation of production units, for example with a step up in the roll-out of remote operation centers (Smart Innovative Operations, SIO). Almost one third of efficiencies related to purchasing gains, principally for the purchase of molecules in Electronics, equipment in Home Healthcare, and energy in Large Industries. The remaining efficiencies mainly related to administrative efficiencies and realignment plans in several countries and business lines, notably Engineering & Construction.

> Focus
>
> - One year after the launch of the first remote operation center in France, Air Liquide inaugurated in January in Malaysia its Smart Innovative Operations (SIO) Center for the Southeast Asia Pacific region. The SIO Center enables the remote management of production for 18 Air Liquide Large Industries production units spanning eight countries across the region, as well as optimizing energy consumption and improving reliability at these sites. Air Liquide invested 20 million euros in this project.

Airgas synergies represented a cumulated 260 million US dollars since the acquisition of Airgas in May 2016 and 45 million US dollars over the first six months of 2018. The share of growth synergies continued to rise and now represents more than 40% of the half year's synergies. These come from the roll-out of cross-selling offers in the United States, such as small onsite generators using Air Liquide technology offered to Airgas customers and cylinder gases and hardgoods now available to Air Liquide customers. They also come from accompanying Airgas customers in their expansion in Canada and Mexico. At the end of the 1st half, cumulated cost synergies stood at around 215 million US dollars. In total, cumulated synergies at end-2018 will exceed 280 million US dollars and the 300 million US dollar target will be reached in H1 2019, i.e., 12 months earlier than initially forecasted.

The Group's operating income recurring (OIR) reached 1,617 million euros in the 1st half of 2018, down -2.3% as published, but up +4.8% excluding the currency impact and +6.2% on a comparable basis over the 1st half of 2017. The operating margin (OIR to revenue) stood at 15.9% and 16.0% excluding the energy impact, which corresponds to a slight decrease of -10 basis points compared with the 1st half of 2017. This was mainly due to the negative operating income recurring generated by Engineering & Construction still under loaded. Moreover, the disposal of the Airgas Refrigerants business had a dilutive impact on the margin; excluding the disposal, the operating margin would have been stable.

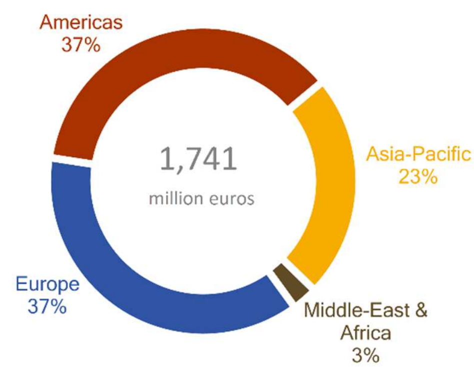
Gas & Services

Gas & Services operating income recurring totaled 1,741 million euros, down -1.1% as published compared with the 1st half of 2017 due to a negative currency impact. The operating margin as published was 17.8%. Excluding the energy impact, it stood at 17.9%, representing a +30 basis point increase compared with the 1st half of 2017.

In a context of limited global inflation, selling prices were up +1.2% over the half year, due in particular to Industrial Merchant (+1.9%). Prices were down slightly in Electronics and almost flat in Healthcare.

Gas & Services efficiencies totaled 155 million euros in the 1st half of 2018.

Gas & Services H1 2018 Operating Income Recurring



Gas & Services Operating margin [(a)]	H1 2017	H1 2018
Americas	15.8%	16.4%
Europe	18.9%	18.8%
Asia-Pacific	19.7%	19.3%
Middle-East & Africa	16.4%	14.3%
TOTAL	**17.6%**	**17.8%**

(a) *Operating income recurring/revenue, as published figures.*

Operating income recurring for the Americas zone stood at 636 million euros in the 1st half of 2018, down -5.2% as published due to the appreciation of the euro against the US dollar. Excluding the energy impact, the operating margin stood at 16.4%, representing a +60 basis point increase compared with the 1st half of 2017. This was driven by the high level of activity in Industrial Merchant and the Airgas synergies. In Large Industries, the positive impact on the margin of high prices in the United States following the storms at the beginning of the year was partially offset by customer maintenance turnarounds in the 2nd quarter. Finally, the high level of Equipment & Installation sales in Electronics had a dilutive effect on the margin.

Operating income recurring in the Europe zone reached 651 million euros, an increase of +2.3%. Excluding the energy impact, the operating margin was 19.1%, up +20 basis points. Despite a large number of customer maintenance turnarounds in hydrogen and an unfavorable mix in Industrial Merchant, the operating margin improved thanks to stronger price effects in Industrial Merchant and efficiencies generated across all business lines in the zone.

Operating income recurring in the Asia-Pacific zone stood at 407 million euros, an increase of +1.6%. Excluding the energy impact, the operating margin was 19.5%, down -20 basis points. In Electronics, the exceptionally high level of Equipment & Installation sales and, in Large Industries, temporary shutdowns of units in Japan and the ramp-up of units in China, had a dilutive impact on the margin. The Industrial Merchant operating margin improved thanks to efficiencies and price impacts.

Operating income recurring for the Middle East and Africa zone amounted to 46 million euros, a decrease of -12.5% compared with the 1st half of 2017. Excluding the energy impact, the operating margin was 13.4%, down -300 basis points. After a transitional period in relatively exceptional operating conditions, the hydrogen production units in Yanbu, Saudi Arabia, have now reached their nominal operating mode marked by a structural adjustment of the operating margin.

Engineering & Construction

Operating income recurring for Engineering & Construction stood at -15 million euros, penalized by a still insufficient activity level. Nonetheless, increased order intake throughout 2017 should allow a gradual return to the Group's mid-term target of maintaining a margin between 5% and 10%.

Global Markets & Technologies

Operating income recurring for Global Markets & Technology amounted to 18 million euros. The operating margin, at 8.6%, was down compared with the 1st half of 2017 (10.6%) due notably to the dilutive impact on the margin of biogas production unit start-ups. Moreover, part of Global Markets & Technologies activities is currently being launched and the level of margin, which depends on the nature of projects carried out during the period, can vary significantly.

Research & Development and Corporate costs

Research & Development expenses and Corporate costs totaled 127 million euros, up +8.6% compared with the 1st half of 2017 due to the development of research and the Group's growing digital transformation.

NET PROFIT

Other operating income and expenses showed a net balance of -30 million euros. This was mainly related to costs for realignment plans in various countries and business lines, in particular in Engineering & Construction, and Airgas integration costs.

The financial result of -145 million euros was down compared with the 1st half 2017 (-259 million euros). Net finance costs, at -122 million euros, were down -45.2%, mainly due to a non-recurring gain of around 55 million euros generated by the unwinding of hedging instruments relating to the debt reorganization in the United States. Excluding this impact, the average cost of net indebtedness, at 3.0%, was slightly down by -10 basis points compared with end-June 2017 (3.1%).

Income tax expense stood at 360 million euros, a decrease of -29 million euros compared with the 1st half of 2017, i.e., an effective tax rate of 24.9%, which represents a 300 basis point improvement. This decrease was mainly due to the US tax reform which was enacted at the end of 2017. Over 2018, the US tax reform should decrease the Group's income tax expense by between 50 and 70 million US dollars corresponding to a reduction of the Group's effective tax rate by around 200 recurrent basis points.

The share of profit of associates was 3 million euros compared with 1 million euros in the 1st half of 2017. Minority interests in net profit totaled 46 million euros, a decrease of -6.4% due mainly to a negative currency impact.

For the record, net profit from discontinued operations for the 1st half of 2017 (-30 million euros) reflected the impact of the disposal of Air Liquide Welding.

Net profit (Group share) amounted to 1,040 million euros in the 1st half of 2018, an increase of +12.1% and of more than +20% excluding the currency impact.

Published net earnings per share, at 2.44 euros, were up +12.1% compared with the 1st half of 2017, in line with the increase in net profit (Group share). The average number of outstanding shares used for the calculation of net earnings per share as of June 30, 2018 was 426,482,436.

Change in the number of shares

	H1 2017	H1 2018
Average number of outstanding shares[a]	426,503,349	426,482,436

[a] *Restated in 2017 for the impact of the free share attribution on October 4, 2017*

Change in Net Indebtedness

Cash flow from operating activities before changes in working capital totaled 2,000 million euros. This amount corresponded to a high level of 19.7% of sales.

Net cash after changes in working capital requirement (and other items) was 1,770 million euros, an increase of +11.1% compared with the 1st half of 2017, largely exceeding the change in sales (published change of -1.3%).

The increase in working capital requirement (WCR) was limited to 196 million euros, compared with 317 million euros in the 1st half of 2017. The WCR to sales ratio, excluding taxes, decreased to 8.3% compared with 9.0% at June 30, 2017. The Gas & Services WCR to sales ratio was down as well, from 9.1% on June 30, 2017 to 8.0% at the end of the 1st half 2018. This improvement came primarily from the Americas zone where inventory and trade receivables decreased, mainly through a reduction in payment delays of certain customers and factoring measures.

Gross industrial capital expenditure reached 1,096 million euros, down -1.0% due to the currency impact. Financial investments totaled 75 million euros, slightly lower than the 86 million euros made in the 1st half of 2017. Gross capital expenditure in the 1st half of 2018 amounted to 1,171 million euros. Net cash flow used in investing activities including transactions with minority shareholders totaled 1,133 million euros and represented 11.1% of sales, in line with the NEOS strategic plan.

Net indebtedness at June 30, 2018 reached 14,217 million euros, a significant decrease of -1,393 million euros compared with June 30, 2017. The robustness of cash flow allowed the financing of capital expenditures and increased dividends linked with the free share attribution of October 2017. The debt-to-equity ratio, adjusted for the seasonal effect of the dividend payment, stood at 78.6%, down slightly compared with end-December 2017 (80.0%).

Focus

- In March, Air Liquide successfully completed a first bond issuance on the Chinese mainland market ("Panda") for an aggregate nominal amount of 2.2 billion Renminbi (approximatively 280 million euros), becoming one of the first European companies to issue on this market. This transaction bears coupons of 5.95% and 6.40% for a 3-year and a 5-year maturity respectively. The 5-year issuance, the longest maturity ever achieved by a European company on the Panda market, reflects the long-term dimension of the Group's activities. The proceeds of this issue will be used to finance new investments in China and to refinance debt related to previous investments in China.

The return on capital employed after tax (ROCE) stood at 8.0% in the 1st half of 2018, up +30 basis points compared with the recurring level of end-2017 (7.7%). The improvement excluding the currency impact was +60 basis points.

INVESTMENT CYCLE

The upturn in activity witnessed in investment projects in recent months continued and was reflected at the end of June 2018 by another increase in the main indicators described below, in particular the 12-month portfolio of opportunities, investment decisions and the investment backlog.

PORTFOLIO OF OPPORTUNITIES

The 12-month portfolio of opportunities totaled 2.5 billion euros at the end of June 2018, up + 200 million euros compared with March 2018, with new projects in the portfolio being higher than those signed by the Group, awarded to the competition or delayed. This second consecutive increase brought the portfolio of opportunities back to a level that has not been reached since the end of 2015.

The share of developing economies in the 12-month portfolio of opportunities was around 40%, down compared with March 31, 2018 due mainly to strong activities in the Americas zone, which remains the leading region within the portfolio.

Almost half of the portfolio of opportunities corresponded to projects with investments below 50 million euros and only a few projects were greater than 100 million euros. The portfolio of opportunities included a few takeovers that have a faster contribution to growth.

INVESTMENT DECISIONS AND INVESTMENT BACKLOG

Industrial and financial investment decisions reached 1.4 billion euros in the 1st half of 2018, up more than + 30% compared with the 1st half of 2017.

Industrial decisions accounted for more than 90% of this amount and included in particular five major contracts in Large Industries, in Benelux, Eastern Europe and on the Gulf Coast of the United States, as well as three ultra-pure nitrogen supply contracts for Electronics in Asia.

Focus

- Air Liquide announced in April having signed a new long-term contract with Covestro, a world-leading supplier of high-tech polymer materials, for the supply of hydrogen to their new production site in the port area of Antwerp. Air Liquide will invest 80 million euros in the construction of a hydrogen production unit fitted with a new proprietary technology that improves energy efficiency and the overall environmental footprint of the production process. By capturing carbon and upgrading the recovered CO_2, this model is part of a circular economy system. The hydrogen produced will also enable Air Liquide to supply customers in this industrial basin in Europe.
- Air Liquide and Evraz, a world major steel producer, have signed a long-term contract for the supply of oxygen, nitrogen and argon in Novokuznetsk, Russian Federation. Air Liquide will invest around 130 million euros for the construction of two state-of-the-art Air Separation Units of 1,500 ton per day of oxygen each. These plants will improve energy efficiency and the overall environmental footprint of the production process.
- In April, Air Liquide announced having signed a new long-term contract in the United States with LyondellBasell to supply oxygen to their new petrochemical plant in Texas, expected to be completed in 2021. This new propylene oxide/tertiary butyl alcohol plant (PO/TBA) is expected to be the largest in the world upon construction. The oxygen will be sourced from Air Liquide's pipeline system which spans more than 2,000 miles along the coasts of Texas and Louisiana, part of the largest pipeline system in the world.

Financial investment decisions reached some 100 million euros in the 1st half.

Focus

- With the acquisition of the respiratory division of Thimar Al Jazirah Company (TAC) in Saudi Arabia, in early January, Air Liquide enters the Home Healthcare market in Saudi Arabia, where the Group already supplies medical gases to hospitals. This division is specialized in the distribution of respiratory equipment and related services. TAC is the main player in this field, serving over 1,400 patients at home throughout the country. In 2016, the Home Healthcare division of TAC generated a revenue of over 5.5 million euros.
- Air Liquide extends its service offering of Home Healthcare activity via the acquisition at the beginning of April of the start-up EOVE, a French company specialized in the design and manufacture of ventilators for home-based patients suffering from chronic respiratory failure. EOVE developed an innovative solution: a connected portable ventilator that takes into account the mobility needs of patients and facilitates the practice of doctors.
- Airgas announced, in May, the acquisition of the assets and operations of Weiler Welding Company, a full-service industrial gas, beverage and gas welding supply business, based in Moraine, Ohio. This transaction marks the 500th acquisition in Airgas' 36-year company history.
- In June 2018, Air Liquide announced the acquirement of a minority stake of around 10 million euros in the Chinese startup STNE (Shanghai Sinotran New Energy Automobile Operation CO., LTD) to accelerate the rollout of hydrogen-powered electric truck fleets in China. This agreement fits in the Chinese government's 13th five-year-plan, which aims notably to support the development and sale of hydrogen-powered electric vehicles serving clean mobility.

The total investment backlog amounted to 2.3 billion euros, an increase of almost + 100 million euros compared with the end of March 2018. The investment backlog should represent a future contribution to annual sales of approximately 0.9 billion euros per year after a full ramp-up of the units.

START-UPS

Seven new units started up during the 1st half of 2018. These include three Large Industries sites in Colombia, Egypt and the United States, two Global Markets & Technologies units (one of which is a landfill biogas purification unit in the United States), one ultra-pure nitrogen unit in Asia and one CO_2 purification unit in Canada. The start-up of the OCI unit in the United States at the end of the 2nd quarter will start contributing to sales in the 3rd quarter 2018.

Over the half-year, the **contribution to sales** of unit start-ups and ramp-ups totaled **136 million euros**. This mainly included the start-up of a major air separation unit in South Africa at the end of December 2017 and the ramp-up of several units which started up in China during the 3rd quarter of 2017. The contribution of unit ramp-ups and start-ups to 2018 sales is still estimated at between 250 and 300 million euros and will depend on the commercial start-up date of the contract with Fujian Shenyuan in China. The Air Liquide units have started-up and are in testing period but discussions are still ongoing with the customer on the date of the commercial start-up.

Focus

- Air Liquide has recently started-up the **world's largest oxygen production** unit for **Sasol**, an international integrated energy and chemicals company. Air Liquide invested around **200 million euros** for the construction of this unit, with a total production capacity of **5,000 tonnes of oxygen per day** in Secunda (around 140 km East of Johannesburg). Owned and operated by Air Liquide, it is the first time that Sasol has chosen to outsource its oxygen needs to a specialist of industrial gas production at this site.
- The start-up of this major unit in South Africa is also a new source of rare gases. Since the beginning of 2018, several **new multi-year contracts worth a total of more than 50 million euros supplying xenon and krypton** have been signed by Air Liquide and the semiconductor and the satellite industries in three geographies: Europe, U.S. and Asia. The **semiconductor industry** uses xenon or krypton in its new processes to produce high-end flash memories at a lower cost. The **all-electric propulsion satellites** also use xenon, enabling significant launching costs reduction.

RISK FACTORS

There was no change in risk factors during the first half. Risk factors are described in the 2017 Reference Document on pages 26 to 30.

2018 OUTLOOK

The positive dynamic observed during the 1st quarter of 2018 was further confirmed in the 2nd quarter, in the context of a customer centric strategy and a globally more supportive economic environment. This is reflected in sustained growth in Group revenue, which came to 10.2 billion euros for the 1st half of this year, driven by higher sales in Gas & Services, as well as in Engineering & Construction, and Global Markets & Technologies.

All Gas & Services activities grew significantly, in particular Industrial Merchant, Electronics, and Healthcare. Geographically, activities progressed in every region in the world, and more particularly in Asia, the Americas, and in the Middle East & Africa.

Along with global sales growth, Group performance benefited from an increased operating margin in Gas & Services, excluding energy impact. The Group is performing well in terms of operational efficiency gains and will reach Airgas synergies one year ahead of plan. The Group's net profit, which exceeded 1 billion euros, rose by more than +12.1%.

Cash flows from operations increased significantly, up +11.1%. The Group's balance sheet is solid.

Investment opportunities 12 months out are at their highest level in the last three years. The dynamic accelerated over the course of the 1st half of this year. Decisions are up +30%, to 1.4 billion euros. Investment backlog stood at 2.3 billion euros as of June 30, 2018, and will contribute to future growth.

The Group is in line with the objectives set forth in the NEOS 2016-2020 strategic plan. Accordingly, 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: exceptional non-cash items having a net positive impact on 2017 net profit.*

APPENDIX

Currency, energy and significant scope impacts (Semester)

Applied method

In addition to the comparison of published figures, financial information is given excluding currency, natural gas and electricity price fluctuation and significant scope impacts.

- Since industrial and medical gases 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. The currency effect is calculated based on the aggregates for the period converted at the exchange rate for the previous period.
- In addition, the Group passes on variations in the cost of energy (electricity and natural gas) to its customers via indexed invoicing integrated into their medium and long-term contracts. This indexing can lead to significant variations in sales (mainly in the Large Industries Business Line) from one period to another depending on fluctuations in prices on the energy market.

  An energy impact is calculated based on the sales of each of the main subsidiaries in Large Industries. Their consolidation allows the determination of the energy impact for the Group as a whole. The foreign exchange rate used is the average annual exchange rate for the year N-1.

  Thus, at the subsidiary level, the following formula provides the energy impact, calculated for natural gas and electricity respectively:

  Energy impact = Share of sales index to energy year (N-1) x (Average energy price over the year (N) - Average energy price over the year (N- 1))

  This indexation effect of electricity and natural gas does not impact the operating income recurring.
- The significant scope effect corresponds to the impact on sales of all acquisitions or disposals of a significant size for the Group. These changes in scope of consolidation are determined:
  - for acquisitions during the period, by deducting from the aggregates for the period the contribution of the acquisition,
  - for acquisitions during the previous period, by deducting from the aggregates for the period the contribution of the acquisition between January 1 of the current period and the anniversary date of the acquisition,
  - for disposals during the period, by deducting from the aggregates for the previous period the contribution of the disposed entity as of the anniversary date of the disposal,
  - for disposals during the previous period, by deducting from the aggregates for the previous period the contribution of the disposed entity.

(in millions of euros)	**H1 2018**	**H1 2018/2017 Published Growth**	**Currency impact**	**Natural gas impact**	**Electricity impact**	**Significant scope impact**	**H1 2018/2017 Comparable Growth**
Revenue							
Group	10,162	-1.3%	(685)	16	19	(71)	+5.8%
Impacts in %			*-6.8%*	*+0.2%*	*+0.2%*	*-0.7%*	
Gas & Services	9,769	-2.1%	(671)	16	19	(71)	+5.0%
Impacts in %			*-6.8%*	*+0.2%*	*+0.2%*	*-0.7%*	
Operating Income Recurring							
Group	1,617	- 2.3 %	(118)	-	-	(22)	+ 6.2 %
Impacts in %			*-7.1%*			*-1.4%*	
Gas & Services	1,741	- 1.1 %	(117)	-	-	(22)	+ 6.8 %
Impacts in %			*-6.7%*			*-1.2%*	

The operational margin excluding energy impact corresponds to the operating income recurring on sales excluding energy. For the 1st semester and at Group level it stands at 16.0% = 1,617 / (10,162 – 16 –19).

The sale of the Airgas refrigerants business, effective in October 2017 generated a significant scope impact on 2018 revenue, the details of which is broken down per quarter below

(in millions of euros)	**Q1 2018**	**Q2 2018**	**Q3 2018**	**Q4 2018**
Airgas refrigerants	(35)	(36)	(26)	(1)
Impacts in %	*-0.7%*	*-0.7%*	*-0.5%*	*-0.0%*

Currency, energy and significant scope impacts (Quarter)

Consolidated 2018 2nd quarter revenue includes the following impact:

(in millions of euros)	**Q2 2018**	**Q2 2018/2017 Published Growth**	**Currency impact**	**Natural gas impact**	**Electricity impact**	**Significant scope impact**	**Q2 2018/2017 Comparable Growth**
Revenue							
Group	5,152	+0.7%	(263)	30	21	(36)	+5.6%
Impacts in %			*-5.2%*	*+0.6%*	*+0.4%*	*-0.7%*	
Gas & Services	4,938	+0.1%	(258)	30	21	(36)	+5.1%
Impacts in %			*-5.3%*	*+0.6%*	*+0.4%*	*-0.7%*	

2nd quarter 2018 revenue

BY GEOGRAPHY

Revenue *(in millions of euros)*	**Q2 2017**	**Q2 2018**	**Published change**	**Comparable change**
Americas	2,109	1,973	-6.5%	+4.6%
Europe	1,661	1,711	+3.0%	+1.2%
Asia-Pacific	1,008	1,091	+8.3%	+10.8%
Middle-East & Africa	154	163	+5.9%	+16.3%
Gas & Services Revenue	**4,932**	**4,938**	**+0.1%**	**+5.1%**
Engineering & Construction	93	95	+1.4%	+4.3%
Global Markets & Technologies	92	119	+30.5%	+33.2%
GROUP REVENUE	**5,117**	**5,152**	**+0.7%**	**+5.6%**

BY WORLD BUSINESS LINE

Revenue *(in millions of euros)*	**Q2 2017**	**Q2 2018**	**Published change**	**Comparable change**
Large industries	1,302	1,353	+4.0%	+4.3%
Industrial Merchant	2,373	2,293	-3.4%	+4.5%
Healthcare	840	864	+2.9%	+6.9%
Electronics	417	428	+2.7%	+7.6%
GAS & SERVICES REVENUE	**4,932**	**4,938**	**+0.1%**	**+5.1%**

Geographic and segment information

	H1 2017			**H1 2018**		
(in millions of euros and %)	**Revenue**	**Operating income recurring**	**OIR margin**	**Revenue**	**Operating income recurring**	**OIR margin**
Americas	4,250.7	670.3	15.8%	3,873.6	635.7	16.4%
Europe	3,371.2	636.5	18.9%	3,464.4	651.4	18.8%
Asia-Pacific	2,032.6	400.9	19.7%	2,107.5	407.2	19.3%
Middle-East and Africa	323.8	53.1	16.4%	323.7	46.4	14.3%
Gas and Services	**9,978.3**	**1,760.8**	**17.6%**	**9,769.2**	**1,740.7**	**17.8%**
Engineering and Construction	145.8	(5.6)	-3.9%	180.1	(14.7)	-8.2%
Global Markets & Technologies	168.6	17.9	10.6%	213.1	18.4	8.6%
Reconciliation	-	(117.0)	-	-	(127.1)	-
TOTAL GROUP	**10,292.7**	**1,656.1**	**16.1%**	**10,162.4**	**1,617.3**	**15.9%**

The OIR margin stood at 15.9% and 16.0% excluding the energy impact, which corresponds to a slight decrease of -10 basis points compared with the 1st half of 2017. This was mainly due to the negative operating income recurring generated by Engineering & Construction. Moreover, the disposal of the Airgas Refrigerants business had a dilutive impact on the margin; excluding the disposal, the OIR margin would have been stable.

Return on Capital Employed – ROCE

Applied method

Return on capital employed after tax is calculated based on the Group's consolidated financial statements, by applying the following ratio for the period in question:

For the numerator: net profit - net finance costs after taxes for the period in question.

For the denominator: the average of (total shareholders' equity + net indebtedness) at the end of the past three half-years.

ROCE H1 2018 *(in millions of euros)*		**H1 2017 (a)**	**2017 (b)**	**H1 2018 (c)**	**ROCE Calculation**
Numerator ((b)-(a))+(c)	Net profit after tax before deduction of minority interests	976.5	2,291.6	1,085.8	2,400.9
	Net finance costs	-222.9	-421.9	-122.2	-321.2
	Group effective tax rate[(a)]	27.9%	29.4%	25.2%	-
	Net financial costs after tax	-160.8	-297.9	-91.4	-228.5
	Net profit after tax before deduction of minority interests - Net financial costs after tax	1,137.3	2,589.5	1,177.2	**2,629.4**
Denominator ((a)+(b)+(c))/3	Total equity	16,049.0	16,718.4	16,769.4	16,512.3
	Net indebtedness	15,610.1	13,370.9	14,217.3	14,399.4
	Average of (total equity + net indebtedness)				**30,911.7**
Published ROCE					**8.5%**
ROCE excluding the non-cash impacts of the 2017 exceptional items					**8.0%**

[(a)] Group effective tax rate excluding significant events.

ROCE H1 2017 *(in millions of euros)*		**H1 2016 (a)**	**2016 (b)**	**H1 2017 (c)**	**ROCE Calculation**
Numerator ((b)-(a))+(c)	Net profit after tax before deduction of minority interests	853.0	1,926.7	976.5	2,050.2
	Net finance costs	-151.7	-389.1	-222.9	-460.3
	Group effective tax rate(a)	23.8%	28.2%	27.9%	-
	Net financial costs after tax	-115.7	-279.4	-160.8	-324.5
	Net profit after tax before deduction of minority interests - Net financial costs after tax	968.7	2,206.1	1,137.3	**2,374.7**
Denominator ((a)+(b)+(c))/3	Total equity	12,329.7	17,125.0	16,049.0	15,167.9
	Net indebtedness	19,859.8	15,368.1	15,610.1	16,946.0
	Average of (total equity + net indebtedness)				**32,113.9**
ROCE					**7.4%**

The return on capital employed after tax (ROCE) stood at 8.0% in the 1st half of 2018, up +30 basis points compared with the recurring level of end-2017 (7.7%). The improvement excluding the currency impact was +60 basis points.

2

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

(in millions of euros)	Notes	1st half 2017	1st half 2018
Revenue	(2)	**10,292.7**	**10,162.4**
Other income		58.6	74.3
Purchases		(3,907.9)	(3,949.0)
Personnel expenses		(2,098.4)	(2,041.7)
Other expenses		(1,788.5)	(1,750.1)
Operating income recurring before depreciation and amortization		**2,556.5**	**2,495.9**
Depreciation and amortization expense	(3)	(900.4)	(878.6)
Operating income recurring		**1,656.1**	**1,617.3**
Other non-recurring operating income	(4)	(0.3)	2.1
Other non-recurring operating expenses	(4)	(1.4)	(32.5)
Operating income		**1,654.4**	**1,586.9**
Net finance costs	(5)	(222.9)	(122.2)
Other financial income		11.3	10.5
Other financial expenses		(47.7)	(32.9)
Income taxes	(6)	(388.8)	(359.6)
Share of profit of associates		0.6	3.1
NET PROFIT FROM CONTINUING OPERATIONS		**1,006.9**	**1,085.8**
NET PROFIT FROM DISCONTINUED OPERATIONS		**(30.4)**	**-**
PROFIT FOR THE PERIOD		**976.5**	**1,085.8**
- Minority interests		48.7	45.6
- Net profit (Group share)		927.8	1,040.2
Basic earnings per share *(in euros)*	**(9)**	**2.18**	**2.44**
Diluted earnings per share *(in euros)*	**(9)**	**2.17**	**2.43**
Basic earnings per share from continuing operations *(in euros)*		**2.25**	**2.44**
Diluted earnings per share from continuing operations *(in euros)*		**2.24**	**2.43**
Basic earnings per share from discontinued operations *(in euros)*		**(0.07)**	**-**
Diluted earnings per share from discontinued operations *(in euros)*		**(0.07)**	**-**

Statement of net income and gains and losses recognized directly in equity

(in millions of euros)	**1st half 2017**	**1st half 2018**
Profit for the period	**976.5**	**1,085.8**
Items recognized in equity		
Change in fair value of financial instruments	(26.1)	(42.8)
Change in foreign currency translation reserve	(833.0)	238.9
Items that may be subsequently reclassified to profit	**(859.1)**	**196.1**
Actuarial gains/ (losses)	34.2	24.4
Items that may not be subsequently reclassified to profit	**34.2**	**24.4**
Items recognized in equity, net of taxes	**(824.9)**	**220.5**
Net income and gains and losses recognized directly in equity	**151.6**	**1,306.3**
- Attributable to minority interests	31.1	51.0
- Attributable to equity holders of the parent	120.5	1,255.3

Consolidated balance sheet

ASSETS *(in millions of euros)*	**Notes**	**December 31, 2017**	**June 30, 2018**
Goodwill	(10)	12,840.4	13,138.9
Other intangible assets		1,611.1	1,589.3
Property, plant and equipment		18,525.9	18,801.9
Non-current assets		**32,977.4**	**33,530.1**
Non-current financial assets		541.6	560.7
Investments in associates		128.2	138.9
Deferred tax assets		258.4	298.1
Fair value of non-current derivatives (assets)		130.5	91.9
Other non-current assets		**1,058.7**	**1,089.6**
TOTAL NON-CURRENT ASSETS		**34,036.1**	**34,619.7**
Inventories and work-in-progress		1,333.7	1,466.3
Trade receivables		2,900.0	3,066.9
Other current assets		863.5	790.9
Current tax assets		199.5	80.0
Fair value of current derivatives (assets)		38.4	56.5
Cash and cash equivalents	(13)	1,656.1	1,189.2
TOTAL CURRENT ASSETS		**6,991.2**	**6,649.8**
TOTAL ASSETS		**41,027.3**	**41,269.5**

EQUITY AND LIABILITIES *(in millions of euros)*	**Notes**	**December 31, 2017**	**June 30, 2018**
Share capital		2,356.2	2,355.5
Additional paid-in capital		2,821.3	2,792.7
Retained earnings		9,077.3	10,320.6
Treasury shares		(136.5)	(136.4)
Net profit (Group share)		2,199.6	1,040.2
Shareholders' equity		**16,317.9**	**16,372.6**
Minority interests		**400.5**	**396.8**
TOTAL EQUITY[(a)]		**16,718.4**	**16,769.4**
Provisions, pensions and other employee benefits	(12)	2,593.3	2,493.7
Deferred tax liabilities		1,807.7	1,882.2
Non-current borrowings	(13)	12,522.4	12,520.7
Other non-current liabilities		238.5	242.0
Fair value of non-current derivatives (liabilities)		2.3	13.7
TOTAL NON-CURRENT LIABILITIES		**17,164.2**	**17,152.3**
Provisions, pensions and other employee benefits	(12)	332.7	331.8
Trade payables		2,446.4	2,433.7
Other current liabilities		1,623.9	1,510.5
Current tax payables		194.2	145.0
Current borrowings	(13)	2,504.6	2,885.8
Fair value of current derivatives (liabilities)		42.9	41.0
TOTAL CURRENT LIABILITIES		**7,144.7**	**7,347.8**
TOTAL EQUITY AND LIABILITIES		**41,027.3**	**41,269.5**

(a) *A breakdown of changes in shareholders' equity and minority interests is presented on pages 27 and 28.*

Consolidated cash flow statement

(in millions of euros)	Notes	1st half 2017	1st half 2018
Operating activities			
Net profit (Group share)		**927.8**	**1,040.2**
Minority interests		**48.7**	**45.6**
Adjustments:			
• Depreciation and amortization	(3)	903.9	878.6
• Changes in deferred taxes[a]		71.3	20.1
• Changes in provisions		(79.3)	(53.5)
• Share of profit of associates		2.4	(3.1)
• Profit/loss on disposal of assets		19.9	(11.5)
• Net finance costs[b]		52.5	83.7
Cash flows from operating activities before changes in working capital		**1,947.2**	**2,000.1**
Changes in working capital	(11)	(316.5)	(196.0)
Others		(37.2)	(34.4)
Net cash flows from operating activities		**1,593.5**	**1,769.7**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(1,107.8)	(1,096.4)
Acquisition of consolidated companies and financial assets		(85.8)	(74.5)
Proceeds from sale of property, plant and equipment and intangible assets		32.9	35.0
Proceeds from sale of financial assets		3.0	0.2
Dividends received from equity affiliates			3.0
Net cash flows used in investing activities		**(1,157.7)**	**(1,132.7)**
Financing activities			
Dividends paid[c]			
• L'Air Liquide S.A.	(15)	(1,061.7)	(1,158.5)
• Minority interests		(41.2)	(54.2)
Proceeds from issues of share capital[c]		26.9	36.4
Purchase of treasury shares[c]		(158.4)	(63.5)
Net financial interests paid		-	(78.7)
Increase (decrease) in borrowings [b]		138.5	220.3
Transactions with minority shareholders		(4.4)	(0.4)
Net cash flows from (used in) financing activities		**(1,100.3)**	**(1,098.6)**
Effect of exchange rate changes and change in scope of consolidation		(23.1)	30.0
Net increase (decrease) in net cash and cash equivalents		**(687.6)**	**(431.6)**
NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**1,430.5**	**1,515.7**
NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**742.9**	**1,084.1**

[a] Changes in deferred taxes reported in the consolidated cash flow statement do not include changes in deferred taxes relating to disposals of assets.
[b] The net finance costs of the 1st half of 2017 only included the amount related to the acquisition of Airgas.
[c] A breakdown of dividends paid, share capital increases and treasury share purchases is provided on pages 27 and 28.

The analysis of net cash and cash equivalents at the end of the period is as follows:

(in millions of euros)	Notes	December 31, 2017	June 30, 2017	June 30, 2018
Cash and cash equivalents	(13)	1,656.1	895.0	1,189.2
Bank overdrafts *(included in current borrowings)*		(140.4)	(152.1)	(105.1)
NET CASH AND CASH EQUIVALENTS		**1,515.7**	**742.9**	**1,084.1**

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1, 2018 TO JUNE 30, 2018

(in millions of euros)	Notes	Share capital	Additional paid-in capital	Retained earnings (including net profit)	Fair value of financial instruments	Translation reserves	Treasury shares	Shareholders' equity	Minority interests	Total equity
Equity and minority interests as of January 1, 2018		**2,356.2**	**2,821.3**	**12,602.8**	**(197.8)**	**(1,128.1)**	**(136.5)**	**16,317.9**	**400.5**	**16,718.4**
Profit for the period		**-**	**-**	**1,040.2**	**-**	**-**	**-**	**1,040.2**	**45.6**	**1,085.8**
Items recognized directly in equity		-	-	24.4	(42.8)	233.5	-	215.1	5.4	220.5
Net income and gains and losses recognized directly in equity [(a)]		**-**	**-**	**1,064.6**	**(42.8)**	**233.5**	**-**	**1,255.3**	**51.0**	**1,306.3**
Increase (decrease) in share capital		2.9	31.2	-	-	-	-	34.1	2.2	36.3
Distribution	(15)	-	-	(1,160.2)	-	-	-	(1,160.2)	(54.2)	(1,214.4)
Cancelation of treasury share [(c)]		(3.6)	(59.8)	-	-	-	63.4	-	-	-
Purchases/Disposals of treasury shares [(c)]		-	-	-	-	-	(63.3)	(63.3)	-	(63.3)
Share-based payments		-	-	19.1	-	-	-	19.1	-	19.1
Transactions with minority shareholders recognized directly in equity		-	-	(30.6)	-	-	-	(30.6)	(2.4)	(33.0)
Others		-	-	0.3	-	-	-	0.3	(0.3)	-
EQUITY AND MINORITY INTERESTS AS OF JUNE 30, 2018		**2,355.5 [(b)]**	**2,792.7**	**12,496.0**	**(240.6)**	**(894.6)**	**(136.4) [(c)]**	**16,372.6**	**396.8**	**16,769.4**

[(a)] The statement of net income and gains and losses recognized directly in equity is presented on page 24.

[(b)] Share capital as of June 30, 2018 was made up of 428,271,241 shares at a par value of 5.50 euros. In the 1st half of 2018, movements affecting share capital were as follows:

- *creation of 527,691 shares in cash with a par value of 5.50 euros resulting from the exercise of options;*
- *share capital decrease by canceling 654,000 shares, bought under the approval of the Combined Shareholders' Meeting on May 16, 2018.*

[(c)] The number of treasury shares as of June 30, 2018 totaled 1,642,698 (including 1,421,182 held by L'Air Liquide S.A.). In the 1st half of 2018, movements affecting treasury shares were mainly as follows:

- *acquisitions, net of disposals, of 631,000 shares;*
- *cancelation of 654,000 shares by capital decrease.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1, 2017 TO JUNE 30, 2017

(in millions of euros)	Share capital	Additional paid-in capital	Retained earnings (including net profit)	Fair value of financial instruments	Translation reserves	Treasury shares	Shareholders' equity	Minority interests	Total equity
Equity and minority interests as of January 1, 2017	**2,138.8**	**3,103.3**	**11,515.5**	**(126.4)**	**222.3**	**(111.7)**	**16,741.8**	**383.2**	**17,125.0**
Profit for the period			**927.8**				**927.8**	**48.7**	**976.5**
Items recognized directly in equity			34.2	(26.1)	(815.4)		(807.3)	(17.6)	(824.9)
Net income and gains and losses recognized directly in equity [(a)]			**962.0**	**(26.1)**	**(815.4)**		**120.5**	**31.1**	**151.6**
Increase (decrease) in share capital	2.5	23.1					25.6	1.3	26.9
Distribution			(1,062.5)				(1,062.5)	(41.2)	(1,103.7)
Cancelation of treasury shares	(6.1)	(109.2)				115.3			
Purchase/Disposal of treasury shares						(158.0)	(158.0)		(158.0)
Share-based payments			16.1			0.1	16.2		16.2
Transactions with minority shareholders recognized directly in equity			(10.7)				(10.7)	(1.7)	(12.4)
Others			(7.6)			11.0	3.4		3.4
EQUITY AND MINORITY INTERESTS AS OF JUNE 30, 2017	**2,135.2**	**3,017.2**	**11,412.8**	**(152.5)**	**(593.1)**	**(143.3)**	**15,676.3**	**372.7**	**16,049.0**

[(a)] *The statement of net income and gains and losses recognized directly in equity is presented on page 24.*

Accounting principles

The condensed interim consolidated financial statements for the half-year ended June 30, 2018 include the Company and its subsidiaries (together referred to as the "Group") as well as the Group share of associates or joint ventures. The Group consolidated financial statements for the fiscal year ended December 31, 2017 are available upon request at the Company registered office at 75, quai d'Orsay, 75007 Paris, France or on the website www.airliquide.com.

BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The condensed interim consolidated financial statements have been prepared in accordance with IAS34 "Interim Financial Reporting", a standard within the IFRS (International Financial Reporting Standards), as endorsed by the European Union. They do not include all the information required for complete annual financial statements and should be read in conjunction with the Group financial statements for the fiscal year ended December 31, 2017.

Except for the application of standards, interpretations and amendments being mandatory as of January 1, 2018, the accounting principles used for the preparation of the condensed interim consolidated financial statements are identical to those used for the preparation of the consolidated financial statements for the fiscal year ended December 31, 2017. They have been prepared in accordance with IFRS, as endorsed by the European Union as of June 30, 2018, and with IFRS without use of the carve-out option as published by the IASB (International Accounting Standards Board).

The IFRS standards and interpretations as endorsed by the European Union are available at the following website:
https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_en

The Group has not anticipated any standards, amendments or interpretations published by the IASB but not yet approved or not yet mandatory in the European Union as of June 30, 2018.

The financial statements are presented in million of euros. They were reviewed by the Board of Directors on July 27, 2018.

NEW IFRS AND INTERPRETATIONS

1. Standards, interpretations and amendments endorsed by the European Union whose application is mandatory as of January 1, 2018

The following texts have no material impact on the Group financial statements:

- IFRS15 "Revenue from contracts with customers", issued on May 28, 2014, including the amendment to IFRS15 "Effective Date of IFRS15", issued on September 11, 2015 and clarifications to IFRS15 issued on April 12, 2016:

The analysis was finalized during 2017 and the Group has identified no significant impact to be noted in relation to the transition to IFRS15. The accounting principles relating to the revenue recognition are described in the Group financial statements for the fiscal year ending December, 31 2017.

- IFRS9 "Financial Instruments", issued on July 24, 2014:

This standard replaces IAS39 which was applicable until December 31, 2017. The main changes introduced by this new standard are as follows:
- the impairment model for assets which must comply with a unique model named 'expected credit losses' instead the model named 'incurred credit losses';
- the hedge accounting requirements, better aligned with the Group strategy of risk management;
- classification and valuation of the financial assets, depending on the asset management by the entity.

The Group has identified no material impact arising from the application of this new standard.

- IFRIC22 "Foreign Currency Transactions and Advance Consideration", issued on December 8, 2016.

Additionally, the following texts have no impact on the Group financial statements:

- amendments to IFRS2 "Classification and measurement of share-based payment transactions", issued on June 20, 2016;
- annual improvements to IFRSs 2014-2016 Cycle, issued on December 8, 2016.

Finally, the following texts are not applicable to the Group:

- amendments to IFRS4 "Applying IFRS9 Financial Instruments with IFRS4 Insurance Contracts", issued on September 12, 2016;
- amendments to IAS40 "Transfers of Investment Property", issued on December 8, 2016.

2. Standards, interpretations and amendments endorsed by the European Union whose application is optional in 2018

The Group financial statements for the for the half-year ended June 30, 2018 do not include any potential impacts from the standards, interpretations and amendments endorsed by the European Union as of June 30, 2018 for which adoption is only mandatory as of fiscal years beginning after January 1, 2018. These texts are as follows:

- IFRS16 “Leases”, issued on January 13, 2016:

The Group has not identified any impacts relating to lease contracts when analyzing the application of IFRS15 “Revenue from contracts with customers”. The impacts of the application of IFRS16 relating to the contracts concluded by the Group as a lessee are being analyzed.

- amendments to IFRS9 "Prepayment Features with Negative Compensation", issued on October 12, 2017.

3. Standards, interpretations and amendments not yet endorsed by the European Union

The impacts on the financial statements of texts published by the IASB as of June 30, 2018 and not yet endorsed by the European Union are currently being analyzed. These texts are as follows:

- IFRIC23 "Uncertainty over Income Tax Treatments", issued on June 7, 2017;
- amendments to IAS28 "Long-term Interests in Associates and Joint Ventures", issued on October 12, 2017;
- annual improvements to IFRSs 2015-2017 Cycle, issued on December 12, 2017;
- amendments to IAS19 “Plan Amendment, Curtailment or Settlement”, issued on February 7, 2018;
- amendments to references to the Conceptual Framework in IFRs Standards, issued on March 29, 2018.

Additionally, the following texts are not applicable to the Group:

- IFRS17 “Insurance Contracts”, issued on May 18, 2017.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires Group or subsidiary Management to make estimates and use certain assumptions which have a significant impact on the carrying amounts of assets and liabilities recorded in the consolidated balance sheet, the notes related to these assets and liabilities, the profit and expense items in the income statement and the commitments relating to the period-end. Subsequent results may differ.

The significant judgments exercised by the Group or subsidiary Management in applying the Group accounting policies used in preparing the half-year condensed consolidated financial statements, and the main sources of uncertainty in making the estimates, are identical to those described in the consolidated financial statements for the fiscal year ended December 31, 2017.

BASIS FOR PRESENTATION AND MEASUREMENT OF FIRST HALF-YEAR INFORMATION

The segment information corresponds to the information required by IAS34 “Interim Financial Reporting”.

The Group’s activities may be affected by significant changes in the economic situation. Therefore, its interim results are not necessarily indicative of those to be expected for the fiscal year as a whole.

The income tax expense for the period is calculated by applying the estimated effective income tax rate for the fiscal year, based on the information available as of the interim reporting date, to the different categories of profit.

Notes to the consolidated financial statements for the half- year ended June 30, 2018

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Note 1 Segment information

1.1 INCOME STATEMENT FOR THE HALF-YEAR ENDED JUNE 30, 2018

	Gas & Services								
(in millions of euros)	Europe	Americas	Asia Pacific	Middle East and Africa	Sub-total	Engineering & Construction	Global Markets & Technologies	Reconciliation	Total
Revenue	3,464.4	3,873.6	2,107.5	323.7	9,769.2	180.1	213.1		10,162.4
Inter-segment revenue						*99.0*	*176.8*	*(275.8)*	
Operating income recurring	**651.4**	**635.7**	**407.2**	**46.4**	**1,740.7**	**(14.7)**	**18.4**	**(127.1)**	**1,617.3**
incl. depreciation and amortization	*(299.3)*	*(330.5)*	*(175.1)*	*(32.9)*	*(837.8)*	*(9.0)*	*(17.4)*	*(14.4)*	*(878.6)*
Other non-recurring operating income									2.1
Other non-recurring operating expenses									(32.5)
Net finance costs									(122.2)
Other financial income									10.5
Other financial expenses									(32.9)
Income taxes									(359.6)
Share of profit of associates									3.1
Profit for the period									1,085.8

1.2 INCOME STATEMENT FOR THE HALF-YEAR ENDED JUNE 30, 2017

	Gas & Services								
(in millions of euros)	**Europe**	**Americas**	**Asia Pacific**	**Middle East and Africa**	**Sub-total**	**Engineering & Construction**	**Global Markets & Technologies**	**Reconciliation**	**Total**
Revenue	3,371.2	4,250.7	2,032.6	323.8	9,978.3	145.8	168.6		10,292.7
Inter-segment revenue						*119.6*	*165.8*	*(285.4)*	
Operating income recurring	**636.5**	**670.3**	**400.9**	**53.1**	**1,760.8**	**(5.6)**	**17.9**	**(117.0)**	**1,656.1**
incl. depreciation and amortization	*(298.5)*	*(354.6)*	*(181.8)*	*(27.5)*	*(862.4)*	*(8.9)*	*(14.8)*	*(14.3)*	*(900.4)*
Other non-recurring operating income									(0.3)
Other non-recurring operating expenses									(1.4)
Net finance costs									(222.9)
Other financial income									11.3
Other financial expenses									(47.7)
Income taxes									(388.8)
Share of profit of associates									0.6
Net profit from continued operations									1,006.9
Net profit from discontinued operations									(30.4)
Profit for the period									976.5

Note 2 Revenue

Consolidated revenue for the 1st half of 2018 amounts to 10,162.4 million euros, down -1.3% compared to the 1st half of 2017 (10,292.7 million euros). Excluding the impact of foreign exchange fluctuations, revenue is up + 5.5%. The foreign exchange fluctuations are mainly driven by the depreciation of the US dollar, and to a lesser extent of the yen and the Argentinian peso against the euro.

Note 3 Depreciation and amortization expense

(in millions of euros)	**1st half 2017**	**1st half 2018**
Intangible assets	(86.4)	(86.5)
Property, plant and equipment (PP&E) [a]	(814.0)	(792.1)
TOTAL	**(900.4)**	**(878.6)**

[a] *Including the depreciation expense after deduction of investment grants released to profit.*

Note 4 Other non-recurring operating income and expenses

(in millions of euros)	**1st half 2017**	**1st half 2018**
Expenses		
Reorganization, restructuring and realignment programs costs	(11.1)	(13.0)
Integration costs related to the acquisition of Airgas	(18.7)	(10.7)
Acquisition costs	(2.2)	(3.3)
Political risks and legal procedures	-	(3.2)
Others	30.6	(2.3)
TOTAL OTHER NON-RECURRING OPERATING EXPENSES	**(1.4)**	**(32.5)**
Income		
Net gain on the disposals of activities or group of assets	0.5	2.1
Others	(0.8)	-
TOTAL OTHER NON-RECURRING OPERATING INCOME	**(0.3)**	**2.1**
TOTAL	**(1.7)**	**(30.4)**

Restructuring costs corresponds to realignment programs primarily in advanced economies. In the 1st half of 2018, Airgas integration costs mainly corresponds to long term incentives specifically implemented as part of this operation.

Note 5 Net finance costs

The average net finance costs, excluding the non-recurring gain generated by the unwinding of hedging instruments relating to the United States debt restructuring, stood at 3.0% in the 1st half of 2018 (3.1% for the 1st half 2017).

Note 6 Income taxes

(in %)	1st half 2017	1st half 2018
Average effective tax rate	27.9	24.9

The average effective tax rate is lower compared to the 1st half of 2017, mainly due to the US tax reform (Tax Cuts & Jobs Act of 2017).

Note 7 Employee benefits

The expense recognized for pension and other employee benefits amounted to 68.1 million euros in the 1st half of 2018 and can be broken down as follows:

(in millions of euros)	1st half 2017	1st half 2018
Service cost	20.8	19.9
Interest cost on the net defined benefit liability	11.8	9.3
Defined benefit plans	**32.6**	**29.2**
Defined contribution plans	**36.0**	**38.9**
TOTAL	**68.6**	**68.1**

Note 8 Discontinued operations

Air Liquide is focused on its Gas & Services activities following the acquisition of Airgas, as well as on the implementation of its company program NEOS for the 2016-2020 period. In this context, at the end of 2016 the Group decided to divest its "Other activities" sector, including the Diving and Welding World Business Lines. After having sold its full stake in Aqua Lung on December 30, 2016, Air Liquide announced on March 2, 2017 that it had entered into exclusive negotiations with Lincoln Electric Holdings, Inc. for the sale of its subsidiary Air Liquide Welding, specialized in the manufacturing of welding and cutting technologies. At the end of July 2017, Air Liquide completed this disposal.

Note 9 Net earnings per share

9.1 BASIC EARNINGS PER SHARE

	1st half 2017	1st half 2018
Net profit (Group share) attributable to ordinary shareholders of the parent *(in millions of euros)*	927.8	1,040.2
Weighted average number of ordinary shares outstanding	426,503,349	426,482,436
Basic earnings per share *(in euros)*	**2.18**	**2.44**

The average number of outstanding ordinary shares and net earnings per share for the 1st half of 2017 has been restated to include the impact of the free share attribution performed by L'Air Liquide S.A on October 4, 2017.

9.2 DILUTED EARNINGS PER SHARE

	1st half 2017	1st half 2018
Net profit used to calculate diluted earnings per share *(in millions of euros)*	927.8	1,040.2
Weighted average number of ordinary shares outstanding	426,503,349	426,482,436
Adjustment for dilutive impact of share subscription options	930,629	883,294
Adjustment for dilutive impact of performance shares	443,927	1,120,021
Adjusted weighted average number of shares outstanding used to calculate diluted earnings per share	**427,877,905**	**428,485,751**
Diluted earnings per share *(in euros)*	**2.17**	**2.43**

Diluted earnings per share for the 1st half of 2017 and the average number of shares outstanding include the impact of the free share attribution performed by l'Air Liquide S.A on October 4, 2017.

All instruments that could dilute net profit – Group share, are included in the calculation of diluted earnings per share.

The Group has not issued any other financial instruments that may result in further dilution of net earnings per share.

Note 10 Goodwill

(in millions of euros)	As of January 1, 2018	Goodwill recognized during the period	Goodwill removed during the period	Foreign exchange differences	As of June 30, 2018
Goodwill	**12,840.4**	**46.4**	**(2.8)**	**254.9**	**13,138.9**

The Group performed a review of goodwill as of June 30, 2018 and did not identify any indications of impairment loss.

Note 11 Working capital requirement

The increase by +196.0 million euros, presented in the consolidated cash flow statement, mainly comes from the increase in operating working capital requirement by +256.4 million euros, partially offset by a change in current tax payables and receivables by -60.4 million euros.

Note 12 Provisions, pensions and other employee benefits

(in millions of euros)	As of January 1, 2018	Increase	Utilized	Other reversals	Discounting	Foreign exchange differences	Acquisitions related to business combination	Other movements [a]	As of June 30, 2018
Pensions and other employee benefits	1,739.5	29.5	(51.7)		(33.0)	1.9	-	(4.0)	1,682.2
Restructuring plans	43.2	0.6	(9.9)	-		-		-	33.9
Guarantees and other provisions related to engineering contracts	60.2	15.5	(6.3)	(5.3)		0.2		0.1	64.4
Dismantling	222.1		(2.5)	(3.2)	4.0	(0.4)	-	2.2	222.2
Provisions and contingent liabilities as part of a business combination	279.8		(20.3)	(8.3)	1.0	9.5	-	0.5	262.2
Other provisions	581.2	34.5	(41.0)	(11.9)	0.5	(2.5)	1.7	(1.9)	560.6
TOTAL PROVISIONS	**2,926.0**	**80.1**	**(131.7)**	**(28.7)**	**(27.5)**	**8.7**	**1.7**	**(3.1)**	**2,825.5**

[a] *Other movements correspond to account reclassifications, disposals and provisions for dismantling, with no impact on the consolidated cash flow statement.*

In the 1st half of 2018, no new litigation is likely to have a material impact on the Group's financial position or profitability.

Furthermore, the assets covering defined benefit plan obligations were measured at fair value. The discount rates used to determine the present value of the Group's obligations were also reviewed.

Note 13 Borrowings

Net indebtedness calculation

(in millions of euros)	December 31, 2017	June 30, 2017	June 30, 2018
Non-current borrowings	(12,522.4)	(13,914.6)	(12,520.7)
Current borrowings	(2,504.6)	(2,590.5)	(2,885.8)
TOTAL GROSS INDEBTEDNESS	**(15,027.0)**	**(16,505)**	**(15,406.5)**
Cash and cash equivalents	**1,656.1**	**895.0**	**1,189.2**
TOTAL NET INDEBTEDNESS AT THE END OF THE PERIOD	**(13,370.9)**	**(15,610)**	**(14,217.3)**

Statement of changes in net indebtedness

(in millions of euros)	December 31, 2017	June 30, 2017	June 30, 2018
Net indebtedness at the beginning of the period	**(15,368.1)**	**(15,368.1)**	**(13,370.9)**
Net cash flows from operating activities	4,254.0	1,593.5	1,769.7
Net cash flows used in investing activities	(1,845.7)	(1,157.7)	(1,132.7)
Net cash flows from (used in) financing activities excluding changes in borrowings	(1,191.6)	(1,238.8)	(1,240.2)
Total net cash flows	**1,216.7**	**(803.0)**	**(603.2)**
Effect of exchange rate changes, opening net indebtedness of newly acquired companies and others	886.2	613.5	(159.5)
Adjustment of net finance costs [(a)]	(105.7)	(52.5)	(83.7)
Change in net indebtedness	**1,997.2**	**(242.0)**	**(846.4)**
TOTAL NET INDEBTEDNESS AT THE END OF THE PERIOD	**(13,370.9)**	**(15,610)**	**(14,217.3)**

[(a)] *The net finance costs of the 1st half of 2017 included only the amount related to the acquisition of Airgas.*

The Air Liquide Group net indebtedness breaks down as follows:

	December 31, 2017			June 30, 2018		
	Carrying amount			Carrying amount		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Bonds and private placements	11,712.2	1,617.0	13,329.2	11,742.8	1,078.3	12,821.1
Commercial paper programs		185.8	185.8		1,092.8	1,092.8
Bank debt and other financial debt	714.6	695.2	1,409.8	649.3	710.4	1,359.7
Finance leases	9.3	6.6	15.9	8.3	4.3	12.6
Put options granted to minority shareholders	86.3		86.3	120.3		120.3
TOTAL BORROWINGS (A)	**12,522.4**	**2,504.6**	**15,027.0**	**12,520.7**	**2,885.8**	**15,406.5**
TOTAL CASH AND CASH EQUIVALENTS (B)		**1,656.1**	**1,656.1**		**1,189.2**	**1,189.2**
NET INDEBTEDNESS (A) - (B)	**12,522.4**	**848.5**	**13,370.9**	**12,520.7**	**1,696.6**	**14,217.3**

Gross indebtedness (A) increased by 379 million euros between December 31, 2017 and June 30, 2018.

This increase mainly comes from:

- a public bond issue on the Chinese mainland market ("Panda"), for a nominal amount of 2.2 billion Renminbi (285 million euros equivalent), in March 2018, in two series, one equal to 1.4 billion Renminbi for a 3-year maturity (coupon of 5.95%) and one equal to 0.8 billion Renminbi for a 5-year maturity (coupon of 6.40%);
- the limited use of commercial paper program, in euro and in US dollar, to allow the Group dividend's payment, in May, and the repayment of bond issuances in June;
- an unfavorable foreign exchange impact, mainly, related to the depreciation of the euro against the US dollar.

Offset by:

- the repayment of bond issuance for 325 million US dollar (271 million euros equivalent), maturing in February 2018;
- the repayment of two bond issuances for a total amount of 670 million euros, maturing in June 2018.

This bond issue ("Panda bond"), performed by Air Liquide Finance, and guaranteed by L'Air Liquide S.A., allows to provide the Group's financial needs.

Short-term borrowings (maturing in less than 12 months) (A) increased by 381 million euros compared to December 31, 2017.

Besides the repayments of bond issuances in US dollar and in euro and the limited use of commercial paper program, this increase of the current gross debt mainly comes from:

- the reclassification to current borrowings of a long-term bond issue maturing in March 2019 and amounting to 200 million US dollars (equivalent to 172 million euros);
- the reclassification to current borrowings of a long-term bond issue maturing in June 2019 and amounting to 250 million euros.

Cash decreased by 467 million euros, following the dividend payment in May 2018, and the net debt amounts to 14,217 million euros, increasing by 846 million euros compared to December 31, 2017, and decreasing by 1,393 million euros compared to June 30, 2017.

As of June 2018, the interest rate risk related to euro bond to be issued was partially hedged for a total amount of 300 million euro, by setting up firm hedges.

The interest rate risk related to US dollar bond to be issued, was also partially hedged for a total amount of 200 million US dollar, by setting up firm hedges and for 50 million US dollar by setting up optional hedges.

Note 14 Commitments

Commitments related to purchase orders of fixed assets noticeably increased in comparison to December 31, 2017 owing to new projects in China and United States.

There was no significant change in other commitments compared to December 31, 2017.

Note 15 Dividend per share

The 2017 dividend declared and paid on May 30, 2018 was 1,160.2 million euros (including fidelity premium), corresponding to an ordinary dividend of 2.65 euros and a fidelity premium of 0.26 per share.

Note 16 Related party disclosures

Due to the activities and legal organization of the Group, only executives, associates and joint ventures are considered to be related parties to the Group. Transactions performed between these individuals or these companies and Group subsidiaries are not material.

Note 17 Contingent liabilities

To the best of the Group's knowledge, there is no exceptional event or litigation which has affected in the recent past or which is likely to materially affect its financial situation or profitability.

Note 18 Post-balance sheet events

There are no significant post-balance sheet events.

Statutory auditors' review report on the interim financial information

This is a free translation into English of the statutory auditors' review report on the half-yearly consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report also includes information relating to the specific verification of information given in the Group's interim management report. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of article L. 451- 1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of the company L'Air Liquide, for the period from January 1 to June 30, 2018;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with standard IAS 34 of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, July 30, 2018

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit		ERNST & YOUNG et Autres	
Olivier Lotz	Séverine Scheer	Jeanne Boillet	Emmanuelle Mossé

CERTIFICATION BY THE PERSON RESPONSIBLE FOR THE FIRST HALF FINANCIAL REPORT

PERSON RESPONSIBLE FOR THE FIRST HALF FINANCIAL REPORT

Benoît POTIER, Chairman and CEO of L'Air Liquide S.A.

CERTIFICATION BY THE PERSON RESPONSIBLE FOR THE FIRST HALF FINANCIAL REPORT

This is a free translation into English of the certification by the person responsible for the First half financial report and is provided solely for the convenience of English speaking readers.

I hereby declare that, to the best of my knowledge, the condensed financial statements for the half-year ended June 30, 2018 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, the financial position and results of the Company and the entities included in the consolidation, and that the first half activity report, available in chapter 1, provides a faithful representation of the major events which occurred during the first six months of the fiscal year, their impact on the financial statements, the main related-party transactions, and describes the major risks and uncertainties for the remaining six months of the fiscal year.

Paris, July 30, 2018

Benoît Potier

Chairman and CEO

Cautionary note regarding forward-looking statements

This First half financial report contains information on the Group's prospects, objectives and trends for growth. These forward-looking statements can be identified by the use of the future tense, conditional or of forward-looking terms such as "consider", "intend", "anticipate", "believe", "estimate", "plan", "expect", "think", "aim", or, as the case may be, the negative of these words, or any other terms with a similar meaning. This information is not based on historical data and should not be considered as a guarantee that the prospects and objectives described will be achieved. These statements are based on data, assumptions and estimates considered reasonable by the Group as of the date of this First half financial report. They may be affected by known or unknown risks, uncertainties and other factors which might impact future results, performances and achievements of the Group in a way that is substantially different from the objectives described. This information might therefore change due to uncertainties relating notably to the economic, financial, competitive and regulatory environment or due to the occurrence of certain risks described in Chapter 1 of this First half financial report. This information is given solely as of the date of this First half financial report. All forward-looking statements contained in this First half financial report are qualified in their entirety by this cautionary note.

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Air Liquide – Company established for the study and application of processes developed by GeorgesClaude
with issued capital of 2 355 491 825,50 euros