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Consolidated financial statements

Consolidated income statement

For the year ended December 31

(in millions of euros)	Notes	2014	2015
Revenue	**(3)**	**15,358.3**	**16,379.8**
Other income	(4)	228.2	193.5
Purchases	(4)	(6,007.2)	(6,164.0)
Personnel expenses	(4)	(2,653.1)	(3,069.4)
Other expenses	(4)	(3,053.3)	(3,077.7)
Operating income recurring before depreciation and amortization		**3,872.9**	**4,262.2**
Depreciation and amortization expense	(4)	(1,239.1)	(1,371.6)
Operating income recurring		**2,633.8**	**2,890.6**
Other non-recurring operating income	(5)	68.9	38.4
Other non-recurring operating expenses	(5)	(52.9)	(170.6)
Operating income		**2,649.8**	**2,758.4**
Net finance costs	(6)	(228.9)	(227.1)
Other financial income	(6)	32.8	14.7
Other financial expenses	(6)	(54.5)	(55.6)
Income taxes	(7)	(678.4)	(666.4)
Share of profit of associates	(14)	4.0	14.7
PROFIT FOR THE PERIOD		**1,724.8**	**1,838.7**
■ Minority interests		59.8	82.3
■ Net profit (Group share)		1,665.0	1,756.4
Basic earnings per share *(in euros)*	**(8)**	**4.85**	**5.12**
Diluted earnings per share *(in euros)*	**(8)**	**4.83**	**5.10**

Accounting principles and notes to the financial statements begin on page 46.

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

For the year ended December 31

(in millions of euros)	2014	2015
Profit for the period	**1,724.8**	**1,838.7**
Items recognized in equity		
Change in fair value of financial instruments	2.3	29.9
Change in foreign currency translation reserve	375.6	177.2
Items that may be subsequently reclassified to profit	**377.9**	**207.1**
Actuarial gains / (losses)	(236.2)	(12.4)
Items that may not be subsequently reclassified to profit	**(236.2)**	**(12.4)**
Items recognized in equity, net of taxes	**141.7**	**194.7**
Net income and gains and losses recognized directly in equity	**1,866.5**	**2,033.4**
■ Attributable to minority interests	64.9	95.9
■ Attributable to equity holders of the parent	1,801.6	1,937.5

Consolidated balance sheet

For the year ended December 31

ASSETS *(in millions of euros)*	**Notes**	**December 31, 2014**	**December 31, 2015**
Goodwill	(10)	5,258.6	5,730.2
Other intangible assets	(11)	764.5	849.1
Property, plant and equipment	(12)	14,554.0	15,706.3
Non-current assets		**20,577.1**	**22,285.6**
Non-current financial assets	(13)	447.0	485.1
Investments in associates	(14)	100.4	115.9
Deferred tax assets	(15)	245.5	235.2
Fair value of non-current derivatives (assets)	(25)	68.9	100.1
Other non-current assets		**861.8**	**936.3**
TOTAL NON-CURRENT ASSETS		**21,438.9**	**23,221.9**
Inventories and work-in-progress	(16)	876.2	980.6
Trade receivables	(17)	2,879.8	2,981.1
Other current assets	(19)	468.7	596.6
Current tax assets		92.7	132.9
Fair value of current derivatives (assets)	(25)	58.5	62.8
Cash and cash equivalents	(20)	910.1	965.5
TOTAL CURRENT ASSETS		**5,286.0**	**5,719.5**
TOTAL ASSETS		**26,724.9**	**28,941.4**

EQUITY AND LIABILITIES *(in millions of euros)*	**Notes**	**December 31, 2014**	**December 31, 2015**
Share capital		1,896.8	1,892.9
Additional paid-in capital		25.7	15.6
Retained earnings		8,049.7	8,861.8
Treasury shares		(100.7)	(121.0)
Net profit (Group share)		1,665.0	1,756.4
Shareholders' equity		**11,536.5**	**12,405.7**
Minority interests		**290.4**	**365.1**
TOTAL EQUITY [(a)]	**(21)**	**11,826.9**	**12,770.8**
Provisions, pensions and other employee benefits	(22, 23)	2,169.3	2,113.2
Deferred tax liabilities	(15)	1,187.7	1,321.8
Non-current borrowings	(24)	5,883.8	6,290.7
Other non-current liabilities	(26)	232.2	243.8
Fair value of non-current derivatives (liabilities)	(25)	73.0	231.3
TOTAL NON-CURRENT LIABILITIES		**9,546.0**	**10,200.8**
Provisions, pensions and other employee benefits	(22, 23)	293.6	271.2
Trade payables	(27)	2,183.7	2,269.3
Other current liabilities	(26)	1,223.3	1,302.4
Current tax payables		221.4	156.8
Current borrowings	(24)	1,332.6	1,912.7
Fair value of current derivatives (liabilities)	(25)	97.4	57.4
TOTAL CURRENT LIABILITIES		**5,352.0**	**5,969.8**
TOTAL EQUITY AND LIABILITIES		**26,724.9**	**28,941.4**

(a) A breakdown of changes in shareholders' equity and minority interests is presented on pages 44 and 45.

Consolidated cash flow statement

For the year ended December 31

(in millions of euros)	Notes	2014	2015
Operating activities			
Net profit (Group share)		**1,665.0**	**1,756.4**
Minority interests		**59.8**	**82.3**
Adjustments:			
■ Depreciation and amortization	(4)	1,239.1	1,371.6
■ Changes in deferred taxes [(a)]	(7)	84.9	107.3
■ Increase (decrease) in provisions		5.7	(64.2)
■ Share of profit of associates (less dividends received)	(14)	4.7	(3.3)
■ Profit/loss on disposal of assets		(116.5)	(100.6)
Cash flows from operating activities before changes in working capital		**2,942.7**	**3,149.5**
Changes in working capital	(18)	73.5	(258.4)
Others		(186.6)	(58.7)
Net cash flows from operating activities		**2,829.6**	**2,832.4**
Investing activities			
Purchase of property, plant and equipment and intangible assets	(11, 12)	(1,901.7)	(2,027.7)
Acquisition of subsidiaries and financial assets		(179.0)	(384.4)
Proceeds from sale of property, plant and equipment and intangible assets		228.6	129.6
Proceeds from sale of financial assets		15.8	1.4
Net cash flows used in investing activities		**(1,836.3)**	**(2,281.1)**
Financing activities			
Dividends paid [(b)]			
■ L'Air Liquide S.A.		(838.5)	(924.3)
■ Minority interests		(46.0)	(50.8)
Proceeds from issues of share capital [(b)]		59.5	85.8
Purchase of treasury shares [(b)]		(116.4)	(178.3)
Increase (decrease) in borrowings		76.1	651.4
Transactions with minority shareholders		(94.5)	(11.1)
Net cash flows from (used in) financing activities		**(959.8)**	**(427.3)**
Effect of exchange rate changes and change in scope of consolidation		(31.6)	(103.5)
Net increase (decrease) in net cash and cash equivalents		**1.9**	**20.5**
NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**853.0**	**854.9**
NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**854.9**	**875.4**

(a) Changes in deferred taxes shown in the consolidated cash flow statement do not include changes in deferred taxes relating to disposals of assets.
(b) A breakdown of dividends paid, share capital increases and treasury share purchases is provided on pages 44 and 45.

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

(in millions of euros)	Notes	December 31, 2014	December 31, 2015
Cash and cash equivalents	(20)	910.1	965.5
Bank overdrafts (included in current borrowings)		(55.2)	(90.1)
NET CASH AND CASH EQUIVALENTS		**854.9**	**875.4**

NET INDEBTEDNESS CALCULATION

(in millions of euros)	Notes	December 31, 2014	December 31, 2015
Non-current borrowings (long-term debt)	(24)	(5,883.8)	(6,290.7)
Current borrowings (short-term debt)	(24)	(1,332.6)	(1,912.7)
TOTAL GROSS INDEBTEDNESS		**(7,216.4)**	**(8,203.4)**
Cash and cash equivalents	**(24)**	**910.1**	**965.5**
Derivative instruments (assets) – fair value hedge of borrowings	(24)		(0.8)
TOTAL NET INDEBTEDNESS AT THE END OF THE PERIOD		**(6,306.3)**	**(7,238.7)**

STATEMENT OF CHANGES IN NET INDEBTEDNESS

(in millions of euros)	Notes	December 31, 2014	December 31, 2015
Net indebtedness at the beginning of the period		**(6,061.9)**	**(6,306.3)**
Net cash flows from operating activities		2,829.6	2,832.4
Net cash flows used in investing activities		(1,836.3)	(2,281.1)
Net cash flows used in financing activities excluding increase (decrease) in borrowings		(1,035.9)	(1,078.7)
Total net cash flows		**(42.6)**	**(527.4)**
Effect of exchange rate changes, opening net indebtedness of newly acquired companies and others		(201.8)	(405.0)
Change in net indebtedness		**(244.4)**	**(932.4)**
NET INDEBTEDNESS AT THE END OF THE PERIOD	**(24)**	**(6,306.3)**	**(7,238.7)**

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1, 2015 TO DECEMBER 31, 2015

(in millions of euros)	Notes	Share capital	Additional paid-in capital	Retained earnings (including net profit)	Net income recognized directly in equity: Fair value of financial instruments	Net income recognized directly in equity: Translation reserves	Treasury shares	Shareholders' equity	Minority interests	Total equity
Equity and minority interests as of January 1, 2015		1,896.8	25.7	10,009.6	30.5	(325.4)	(100.7)	11,536.5	290.4	11,826.9
Profit for the period				**1,756.4**				**1,756.4**	**82.3**	**1,838.7**
Items recognized in equity				(11.9)	29.9	163.1		181.1	13.6	194.7
Net income and gains and losses recognized directly in equity [(a)]				**1,744.5**	**29.9**	**163.1**		**1,937.5**	**95.9**	**2,033.4**
Increase (decrease) in share capital		4.4	45.9					50.3	35.7	86.0
Distribution	(9)			(924.7)				(924.7)	(50.8)	(975.5)
Cancelation of treasury shares [(d)]		(8.3)	(56.0)	(88.7)			153.0			
Purchase of treasury shares [(d)]							(178.0)	(178.0)		(178.0)
Share-based payments				18.5			4.7	23.2		23.2
Transactions with minority shareholders recognized directly in equity [(f)]				(39.7)				(39.7)	(8.9)	(48.6)
Others				0.6[(e)]				0.6	2.8	3.4
EQUITY AND MINORITY INTERESTS AS OF DECEMBER 31, 2015		**1,892.9** [(b)]	**15.6** [(c)]	**10,720.1**	**60.4**	**(162.3)**	**(121.0)** [(d)]	**12,405.7**	**365.1**	**12,770.8**

(a) The statement of net income and gains and losses recognized directly in equity is presented on page 40.

(b) Share capital as of December 31, 2015 was made up of 344,163,001 shares at a par value of 5.50 euros. During the fiscal year, movements affecting share capital were as follows:
- *creation of 790,118 shares in cash with a par value of 5.50 euros resulting from the exercise of options;*
- *share capital decrease by canceling 1,500,000 treasury shares.*

(c) "Additional paid-in capital" was increased by the amount of share premiums related to capital increases for 45.9 million euros and reduced by the amount of share premiums related to the cancelation of treasury shares for -56.0 million euros.

(d) The number of treasury shares as of December 31, 2015 amounts to 1,217,163 (including 1,117,907 held by L'Air Liquide S.A.). During the fiscal year, movements affecting treasury shares are as follows:
- *acquisitions net of disposals of 1,498,125 shares at an average price of 118.88 euros;*
- *cancelation of 1,500,000 shares;*
- *allocation of 74,126 shares as part of performance shares.*

(e) Changes in "Retained earnings" primarily result from the cancelation of gains and losses arising from disposals of treasury shares and from the tax impacts related to items recognized directly in equity.

(f) Transactions with minority shareholders recognized directly in equity primarily include the offset to the recognition of the put option granted to minority shareholders offset by the initial share of net assets following the acquisitions of OMT GmbH & Co. KG in Germany on January 7, 2015, and Respiratory Homecare Solutions Canada Inc. in Canada on March 13, 2015.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1, 2014 TO DECEMBER 31, 2014

(in millions of euros)	Share capital	Additional paid-in capital	Retained earnings (including net profit)	Net income recognized directly in equity: Fair value of financial instruments	Net income recognized directly in equity: Translation reserves	Treasury shares	Shareholders' equity	Minority interests	Total equity
Equity and minority interests as of January 1, 2014	**1,720.6**	**81.2**	**9,578.9**	**28.2**	**(695.6)**	**(88.2)**	**10,625.1**	**263.0**	**10,888.1**
Profit for the period			**1,665.0**				**1,665.0**	**59.8**	**1,724.8**
Items recognized in equity			(235.9)	2.3	370.2		136.6	5.1	141.7
Net income and gains and losses recognized directly in equity [(a)]			**1,429.1**	**2.3**	**370.2**		**1,801.6**	**64.9**	**1,866.5**
Increase (decrease) in share capital	5.2	53.5					58.7		58.7
Free share attribution	176.5	(24.7)	(151.8)						
Distribution			(839.0)				(839.0)	(46.0)	(885.0)
Cancelation of treasury shares	(5.5)	(84.3)	(5.9)			95.7			
Purchase of treasury shares						(116.2)	(116.2)		(116.2)
Share-based payments			10.1			8.0	18.1		18.1
Transactions with minority shareholders recognized directly in equity			(15.5)				(15.5)	9.0	(6.5)
Others			3.7				3.7	(0.5)	3.2
EQUITY AND MINORITY INTERESTS AS OF DECEMBER 31, 2014	**1,896.8**	**25.7**	**10,009.6**	**30.5**	**(325.4)**	**(100.7)**	**11,536.5**	**290.4**	**11,826.9**

(a) The statement of net income and gains and losses recognized directly in equity is presented on page 40.

Accounting principles

BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Due to its listing on the Paris Stock Exchange and pursuant to EC Regulation No.1606/2002 of July 19, 2002, the consolidated financial statements of the Air Liquide Group for the year ended December 31, 2015 have been prepared in accordance with IFRS (International Financial Reporting Standards), as endorsed by the European Union as of December 31, 2015, and with IFRSs without use of the carve-out option, as published by the IASB (International Accounting Standards Board). The IFRS standards and interpretations as adopted by the European Union are available at the following website:

http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_en.htm

The Group has not anticipated any new standards, amendments to existing standards or new interpretations published by the IASB but not yet approved or not yet mandatory in the European Union, as of December 31, 2015.

The financial statements are presented in millions of euros. They were approved by the Board of Directors on February 15, 2016 and will be submitted for approval to the Annual General Meeting on May 12, 2016.

NEW IFRS AND INTERPRETATIONS

1. Standards, interpretations and amendments whose application is mandatory as of January 1, 2015

The following texts do not have a material impact on the Group financial statements:

- IFRIC21 "Levies," issued on May 20, 2013;
- annual improvements to IFRSs 2011-2013 Cycle, issued on December 12, 2013.

2. Standards, interpretations and amendments endorsed by the European Union whose application is optional in 2015

The Group financial statements for the year ended December 31, 2015 do not include any potential impacts from the standards, interpretations and amendments endorsed by the European Union as of December 31, 2015 for which adoption is only mandatory as of fiscal years beginning after January 1, 2015. These texts are as follows:

- amendments to IAS19 "Defined Benefit Plans: Employee Contributions," issued on November 21, 2013;
- annual improvements to IFRSs 2010-2012 Cycle, issued on December 12, 2013;
- amendments to IFRS11 "Accounting for Acquisitions of Interests in Joint Operations," issued on May 6, 2014;
- amendments to IAS16 and IAS38 "Clarification of Acceptable Methods of Depreciation and Amortization," issued on May 12, 2014;
- annual improvements to IFRSs 2012-2014 Cycle, issued on September 25, 2014;
- amendments to IAS1 "Disclosure Initiative," issued on December 18, 2014.

In addition, the following texts are not applicable for the Group:

- amendments to IAS16 and IAS41 "Bearer Plants," issued on June 30, 2014;
- amendments to IAS27 "Equity Method in Separate Financial Statements," issued on August 12, 2014.

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

The texts published by the IASB as of December 31, 2015 and not yet endorsed by the European Union are being analyzed. These texts are as follows:

- IFRS15 "Revenue from Contracts with Customers," issued on May 28, 2014;
- IFRS9 "Financial Instruments," issued on July 24, 2014;
- amendments to IFRS10 and IAS28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture," issued on September 11, 2014.

In addition, the following texts are not applicable for the Group:

- IFRS14 "Regulatory Deferral Accounts," issued on January 30, 2014;
- amendments to IFRS10, IFRS12 and IAS28 "Investment Entities: Applying the Consolidation Exception," issued on December 18, 2014.

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. Balance sheet, income statement and cash flow statement line items could differ should the subsequent actual results differ from the estimates. The most significant estimates and assumptions concern namely:

- the estimated useful life of property, plant and equipment used for calculation of depreciation and amortization: these estimates are described in section 6.e. of the accounting principles;
- the assumptions used to determine provisions for employee retirement benefit obligations: the actuarial assumptions used (employee turnover, mortality, retirement age, salary increase, etc.), and the discount rates used to determine the present value of obligations, as described in section 12.b of the accounting principles and in note 23.3;
- the estimates and assumptions concerning assets impairment tests, as described in section 6.f. of the accounting principles and in note 10.2;
- the methods used to recover deferred tax assets on the balance sheet;
- the risk assessment to determine the amount of provisions for contingencies and losses.

ACCOUNTING POLICIES

The consolidated financial statements were prepared under the historical cost convention, except for available-for-sale financial assets and financial assets and liabilities measured at fair value through profit or loss in accordance with IAS32/39. The carrying amount of other assets and liabilities hedged against fair value risk is adjusted to take into account the changes in fair value attributable to the hedged risks. In addition, the principles of fairness, going concern, and consistency were applied.

1. CONSOLIDATION METHODS

The consolidation methods used are:

- full consolidation method for subsidiaries;
- equity method for joint ventures and associates.

Assets, liabilities, expenses and revenue of joint operations are recognized in relation to the Group's interest in these entities.

a. Subsidiaries

All the subsidiaries or companies in which the Air Liquide Group exercises control are fully consolidated. Control exists when all the following conditions are met:

- the Group has existing rights that give it the current ability to direct the relevant activities;
- the Group is exposed, or has rights, to variable returns from its involvement with the entity;
- the Group has the ability to use its power over the entity so that it affects the amount of the returns.

Companies are fully consolidated from the date the Group obtains control and until the date on which control is transferred outside the Group.

b. Joint operations

Joint operations are joint arrangements whereby the Air Liquide Group has joint control with one or several parties through a contractual agreement, which gives it rights to the assets and obligations for the liabilities of the entity.

Assets, liabilities, expenses and revenue of joint operations are recognized in relation to the Group's interest in these entities. These amounts are included in each relevant line of the financial statements as is the case for the consolidated entities.

c. Joint ventures

Joint ventures are joint arrangements whereby the Air Liquide Group has joint control with one or several parties through a contractual agreement, which gives it rights to the net assets of the entity.

Joint ventures are consolidated using the equity method. Under this one, the net assets and net profit of a company are recognized pro rata to the interest held by the parent in the share capital.

On acquisition of an investment in a joint venture, goodwill relating to the joint venture is included in the carrying amount of the investment.

d. Associates

Associates are investments over which the Air Liquide Group has significant influence (generally when the Group has more than a 20% interest), but no control.

Associates are consolidated using the equity method. Under this one, the net assets and net profit of a company are recognized pro rata to the interest held by the parent in the share capital.

On acquisition of an investment in an associate, goodwill relating to the associate is included in the carrying amount of the investment.

The financial statements of subsidiaries, joint arrangements and associates are prepared as of December 31.

2. ADJUSTMENTS ARISING FROM CONSOLIDATION

a. Inter-company transactions

All inter-company receivables and payables, income and expenses and profits or losses are eliminated.

b. Tax-driven provisions

Movements in provisions, which have been established in compliance with tax regulations or which are similar to reserves, are eliminated in the determination of consolidated net profit.

3. TRANSLATION OF THE FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

At the balance sheet date, the financial statements of foreign subsidiaries are translated into euros as follows:

- balance sheet items, at the official year-end exchange rates;
- income statement and cash flow statement items, using the average exchange rate over the period for each currency.

Exchange differences are recognized under a separate item “translation reserves” in gains and losses recognized directly in equity.

Cumulative foreign exchange gains and losses as of January 1, 2004 arising from the translation into euros of the financial statements of foreign subsidiaries located outside the Euro zone have been maintained as a separate component of equity.

On removal from the scope of consolidation, the cumulative exchange differences of a company whose functional currency is not the euro are recognized in the income statement.

4. REVENUE RECOGNITION

a. Revenue from sales of goods and services

Revenue from sales of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, net of sales taxes, rebates and discounts and after eliminating sales within the Group.

Revenue associated with service delivery is recognized in reference to the stage of completion of the transaction when it can be reliably measured.

b. Engineering & construction contracts

Contract revenue and costs associated with construction contracts are recognized as revenue and expenses respectively, based on the stage of completion of the contracts at the balance sheet date.

The margin realized at the stage of completion is recognized only when it can be reliably measured. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognized as an expense.

The stage of completion is assessed by using the ratio of contract costs incurred at the balance sheet date versus total estimated contract costs.

5. TAXES

a. Income tax expense

The standard tax rate is the average rate obtained by applying the statutory tax rate in each country to their respective profits before tax.

The average effective tax rate is calculated as follows: (current and deferred income tax expense) / (net profit before tax less share of profit of associates, dividends received and net profit from discontinued operations).

b. Deferred taxes

Deferred taxes are recognized for all temporary differences between the carrying amount of assets and liabilities and their tax base, excluding non-deductible goodwill and the other exceptions provided in IAS12. Deferred tax assets are recognized on all deductible temporary differences provided that it is highly probable that the tax benefits will be realized in future years.

Deferred taxes are calculated at the tax rate applicable when the temporary difference is reversed and allowed under local regulations at the period-end date. The liability method is applied and any changes to the tax rates are recognized in the income statement, except those related to items directly recognized in equity.

Deferred tax assets and liabilities are offset if the entities have a legally enforceable right to offset and if they relate to income tax levied by the same taxation authority. Deferred taxes are not discounted.

Deferred taxes are mainly due to temporary differences between the tax and economic depreciation of assets, the carryforward of tax losses and provisions not immediately deductible for tax purposes such as employee benefit provisions.

6. NON-CURRENT ASSETS

a. Goodwill and business combinations

Business combinations as of January 1, 2010

The Group has prospectively applied IFRS3 revised and IAS27 revised since January 1, 2010.

When the Group obtains control of an acquiree, the business combination is accounted for by applying the acquisition method on the acquisition date, in accordance with IFRS3 revised:

- the identifiable assets acquired and the liabilities and contingent liabilities assumed are measured at fair value;
- any minority interests in an acquiree are measured as the minority interest's proportionate share of the acquiree's net identifiable assets or at fair value. This option is applied on a case-by-case basis;
- the consideration transferred and any contingent consideration are measured at fair value;
- acquisition-related costs are recorded as expenses in the periods in which they are incurred.

For a business combination achieved in stages, any previously held equity interests in the acquiree are measured at the acquisition-date fair value. Any resulting gains or losses are recognized in profit or loss.

The measurement period of a business combination shall not exceed 12 months as of the acquisition date. Any adjustments to the consideration transferred after the measurement period are recognized in the income statement.

On the acquisition date, goodwill is recognized in the consolidated balance sheet as the difference between:

- the consideration transferred plus the amount of minority interests in the acquiree and the fair value of the previously held equity interest; and,
- the fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

Negative goodwill is recognized immediately through profit or loss.

Business combinations prior to January 1, 2010

Business combinations achieved prior to January 1, 2010 have been accounted for in accordance with the former versions of IFRS3 and IAS27. These standards had already adopted the acquisition method in the version published by the IASB in March 2004. The main provisions which differ from the revised standards are as follows:

- minority interests were measured based on their share of the net identifiable assets of the acquiree and the fair value measurement option did not exist;
- earn-outs were included in the acquisition cost, without time limits, when the payment was deemed probable and the amount could be reliably measured;
- acquisition-related costs were recorded in the cost of the business combination.

For an acquisition achieved in stages, the fair value remeasurement of any previously held net asset was recognized in equity.

For an acquisition of minority interests in a previously held company, the difference between the acquisition cost and the net carrying amount of the minority interests was recorded in goodwill.

At the time of the transition to IFRS and in accordance with the exemption offered by IFRS1, the Group decided not to apply IFRS3 "Business combinations" retrospectively for acquisitions that took place prior to January 1, 2004.

Goodwill is allocated to cash-generating units (CGU) or groups of cash-generating units. Subsequently, goodwill is not amortized but is tested for impairment annually or more frequently if there are any indications of impairment, in accordance with the method described in section 6.f.

b. Research and Development expenditures

Research and Development expenditures include all costs related to the scientific and technical activities, patent work, education and training necessary to ensure the development, manufacturing, start-up, and commercialization of new or improved products or processes.

According to IAS38, development costs shall be capitalized if, and only if, the Group can meet all of the following criteria:

- the intangible asset is clearly identified and the related costs are itemized and reliably monitored;
- the technical and industrial feasibility of completing the intangible asset is demonstrated;
- there is a clear intention to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset arising from the project;
- the Group can demonstrate how the intangible asset will generate probable future economic benefits;
- the Group has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

When these conditions are not satisfied, development costs generated by the Group are recognized as an expense when incurred.

Research expenditure is recognized as an expense when incurred.

c. Internally generated intangible assets

Internally generated intangible assets primarily include the development costs of information management systems. These costs are capitalized only if they satisfy the criteria as defined by IAS38 and described above.

Internal and external development costs on management information systems arising from the development phase are capitalized. Significant maintenance and improvement costs are added to the initial cost of assets if they specifically meet the capitalization criteria.

Internally generated intangible assets are amortized over their useful lives.

d. Other intangible assets

Other intangible assets include separately acquired intangible assets such as software, licenses, and intellectual property rights. They also include the technology, brands and customer contracts valued upon the acquisition of companies in accordance with IFRS3 “Business Combinations.”

With the exception of brands, intangible assets are amortized using the straight-line method over their useful lives. Information management systems are generally amortized over a period comprised between five and eight years and customer contracts over a maximum period of 25 years, considering the probabilities of renewal.

e. Property, plant and equipment

Lands, buildings and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

In the event of mandatory dismantling or asset removals, related costs are added to the initial cost of the relevant assets and provisions are recognized to cover these costs.

Interest costs on borrowings to finance the construction of property, plant, and equipment are capitalized during the period of construction when they relate to the financing of industrial projects over a twelve-month construction period, or longer.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for separately and depreciated over their own useful lives.

Repair and maintenance costs are recognized as expenses when incurred. The costs of major inspections and overhauls are recognized as a separate component of the asset and are depreciated over the period between two major overhauls.

Depreciation is calculated according to the straight-line method over the estimated useful lives as follows:

- buildings: 20 to 30 years;
- cylinders: 10 to 40 years;
- production units: 15 to 20 years;
- pipelines: 15 to 35 years;
- other equipments: 5 to 30 years.

Lands are not depreciated.

f. Impairment of assets

In accordance with IAS36, the Group regularly assesses whether there are any indications of asset impairment. If such indications exist, an impairment test is performed to assess whether the carrying amount of the asset is greater than its recoverable amount, defined as the higher of the fair value less costs to sell (net fair value) and the value in use.

Impairment tests are performed systematically once a year for goodwill and intangible assets with indefinite useful lives.

Assets that do not generate largely independent cash flows are grouped according to the cash-generating units (CGU) to which they belong. A cash-generating unit is an identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. They are mainly determined on a geographical basis and by reference to the markets in which the Group operates.

In practice, the Group performs impairment tests at various levels pursuant to these principles and in accordance with IAS36:

- dedicated and on-site plants are tested individually;
- pipelines and plants that provide these pipelines are tested at the network level;
- liquid gas and hydrogen/CO plants are grouped together according to the plants' customer market;
- other assets are allocated to cash-generating units or groups of cash-generating units.

The cash-generating units of the Gas and Services activity are determined on a geographical basis. The Other activities are managed at European (Welding) or worldwide (Engineering & Construction and Global Markets & Technologies) levels.

Goodwill is allocated to cash-generating units or groups of cash-generating units that benefit from business combination synergies and which represent the levels at which goodwill is monitored by the Group.

When performing impairment tests on cash-generating units or groups of cash-generating units comprising goodwill, the Group uses the market multiples approach to determine if the goodwill is subject to impairment. Insofar as the fair value is not significantly greater than the net carrying amount of the cash-generating unit or group of cash-generating units, the Group confirms the recoverable amount of the cash-generating unit or group of cash-generating units using the estimated cash flow approach (value in use).

For other cash-generating units or groups of cash-generating units, and assets whose value is tested on an individual basis, the Group determines the recoverable amount using the estimated cash flow approach (value in use).

The market multiples used are determined based on the market value of the Air Liquide Group. The differences between the resulting multiples and those of comparable companies are not material.

The growth rates, taken into account with respect to the cash flow estimates for cash-generating units or groups of cash-generating units, are determined based on the activity and geographical location of the CGU considered.

In assessing value in use for property, plant and equipment, the estimated future cash flows are discounted to their present value. Cash flows are measured over the asset's estimated period of use, taking into account customer contract terms and technical obsolescence.

The discount rate depends on the nature, the location of the asset and the customer market. It is determined according to the minimum level of profitability expected from the investment considering industrial and commercial risks and credit terms.

When the recoverable amount of an asset, a cash-generating unit or a group of cash-generating units is lower than its carrying amount, an impairment loss is recognized immediately through profit and loss. An impairment loss of a cash-generating unit is first allocated to goodwill.

When the recoverable amount exceeds the carrying amount again, the previously recognized impairment loss is reversed to the income statement, with the exception of impairment losses on goodwill, which cannot be reversed.

g. Leases

Finance leases

Leases of property, plant and equipment that transfer virtually all the risks and rewards of ownership to the Group are classified as finance leases. Items of property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life or the lease term.

The sum of the present value of minimum lease payments for leased assets is recorded in the balance sheet under "Property, plant and equipment."

Operating leases

Leases where the lessor does not retain substantially all the risks and rewards incidental to ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

IFRIC4 "Determining Whether an Arrangement Contains a Lease" has no impact on the Group consolidated financial statements. In fact, the risks and rewards arising from the use of assets potentially affected by this interpretation are not transferred to the Group's customers. Consequently, the gas supply contracts related to these assets are not classified as finance leases.

7. FINANCIAL INSTRUMENTS

a. Non-current financial assets

Non-consolidated investments

According to IAS39, investments in non-consolidated companies that are not accounted for using the equity method are classified as available for sale assets.

The fair value of investments in listed companies is recognized at their quoted market price at year-end. Investments whose fair value cannot be reliably measured are recognized at cost less any accumulated impairment losses. For this purpose, the recoverable amount is based on the Group's share of net assets, expected future profitability and the business plan of the entity representing the investment.

Changes in fair value are recognized in a separate equity line item until the investment is effectively sold. However, unrealized capital losses are immediately recognized in the income statement when the impairment loss is permanent.

Unrealized gains or losses previously recognized in equity are recorded in profit or loss on sale of the investments.

Loans and other financial assets

Loans and other financial assets are initially recognized at their fair value and subsequently carried at amortized cost. Impairment tests are performed at each closing date. Any impairment losses are recognized immediately in the income statement.

b. Trade and other receivables

Trade and other receivables are carried at fair value upon initial recognition and then at amortized cost less any impairment losses.

Impairment losses are recognized when it becomes probable that the amount due will not be collected and the loss can be reasonably estimated. Impairment losses are estimated by taking into account historical losses, age and a detailed risk estimate.

For all construction contracts in progress at the year-end, the gross amounts payable by and to customers represent the sum of costs incurred plus profits recognized using the percentage of completion method, equivalent to total revenue recorded using the percentage of completion method, less the amount of advances received.

Amounts payable by customers are presented in trade receivables. Amounts due to customers are presented in other current liabilities.

c. Cash and cash equivalents

Cash and cash equivalents include cash balances, current bank accounts, and short-term highly liquid investments that are readily convertible into cash and do not present a material risk of a change in value.

Short-term investments include temporary cash investments maturing in less than three months (commercial paper, certificates of deposit and money market funds) whose minimum long-term rating is A (S&P) or A2 (Moody's).

As cash investments maturing in less than three months are exposed to a negligible risk of a change in value, they are recognized at historical cost (including accrued interest) which is considered to approximate fair value.

d. Current and non-current borrowings

Borrowings include bond debentures and other bank borrowings (including borrowings arising from finance leases and put options granted to minority shareholders).

At inception, borrowings are recognized at fair value corresponding to the net proceeds collected. At each balance sheet date, except for put options granted to minority shareholders, they are measured at amortized cost using the effective interest rate (EIR) method. Under this method, the borrowing cost includes redemption premiums and issuance costs initially deducted from the nominal amount of the borrowing in liabilities.

Borrowings maturing in less than one year are classified as current borrowings.

Borrowings hedged by interest rate swaps are recognized on a hedge accounting basis.

e. Derivative assets and liabilities

Derivative financial instruments are mainly used to manage exposures to foreign exchange, interest rate and commodity risks relating to the Group's financial and operating activity. For all these transactions, the Group applies hedge accounting and documents, at the inception of the transaction, the type of hedging relationship, the hedging instruments, and the nature and term of the hedged item.

Applying hedge accounting has the following consequences:

- fair value hedges for existing assets and liabilities: the hedged portion of the item is carried at fair value in the balance sheet. Any changes in fair value are recognized in the income statement, where they are offset by the corresponding changes in fair value of the hedging instruments (except for the impact of premiums/discounts);
- future cash flow hedges: the effective portion of changes in fair value of the hedging instrument is recorded directly in equity (other comprehensive income), while changes in the fair value of the hedged item are not recognized in the balance sheet. Changes in fair value of the ineffective portion are recognized in other financial income or expenses. Amounts recorded in other comprehensive income are reclassified in the income statement when the hedged transactions occur and are recorded;

- hedges of net investments in a foreign entity: the effective portion of changes in fair value of the derivative instrument is recognized in gains and losses recognized directly in equity under translation reserves. The ineffective portion of changes in fair value is recognized in the income statement. Once the foreign entity subject to the net investment hedge is sold, the loss or profit initially recognized in translation reserves is recognized in profit or loss. This method also applies for foreign exchange hedging on dividends payable by subsidiaries.

However, in limited circumstances, certain types of derivatives do not qualify for hedge accounting; they are carried at fair value through profit or loss with an offsetting entry in financial assets and financial liabilities.

The fair value of assets, liabilities and derivatives is based on the market price at the balance sheet date.

8. ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are no longer depreciated (amortized) as of the date they are classified as assets or disposal groups held for sale.

Assets or disposal groups are measured at the lower of their carrying amount or fair value less costs to sell.

9. INVENTORIES AND WORK-IN-PROGRESS

Inventories are measured at the lower of cost or net realizable value. Cost includes direct raw materials, direct and indirect labor costs and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

10. SHARE CAPITAL, RESERVES AND TREASURY SHARES

Air Liquide's share capital is composed of ordinary shares.

Retained earnings include the following items:

- translation reserves: exchange differences arising from the translation into euros of financial statements prepared by foreign subsidiaries whose functional currency is not the euro are recorded in translation reserves. Fair value changes in net investment hedges of these foreign subsidiaries are also recorded in translation reserves;
- fair value of financial instruments: this item records accumulated fair value changes in the effective portion of cash flow hedge derivatives (transactions not yet recognized in the accounts);
- actuarial gains and losses: all actuarial gains and losses and adjustments arising from the asset ceiling, net of deferred taxes, are recognized in consolidated reserves in the period in which they occur.

When the Group buys back its own shares, they are classified as treasury shares at the purchase price and presented as a deduction from equity for the consideration paid. The profit or loss from the sale of treasury shares is recognized directly in equity, net of tax.

Furthermore, acquisitions or disposals of minority interests, without change in control, are considered as transactions with Group shareholders. Thus, the difference between the price paid to increase the percentage of interest in entities that are already controlled and the additional share of equity thus acquired is recognized in Shareholders' equity. Similarly, a decrease in the Group's percentage interest in a controlled entity is accounted for as an equity transaction with no impact on profit or loss.

Disposals of shares with loss of control give rise to the recognition in disposal gains or losses of the change in fair value calculated for the total investment at the date of disposal. Any investments retained, where applicable, will be measured at fair value at the date when control is lost.

11. MINORITY INTERESTS

In accordance with IAS32, put options granted to minority shareholders are recorded as borrowings at the option's estimated strike price.

The share in the net assets of subsidiaries is reclassified from minority interests to borrowings.

Due to the absence of any specific IFRS guidance, the Group has elected to recognize the consideration for the difference between the strike price of the option granted and the value of the minority interests reclassified as borrowings as follows:

- for options granted prior to January 1, 2010, in goodwill;
- for options granted after January 1, 2010, in shareholders' equity.

Minority interests in profit and loss do not change and still reflect present ownership interests.

12. PROVISIONS

a. Provisions

Provisions are recognized when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Restructuring provisions include only the direct costs arising from the restructuring and are recognized in the period in which the Group has approved a detailed and formal restructuring plan and the restructuring has either begun or been announced. When these plans involve termination benefits, the resulting provision is recognized at the earlier of the following dates:

- when the Group can no longer withdraw the offer of those benefits;
- when the provision of the related restructuring is recognized.

A provision for losses on contracts is recognized when the expected benefits from the contract are lower than the cost of satisfying the obligations under the contract.

b. Pensions and employee benefits

The Group provides its employees with various pension plans, termination benefits, jubilees and other post-employment benefits for both active employees and retirees. These plans vary according to the laws and regulations applicable in each country as well as the specific rules in each subsidiary.

These benefits are covered in two ways:

- by defined contribution plans;
- by defined benefit plans.

Defined contribution plans are plans under which the employer is committed to pay regular contributions. The employer's obligation is limited to payment of the planned contributions. The employer does not grant any guarantees on the future level of benefits paid to the employee or retiree (means-based obligation). The annual pension expense is equal to the contribution paid during the fiscal year which relieves the employer from any further obligations.

Defined benefit plans are plans under which the employer guarantees the future level of benefits defined in the agreement, most often depending on the employee's salary and seniority (result-based obligation). Defined benefit plans can be:

- financed by contributions to specialized funds that manage the amounts received; or,
- managed internally.

The Group grants both defined benefit and defined contribution plans.

For defined benefit plans, retirement and similar commitments are measured by independent actuaries, based on the projected unit credit method in accordance with IAS19. The actuarial calculations mainly take into account the following assumptions: salary increases, employee turnover, retirement date, expected salary trends, mortality, inflation and appropriate discount rates for each country.

Defined benefit plans are covered by external pension funds in certain cases. The assets of these plans are mostly invested in bonds or equities carried at their fair value.

In accordance with IAS19 revised, all actuarial gains and losses as well as any adjustment arising from the asset ceiling are recognized in the period in which they occur.

Actuarial assumptions used (personnel turnover, mortality, retirement age, salary increase, etc.) vary according to the demographic and economic conditions prevailing in each country where the Group has pension plans.

Discount rates used to measure the present value of the Company's obligations and the net interest cost are determined by reference to market yields on High-Quality corporate bonds. Where there is no deep market in such bonds, the market yields on government bonds with the same maturity at the valuation date shall be used. In the Euro zone, the United States, the United Kingdom and Canada, discount rates were determined using tools designed by independent actuaries. Their database uses several hundred different corporate bonds with a minimum AA rating and maturities ranging from one to 30 years. Cash-flows of expected benefits are subsequently discounted using rates associated to each maturity.

Valuations are carried out annually by independent actuaries for significant plans and every three years for other plans unless there are material changes in assumptions or major events that necessitate a new calculation.

13. FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are recognized according to the following principles:

- foreign currency transactions are translated by each company into its functional currency at the exchange rate prevailing on the date of the transaction;
- at year-end, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate.

Exchange differences relating to commercial transactions are recognized in operating income. For financial transactions, exchange differences are recognized in financial income and expenses except for differences resulting from the hedge of a net investment in a foreign entity that are directly recognized in equity until the net investment is removed from the consolidation scope.

14. CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities arise from past events, the outcome of which depends on future uncertain events.

Contingent liabilities represent:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the control of the entity; or,
- present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and liabilities that are material are disclosed in the notes to the consolidated financial statements, except for contingent liabilities assumed in a business combination, which are recognized in accordance with IFRS3 revised.

15. DISCONTINUED OPERATIONS

A discontinued operation is a clearly distinguishable Group component that:

- either has been separated, or is classified as held for sale;
- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- is a subsidiary acquired exclusively with a view to resale.

The profit or loss of discontinued operations is presented separately in the income statement.

16. GOVERNMENT GRANTS

Government grants received are initially recognized in other non-current liabilities. They are then recognized as income in the income statement for the period:

- on the same basis as the subsidized assets are depreciated in the case of government grants related to investments;
- as a deduction from the costs intended to be compensated in the case of government grants other than those related to assets.

The Group analyzes the substance of government incentives delivered through the tax system and selects an accounting treatment that is coherent with such substance.

17. SHARE-BASED PAYMENTS

The Group grants stock options to management and some employees. Employees also benefit from performance share allocations.

In accordance with IFRS2, stock options and performance shares are measured at fair value on the grant date. The valuation model used is the binomial mathematical model. Any changes in value subsequent to the grant date do not call into question the initial measurement.

Performance conditions, other than market conditions, have no impact on the fair value measurement of goods and services received but adjust the expense that is recognized according to the number of equity instruments actually granted.

The fair value of options and performance shares is recognized as an employee expense in the income statement with a corresponding increase in equity, and amortized on a straight-line basis over the vesting period.

The dilution effect of non-vested stock option plans and performance share allocations is reflected in the calculation of diluted earnings per share.

For employee savings plans, capital increases reserved for employees and performed under conditions that differ from market conditions result in the recognition of an expense. This expense corresponds to the contribution paid by the Company and the discount on the share price less the cost of non-transferability for the employees.

Share subscription option plans

Options are valued using the following main underlying assumptions:

- volatility: implicit;
- risk-free interest rate: six-year zero-coupon benchmark rate at the plan issue date;
- dividend growth rate: based on the historical average annual growth rate;
- employee resignation rate: that of individuals belonging to the same age group as the plan beneficiaries. The resignation rate is used to extrapolate the number of options which will not be exercised due to the resignation of beneficiaries.

Performance shares allocation plans

Performance shares are measured at fair value, taking into account a discount on non-transferable shares. The cost of non-transferability is measured as the cost of a two-step strategy consisting in the forward sale of shares being non-transferable for four years (or five years depending on the plan) and the purchase on the spot market of the same number of shares funded by an amortizable loan with an in fine capital repayment.

Valuation is based on the following main underlying assumptions:

- risk-free interest rate: four-year zero-coupon benchmark rate (or five-year depending on the plan) at the plan issue date plus a credit margin that would be proposed to employees;
- dividend growth rate: based on the historical average annual growth rate;
- employee resignation rate: that of individuals belonging to the same age group as the plan beneficiaries. This resignation rate is used to extrapolate the shares which will not be allocated due to the resignation of beneficiaries;
- the achievement of the performance requirements.

18. GREENHOUSE GAS EMISSION QUOTAS

In certain countries, the Group is subject to greenhouse gas emission trading systems.

In the absence of any specific IFRS guidance, the Group has elected to apply ANC regulation No.2012-03. The Group does not buy CO_2 quotas for the purpose of generating profits from fluctuations in price; therefore, at each closing date:

- a liability is recognized if the greenhouse gas emissions are higher than the CO_2 quotas held by the Group. It corresponds to the cost of CO_2 quotas in shortfall to cover the greenhouse gas already emitted; or,
- an asset is recognized if the greenhouse gas emissions are lower than the CO_2 quotas held by the entity. It corresponds to the CO_2 quotas available to cover the future greenhouse gas emissions, measured at historical cost.

Basis for presentation of financial information

1. SEGMENT INFORMATION

The Group is structured according to the following activities: Gas and Services, Engineering & Construction, Global Markets & Technologies and Other activities (Welding and Diving).

In 2015, Air Liquide created the new World Business Line Global Markets & Technologies, to include innovative activities which leverage from the Group's technologies. It includes:

- advanced Business & Technologies;
- Air Liquide Maritime.

The creation of this new business line leads to a change in the Group's segment information. Indeed, until 2014:

- advanced Business & Technologies was included in the Engineering and Technology activity;
- Air Liquide Maritime was part of Gas and Services activity.

The 2014 segment income statement and balance sheet of Gas and Services, Engineering & Construction and Global Markets & Technologies were restated and are disclosed in note 2.

The Group's main operational decision-making body is the Executive Management assisted by the Executive Committee.

The Gas and Services activity is organized by geographical area, which is the responsible level for operations management and performance monitoring. These geographical areas are as follows:

- Europe;
- Americas;
- Asia-Pacific;
- Middle East and Africa.

Within the Gas and Services segment, the geographical areas determine sales policies and development projects in liaison with the four business lines (Large Industries, Industrial Merchant, Healthcare and Electronics).

The Engineering & Construction segment is managed separately on a worldwide scale. The segment designs, develops and builds industrial gas production plants for the Group and third parties. It also designs and manufactures plants in the traditional, renewable and alternative energy sectors.

The Global Markets & Technologies segment is also managed separately on a worldwide scale. It focuses on new markets which require a global approach, drawing on science, technologies, development models, and usages related to digital transformation.

Information on the Welding and Diving segments is presented in “Other activities.”

Research and Development and corporate activities do not meet the Operating segments definition and are thus presented within reconciliation.

The information communicated in the tables covering segment information is presented according to the same accounting principles as those used for the Group consolidated financial statements.

Revenue is analyzed by geographical area of production (country of origin).

Inter-segment revenue between Gas and Services, Engineering & Construction and Global Markets & Technologies activities is not material and therefore not specifically presented. It corresponds to the sales between these operating segments.

The operating performance of the Group is assessed on the basis of each segment’s operating income reccurring.

Segment assets include non-current assets, with the exception of “Deferred tax assets,” “Investments in associates,” “Fair value of non-current derivatives (assets),” as well as “Inventories and work-in-progress,” “Trade receivables” and “Other current assets.”

Segment liabilities correspond to “Provisions, pensions and other employee benefits,” “Trade payables,” “Other current liabilities” and “Other non-current liabilities.”

Segment profits, assets and liabilities consist of amounts directly attributable to each segment, provided they can be allocated to the segment on a reasonable basis.

2. NET INDEBTEDNESS

Net indebtedness includes:

- current and non-current borrowings minus the fair value of hedging derivative assets to cover borrowings;

reduced by:

- cash and cash equivalents, as defined in section 7.c., minus the fair value of hedging derivative liabilities to cover loans.

3. INFORMATION ON INTERESTS IN JOINT ARRANGEMENTS OR ASSOCIATES

The materiality of interests in joint arrangements or associates is assessed according to the following criteria:

- the entity’s contribution to the Group’s operating income recurring;
- the share of these interests in the Group’s net assets;
- dividends paid to these interests.

4. INFORMATION ON MINORITY INTERESTS

The materiality of minority interests is assessed according to an analysis of:

- the minority interests’ share in the Group’s net assets;
- the contribution to the Group’s operating income recurring of the subsidiary having minority interests;
- dividends paid to minority interests.

5. OPERATING INCOME OR LOSS RECURRING

The operating performance of the Group is measured based on operating income or loss recurring determined in accordance with ANC recommendation No.2013-03.

6. OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

Material non-recurring transactions that could affect operating performance readability are classified under "Other non-recurring operating income" and "Other non-recurring operating expenses." They mainly include:

- gains or losses on the disposal of activities;
- acquisition-related costs accounted for as expenses;
- restructuring costs resulting from plans whose unusual and material nature distort the readability of the operating income recurring;
- very significant charges to provisions and impairment losses for property, plant and equipment and intangible assets.

7. NET EARNINGS PER SHARE

a. Basic earnings per share

Basic earnings per share is calculated by dividing net profit (Group share) attributable to ordinary shareholders of Air Liquide by the weighted average number of shares outstanding during the year, excluding ordinary shares purchased by Air Liquide and recognized in equity.

b. Diluted earnings per share

Diluted earnings per share take into account share subscription options and performance shares allocated to employees if:

- the issue price, adjusted for unrecognized expenses at the year-end pursuant to IFRS2, is lower than the Air Liquide annual average share price;
- the performance requirements meet the criteria set out in IAS33 §52.

Notes to the consolidated financial statements for the year ended December 31, 2015

Note 1 – Major events

On November 17, 2015, the Group announced the agreement to acquire the US company Airgas. The Airgas shareholders will receive a cash offering of 143 dollars per share for all Airgas shares issued or to be issued, representing a total enterprise value of 13.4 billion dollars, including the current Airgas debt. The transaction is subject to Airgas shareholders' approval, receipt of necessary antitrust and other regulatory approvals and other customary conditions and provisions. A special meeting of Airgas' shareholders has been schedule for February 23, 2016. The two parties wish to proceed swiftly.

The Group plans to finance this acquisition through a capital increase in the range of 3 to 4 billion euros, and a combination of U.S. dollar and Euros long-term bonds. As of December 31, 2015, this transaction had no impact on the Group's net debt and equity. However, in 2015, the Group recorded acquisition costs presented in note 5.

Note 2 – Segment information

2.1 INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

	Gas and Services									
(in millions of euros)	Europe	Americas	Asia-Pacific	Middle East and Africa	Sub-total	Engineering & Construction	Global Markets & Technologies	Other activities	Reconciliation	Total
Revenue	**6,749.4**	**3,595.3**	**3,849.6**	**558.0**	**14,752.3**	**774.7**	**291.5**	**561.3**		**16,379.8**
Inter-segment revenue						*461.5*	*311.4*		*(772.9)*	
Operating income recurring	**1,325.9**	**843.1**	**701.6**	**88.9**	**2,959.5**	**67.5**	**36.4**	**34.4**	**(207.2)**	**2,890.6**
incl. depreciation and amortization	*(575.9)*	*(313.0)*	*(352.7)*	*(51.1)*	*(1,292.7)*	*(24.3)*	*(24.9)*	*(12.3)*	*(17.4)*	*(1,371.6)*
Other non-recurring operating income										38.4
Other non-recurring operating expenses										(170.6)
Net finance costs										(227.1)
Other financial income										14.7
Other financial expenses										(55.6)
Income taxes										(666.4)
Share of profit of associates										14.7
Profit for the period										**1,838.7**
Purchase of intangible assets and property, plant and equipment	(548.7)	(730.6)	(474.3)	(129.7)	(1,883.3)	(13.1)	(63.7)	(10.3)	(57.3)	(2,027.7)

2.2 RESTATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

The restated information takes into account changes in the segment information described in note 1 Basis for presentation of financial information.

	Gas and Services									
(in millions of euros)	**Europe**	**Americas**	**Asia-Pacific**	**Middle East and Africa**	**Sub-total**	**Engineering & Construction**	**Global Markets & Technologies**	**Other activities**	**Reconciliation**	**Total**
Revenue	**6,604.3**	**3,384.5**	**3,401.4**	**409.9**	**13,800.1**	**723.1**	**256.0**	**579.1**		**15,358.3**
Inter-segment revenue						*543.4*	*278.6*		*(822.0)*	
Operating income recurring	**1,315.2**	**765.5**	**554.3**	**61.7**	**2,696.7**	**85.8**	**56.3**	**35.6**	**(240.6)**	**2,633.8**
incl. depreciation and amortization	*(546.8)*	*(283.6)*	*(300.0)*	*(39.8)*	*(1,170.2)*	*(21.8)*	*(18.6)*	*(12.7)*	*(15.8)*	*(1,239.1)*
Other non-recurring operating income										68.9
Other non-recurring operating expenses										(52.9)
Net finance costs										(228.9)
Other financial income										32.8
Other financial expenses										(54.5)
Income taxes										(678.4)
Share of profit of associates										4.0
Profit for the period										**1,724.8**
Purchase of intangible assets and property, plant and equipment	(697.8)	(607.8)	(371.9)	(90.3)	(1,767.8)	(46.8)	(50.4)	(13.3)	(23.4)	(1,901.7)

2.3 PUBLISHED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

	Gas and Services								
(in millions of euros)	**Europe**	**Americas**	**Asia-Pacific**	**Middle East and Africa**	**Sub-total**	**Engineering and Technology**	**Other activities**	**Reconciliation**	**Total**
Revenue	**6,639.7**	**3,415.9**	**3,444.6**	**366.7**	**13,866.9**	**912.3**	**579.1**		**15,358.3**
Inter-segment revenue						*626.7*		*(626.7)*	
Operating income recurring	**1,345.5**	**776.0**	**551.5**	**64.5**	**2,737.5**	**75.8**	**35.6**	**(215.1)**	**2,633.8**
incl. depreciation and amortization	*(556.2)*	*(286.1)*	*(303.6)*	*(36.2)*	*(1,182.1)*	*(28.6)*	*(12.7)*	*(15.7)*	*(1,239.1)*
Other non-recurring operating income									68.9
Other non-recurring operating expenses									(52.9)
Net finance costs									(228.9)
Other financial income									32.8
Other financial expenses									(54.5)
Income taxes									(678.4)
Share of profit of associates									4.0
Profit for the period									**1,724.8**
Purchase of intangible assets and property, plant and equipment	(718.0)	(612.5)	(378.8)	(83.4)	(1,792.7)	(74.4)	(13.3)	(21.3)	(1,901.7)

2.4 BALANCE SHEET AS OF DECEMBER 31, 2015

	Gas and Services									
(in millions of euros)	Europe	Americas	Asia-Pacific	Middle East and Africa	Sub-total	Engineering & Construction	Global Markets & Technologies	Other activities	Reconciliation	Total
Segment assets	**10,160.3**	**6,532.7**	**6,723.8**	**1,474.8**	**24,891.6**	**927.0**	**764.0**	**470.5**	**275.9**	**27,329.0**
Goodwill	2,983.0	900.2	1,256.5	85.7	5,225.4	244.2	140.9	119.7		5,730.2
Intangible assets and property, plant and equipment, net	5,450.7	4,728.5	4,479.2	1,065.7	15,724.1	237.5	352.1	94.5	147.2	16,555.4
Other segment assets	1,726.6	904.0	988.1	323.4	3,942.1	445.3	271.0	256.3	128.7	5,043.4
Non-segment assets										1,612.4
Total assets										**28,941.4**
Segment liabilities	**2,218.3**	**630.9**	**837.5**	**208.6**	**3,895.3**	**965.0**	**250.6**	**184.3**	**904.7**	**6,199.9**
Non-segment liabilities										9,970.7
Equity including minority interests										12,770.8
Total equity and liabilities										**28,941.4**

2.5 RESTATED BALANCE SHEET AS OF DECEMBER 31, 2014

The restated information takes into account changes in the segment information described in note 1 Basis for presentation of financial information.

	Gas and Services									
(in millions of euros)	Europe	Americas	Asia-Pacific	Middle East and Africa	Sub-total	Engineering & Construction	Global Markets & Technologies	Other activities	Reconciliation	Total
Segment assets	**10,001.7**	**5,724.6**	**6,191.5**	**1,337.8**	**23,255.6**	**824.1**	**514.0**	**463.9**	**191.2**	**25,248.8**
Goodwill	2,821.2	831.0	1,170.3	106.5	4,929.0	215.8	4.0	109.8		5,258.6
Intangible assets and property, plant and equipment, net	5,413.6	4,143.8	4,140.1	948.2	14,645.7	240.4	245.6	95.5	91.3	15,318.5
Other segment assets	1,766.9	749.8	881.1	283.1	3,680.9	367.9	264.4	258.6	99.9	4,671.7
Non-segment assets										1,476.1
Total assets										**26,724.9**
Segment liabilities	**2,625.4**	**718.2**	**767.5**	**143.3**	**4,254.4**	**881.8**	**393.8**	**198.5**	**373.6**	**6,102.1**
Non-segment liabilities										8,795.9
Equity including minority interests										11,826.9
Total equity and liabilities										**26,724.9**

2.6 PUBLISHED BALANCE SHEET AS OF DECEMBER 31, 2014

	Gas and Services								
(in millions of euros)	Europe	Americas	Asia-Pacific	Middle East and Africa	Sub-total	Engineering and Technology	Other activities	Reconciliation	Total
Segment assets	**10,174.5**	**5,785.2**	**6,339.8**	**1,189.5**	**23,489.0**	**1,110.5**	**463.9**	**185.4**	**25,248.8**
Goodwill	2,821.5	831.2	1,172.1	104.7	4,929.5	219.3	109.8		5,258.6
Intangible assets and property, plant and equipment, net	5,560.1	4,175.8	4,270.6	817.7	14,824.2	311.9	95.5	86.9	15,318.5
Other segment assets	1,792.9	778.2	897.1	267.1	3,735.3	579.3	258.6	98.5	4,671.7
Non-segment assets									1,476.1
Total assets									**26,724.9**
Segment liabilities	**2,646.0**	**735.9**	**781.3**	**129.5**	**4,292.7**	**1,239.4**	**198.5**	**371.5**	**6,102.1**
Non-segment liabilities									8,795.9
Equity including minority interests									11,826.9
Total equity and liabilities									**26,724.9**

The Research & Development and Holdings activities (corporate) are presented in the "Reconciliation" column. Operating income recurring of the Engineering & Construction activity includes financial income generated from advances received from customers. It is included in net finance costs in the consolidated income statement. The adjustment arising from the presentation difference is included in the "Reconciliation" column.

2.7 OTHER INFORMATION ON GEOGRAPHICAL AREAS

2015 *(in millions of euros)*	France	Europe excl. France	Americas	Asia-Pacific	Middle East and Africa	Total
Revenue	2,616.6	5,054.7	4,137.3	4,013.2	558.0	16,379.8
Non-current assets [(a)]	2,561.8	7,077.5	5,746.5	5,779.7	1,236.0	22,401.5
incl. Investments in associates	*4,6*	*11,4*		*15.4*	84.5	*115.9*

(a) Excluding non-current financial assets, deferred taxes and non-current derivative assets.

2014 restated *(in millions of euros)*	France	Europe excl. France	Americas	Asia-Pacific	Middle East and Africa	Total
Revenue	2,498.9	5,077.9	3,751.8	3,618.8	410.9	15,358.3
Non-current assets [(a)]	2,326.2	6,820.5	5,052.4	5,354.6	1,123.8	20,677.5
incl. Investments in associates	*4,1*	*12,2*	*0.2*	*14.9*	*69.0*	*100.4*

(a) Excluding non-current financial assets, deferred taxes and non-current derivative assets.

Due to the substantial number of customers served by the Group (over one million worldwide), their significant diversity in multiple sectors and their wide geographical dispersion, the Group's first external customer represents only 1.8% of Air Liquide revenue.

Note 3 – Revenue

In 2015, consolidated revenue amounted to 16,379.8 million euros, up +6.7% compared to 2014. Revenue was up +0.7% after adjusting for the cumulative impact of foreign exchange fluctuations. The latter essentially stemmed from the appreciation of the US dollar and Chinese renminbi against the euro.

Note 4 – Operating income recurring and expenses

Operating income recurring and expenses include purchases, personnel expenses, depreciation and amortization, other recurring income and other recurring expenses.

The Group purchases mainly consist of electricity, natural gas as well as industrial and medical products.

4.1 PERSONNEL EXPENSES

(in millions of euros)	**2014**	**2015**
Wages and social security charges	(2,705.4)	(2,958.7)
Defined contribution pension plans	(47.2)	(58.2)
Defined benefit pension plans [a]	117.6	(29.3)
Share-based payments	(18.1)	(23.2)
TOTAL	**(2,653.1)**	**(3,069.4)**

(a) In 2015, the expense relating to defined benefit plans included the effect of settlements, plan amendments and past service cost amounting to 14.3 million euros compared to 157.9 million euros in 2014 (see note 23.2 on employee benefit obligations on page 81).

Fully consolidated companies employed 51,500 individuals as of December 31, 2015 (50,300 individuals as of December 31, 2014), including an increase of 820 individuals relating to changes in the scope of consolidation.

4.2 OTHER OPERATING EXPENSES

Other operating expenses primarily include transport and distribution costs, sub-contracting costs, operating leases and insurance premiums.

4.3 RESEARCH AND DEVELOPMENT EXPENDITURE

In 2015, innovation costs amounted to 281.9 million euros (277.9 million euros in 2014) including Research and Development costs of 191.1 million (186.6 million euros in 2014).

4.4 DEPRECIATION AND AMORTIZATION EXPENSE

(in millions of euros)	**2014**	**2015**
Intangible assets	(91.0)	(103.8)
Property, plant and equipment (PP&E) [a]	(1,148.1)	(1,267.8)
TOTAL	**(1,239.1)**	**(1,371.6)**

(a) Including the depreciation expense after deduction of investment grants released to profit.

Note 5 – Other non-recurring operating income and expenses

(in millions of euros)	2014	2015
Expenses		
Reorganization, restructuring and realignment programs costs	(36.9)	(29.5)
Acquisition costs related to acquisition project of Airgas		(12.5)
Other acquisition costs	(4.9)	(11.5)
Others	(11.1)	(117.1)
TOTAL OTHER NON-RECURRING OPERATING EXPENSES	**(52.9)**	**(170.6)**
Income		
Gain on the disposals of assets and financial investments	62.6	17.6
Others	6.3	20.8
TOTAL OTHER NON-RECURRING OPERATING INCOME	**68.9**	**38.4**
TOTAL	**16.0**	**(132.2)**

In 2015, the Group recognized:

- losses on an Engineering & Construction project in Canada under the "Others" item of Other non-recurring operating expenses amounting to -124,0 million euros;
- capital gains on disposals calculated in accordance with IFRS10 paragraph 25 amounting to +17.6 million euros;
- realignment programs in advanced economies totaling -29.5 million euros.

In 2014, the Group had recognized:

- capital gains on disposals calculated in accordance with IFRS10 paragraph 25, which essentially concerned the sale of the investment in its Engineering & Construction polymer activity in Germany on December 31, 2014;
- realignment programs in advanced economies totaling -36.9 million euros.

Note 6 – Net finance costs and other financial income and expenses

6.1 NET FINANCE COSTS

(in millions of euros)	2014	2015
Finance cost	(236.3)	(234.7)
Financial income from short-term investments and loans	7.4	7.6
TOTAL	**(228.9)**	**(227.1)**

The average cost of debt stood at 3.7% in 2015 (4.0% in 2014) and is broken down in note 24.5.

Capitalized finance costs amounted to 62.9 million euros in 2015 (39.9 million euros in 2014).

6.2 OTHER FINANCIAL INCOME AND EXPENSES

(in millions of euros)	2014	2015
Other financial income	32.8	14.7
TOTAL OTHER FINANCIAL INCOME	**32.8**	**14.7**
Other financial expenses	(41.0)	(29.7)
Interest expense on the net defined benefit liability [a]	(13.5)	(25.9)
TOTAL OTHER FINANCIAL EXPENSES	**(54.5)**	**(55.6)**

(a) The interest expense on the net defined benefit liability included in 2014 the effect of past service costs following the amendment of a pension plan in France resulting in an income of 38.5 million euros (see note 23.2 "Employee benefit obligations" on page 81).

In 2014, other financial income included the capital gain on the disposal of 3.32% of the investment in Plug Power Inc.

Note 7 – Income taxes

7.1 INCOME TAX EXPENSE

(in millions of euros)	2014	2015
Current tax		
Income tax expense payable	(593.3)	(553.8)
TOTAL CURRENT TAX	**(593.3)**	**(553.8)**
Deferred tax		
Temporary differences	(79.9)	(117.0)
Impact of tax rate changes	(5.2)	4.4
TOTAL DEFERRED TAX	**(85.1)**	**(112.6)**
TOTAL	**(678.4)**	**(666.4)**

7.2 RECONCILIATION BETWEEN THE STANDARD TAX RATE AND THE GROUP EFFECTIVE TAX RATE

(in %)	2014	2015
Standard tax rate	**32.1**	**31.5**
Impact of transactions taxed at reduced rates	(3.5)	(3.1)
Impact of tax rate changes	(0.2)	(0.2)
Impact of tax exemptions and others	(0.1)	(1.4)
Group effective tax rate	**28.3**	**26.8**

In France, L'Air Liquide S.A. has elected to determine French income taxes on a consolidated basis. This scheme applies to all French subsidiaries complying with the legal requirements.

Foreign subsidiaries have elected to apply for similar rules wherever this is allowed under local regulations.

The average effective tax rate is lower than 2014 mainly due to the reversal of deferred tax liabilities following the favorable outcome of tax audits.

Note 8 – Net earnings per share

8.1 BASIC EARNINGS PER SHARE

	2014	2015
Net profit (Group share) attributable to ordinary shareholders of the parent *(in millions of euros)*	1,665.0	1,756.4
Weighted average number of ordinary shares outstanding	343,214,086	342,816,961
Basic earnings per share *(in euros)*	**4.85**	**5.12**

8.2 DILUTED EARNINGS PER SHARE

	2014	2015
Net profit used to calculate diluted earnings per share *(in millions of euros)*	**1,665.0**	**1,756.4**
Weighted average number of ordinary shares outstanding	343,214,086	342,816,961
Adjustment for dilutive impact of share subscription options	967,083	1,272,554
Adjustment for dilutive impact of performance shares	278,223	383,365
Adjusted weighted average number of shares outstanding used to calculate diluted earnings per share	**344,459,392**	**344,472,880**
Diluted earnings per share *(in euros)*	**4.83**	**5.10**

Instruments that could dilute net profit attributable to ordinary shareholders of the parent company, but were not included in the calculation of diluted earnings per share because they are antidilutive over the year, are as follows:

- in 2015, the 2015 share subscription option plan;
- in 2014, the 2012, 2013 and 2014 share subscription option plans.

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

Note 9 – Dividend per share

The 2014 dividend on ordinary shares declared and paid on May 20, 2015 was 924.7 million euros (including additional premium and tax on dividends) and amounted to 2.55 euros per share.

The additional contribution with respect to dividends paid by L'Air Liquide S.A. in May 2015 amounted to 26.9 million euros as of December 31, 2015 (24.4 million euros as of December 31, 2014). The Group considers it as a cost associated with the dividend distribution and has therefore decided to recognize this contribution cost as a deduction from shareholders' equity.

A dividend payment of 2.60 euros per ordinary share (including treasury shares) amounting to 921.6 million euros will be proposed to the Annual General Meeting in respect of the financial year ended December 31, 2015.

Note 10 – Goodwill

10.1 MOVEMENTS DURING THE PERIOD

(in millions of euros)	As of January 1	Goodwill recognized during the period	Goodwill removed during the period	Foreign exchange differences	Other movements	As of December 31
2014	5,089.8	40.7	(5.3)	143.0	(9.6)	5,258.6
2015	**5,258.6**	**287.8**	**(0.1)**	**182.9**	**1.0**	**5,730.2**

10.2 SIGNIFICANT GOODWILL

	2014	2015		
(in millions of euros)	Net carrying amount	Gross carrying amount	Impairment losses	Net carrying amount
Germany [(a)(d)]	1,402.2	1,438.6		1,438.6
Japan [(b)]	527.8	586.5		586.5
South-East Asia [(b)]	508.3	526.1		526.1
Engineering & Construction [(b)]	215.8	244.2		244.2
France [(a)]	412.2	450.0		450.0
Iberian Peninsula	246.2	247.1		247.1
United States [(b)]	420.2	465.8		465.8
ALAM [(b)(c)]	158.5	176.8		176.8
AL Welding	90.6	90.5		90.5
Others	1,276.8	1,506.1	(1.5)	1,504.6
TOTAL GOODWILL	**5,258.6**	**5,731.7**	**(1.5)**	**5,730.2**

(a) Goodwill allocated to groups of cash-generating units within Gas and Services activities but excluding the hygiene products and specialty ingredients activities within the Healthcare business line.

(b) The movement between 2014 and 2015 was mainly due to the effect of foreign exchange fluctuations.

(c) The ALAM cash-generating unit corresponds to the "Advanced Materials" business of the worldwide Electronics business line.

(d) The variation between 2014 and 2015 mainly relates to Goodwill recognized following the acquisition of OMT GmbH & Co. KG in Germany.

In the last two fiscal years, the Group has not recorded any goodwill impairment losses.

Impairment tests were carried out using the methods detailed in note 6.f. of the Accounting Policies. The key model assumptions used, such as market multiples and the discount rate, took into account the stock market and world economic context.

The growth rates used for estimating the cash flows of cash-generating units or groups of cash-generating units were significantly lower than the Group's historical average growth rates. Growth rates between 2% and 3% were used for cash-generating units or groups of cash-generating units operating in mature markets, and up to 5% for cash-generating units or groups of cash-generating units operating in emerging markets.

The market multiples used were determined using the Air Liquide Group market value as of December 31, 2015. Multiples obtained do not materially differ from those of companies whose activity is similar to that of the Group.

The weighted average cost of capital used was 6.0% as of December 31, 2015 (5.7% as of December 31, 2014).

The weighted average cost of capital and market multiples are adjusted for the activity and the geographical location of the cash-generating units being tested.

As of December 31, 2015 and 2014, the recoverable amounts of each cash-generating unit or groups of cash-generating units significantly exceeded their net carrying amounts.

Considering the activity of the Air Liquide group, no reasonably possible change in key assumptions would result in an impairment. The Gas and Services activity favors synergies between the different business lines by pooling assets for a given geographical area. The geographical development of the activity is generally based on local industrial investments and external growth operations throughout the Large Industry business line. The supply of gas to clients of the Large Industry business is contracted for a minimum duration of 15 years. These customer contracts provide a good visibility and guarantee of future income.

Note 11 – Other intangible assets

11.1 GROSS CARRYING AMOUNTS

2015 *(in millions of euros)*	As of January 1	Additions	Disposals	Foreign exchange differences	Acquisitions related to business combinations	Other movements [a]	As of December 31
Internally generated intangible assets	352.9	71.2	(1.0)	3.2		9.9	436.2
Other intangible assets	1,283.7	57.5	(6.7)	29.4	22.3	8.4	1,394.6
TOTAL GROSS INTANGIBLE ASSETS	**1,636.6**	**128.7**	**(7.7)**	**32.6**	**22.3**	**18.3**	**1,830.8**

(a) Other movements primarily include account reclassifications and changes in the scope of consolidation.

2014 *(in millions of euros)*	As of January 1	Additions	Disposals	Foreign exchange differences	Acquisitions related to business combinations	Other movements [a]	As of December 31
Internally generated intangible assets	320.1	58.3	(0.1)	2.5		(27.9)	352.9
Other intangible assets	1,161.3	38.5	(7.1)	40.6	14.4	36.0	1,283.7
TOTAL GROSS INTANGIBLE ASSETS	**1,481.4**	**96.8**	**(7.2)**	**43.1**	**14.4**	**8.1**	**1,636.6**

(a) Other movements primarily include account reclassifications and changes in the scope of consolidation.

11.2 AMORTIZATION AND IMPAIRMENT LOSSES

2015 *(in millions of euros)*	As of January 1	Charge for the period	Disposals	Foreign exchange differences	Acquisitions related to business combinations	Other movements [a]	As of December 31
Internally generated intangible assets	(239.2)	(17.1)	0.5			(2.9)	(258.7)
Other intangible assets	(632.9)	(86.8)	6.9	(12.2)		2.0	(723.0)
TOTAL INTANGIBLE ASSET AMORTIZATION	**(872.1)**	**(103.9)**	**7.4**	**(12.2)**		**(0.9)**	**(981.7)**
TOTAL NET INTANGIBLE ASSETS	**764.5**	**24.8**	**(0.3)**	**20.4**	**22.3**	**17.4**	**849.1**

(a) Other movements primarily include account reclassifications and changes in the scope of consolidation.

2014 *(in millions of euros)*	As of January 1	Charge for the period	Disposals	Foreign exchange differences	Acquisitions related to business combinations	Other movements [(a)]	As of December 31
Internally generated intangible assets	(226.6)	(13.3)	0.3	0.1		0.3	(239.2)
Other intangible assets	(541.6)	(77.7)	6.2	(15.9)		(3.9)	(632.9)
TOTAL INTANGIBLE ASSET AMORTIZATION	**(768.2)**	**(91.0)**	**6.5**	**(15.8)**		**(3.6)**	**(872.1)**
TOTAL NET INTANGIBLE ASSETS	**713.2**	**5.8**	**(0.7)**	**27.3**	**14.4**	**4.5**	**764.5**

(a) Other movements primarily include account reclassifications and changes in the scope of consolidation.

As of December 31, 2015, the Group had no material commitment to acquire intangible assets and was not subject to any restrictions over the use of existing intangible assets.

Note 12 – Property, plant and equipment

12.1 GROSS CARRYING AMOUNTS

2015 *(in millions of euros)*	As of January 1	Additions	Disposals	Foreign exchange differences	Acquisitions related to business combinations	Other movements [(a)]	As of December 31
Lands	285.9	0.1	(13.7)	15.2	2.0	17.5	307.0
Buildings	1,435.0	15.7	(45.9)	45.0	5.3	56.9	1,512.0
Equipment, cylinders, installations	26,659.9	430.2	(266.5)	762.2	81.6	1,808.8	29,476.2
TOTAL PROPERTY, PLANT AND EQUIPMENT IN SERVICE	**28,380.8**	**446.0**	**(326.1)**	**822.4**	**88.9**	**1,883.2**	**31,295.2**
Construction in progress	2,770.5	1,463.2		96.3	0.7	(1,874.8)	2,455.9
TOTAL PROPERTY, PLANT AND EQUIPMENT	**31,151.3**	**1,909.2**	**(326.1)**	**918.7**	**89.6**	**8.4**	**33,751.1**

(a) Other movements primarily include account reclassifications and changes in the scope of consolidation.

2014 *(in millions of euros)*	As of January 1	Additions	Disposals	Foreign exchange differences	Acquisitions related to business combinations	Other movements [(a)]	As of December 31
Lands	281.0		(7.0)	7.1	(0.2)	5.0	285.9
Buildings	1,355.4	28.7	(50.9)	50.5	(3.2)	54.5	1,435.0
Equipment, cylinders, installations	24,106.8	413.5	(385.4)	1,077.5	29.0	1,418.5	26,659.9
TOTAL PROPERTY, PLANT AND EQUIPMENT IN SERVICE	**25,743.2**	**442.2**	**(443.3)**	**1,135.1**	**25.6**	**1,478.0**	**28,380.8**
Construction in progress	2,650.9	1,371.9		157.8		(1,410.1)	2,770.5
TOTAL PROPERTY, PLANT AND EQUIPMENT	**28,394.1**	**1,814.1**	**(443.3)**	**1,292.9**	**25.6**	**67.9**	**31,151.3**

(a) Other movements primarily include account reclassifications and changes in the scope of consolidation.

Purchases of property, plant and equipment and intangible assets presented in the consolidated statement of cash flows relate to the increase in property, plant and equipment and intangible assets adjusted for the change in the fixed asset suppliers' balance in the fiscal year.

12.2 DEPRECIATION AND IMPAIRMENT LOSSES

2015 *(in millions of euros)*	**As of January 1**	**Charge for the period**	**Impairment losses removed**	**Disposals**	**Foreign exchange differences**	**Acquisitions related to business combinations**	**Other movements (a)**	**As of December 31**
Buildings	(861.1)	(49.9)		38.2	(25.7)		9.7	(888.8)
Equipment, cylinders, installations	(15,736.2)	(1,228.7)	1.5	244.5	(456.9)		19.8	(17,156.0)
TOTAL PROPERTY, PLANT AND EQUIPMENT DEPRECIATION	**(16,597.3)**	**(1,278.6)**	**1.5**	**282.7**	**(482.6)**		**29.5**	**(18,044.8)**
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	**14,554.0**	**630.6**	**1.5**	**(43.4)**	**436.1**	**89.6**	**37.9**	**15,706.3**

(a) Other movements primarily include changes in the scope of consolidation.

2014 *(in millions of euros)*	**As of January 1**	**Charge for the period**	**Impairment losses**	**Impairment losses removed**	**Disposals**	**Foreign exchange differences**	**Acquisitions related to business combinations**	**Other movements (a)**	**As of December 31**
Buildings	(822.5)	(46.3)			30.3	(24.1)		1.5	(861.1)
Equipment, cylinders, installations	(14,345.9)	(1,113.3)	(1.3)	0.8	352.8	(615.7)		(13.6)	(15,736.2)
TOTAL PROPERTY, PLANT AND EQUIPMENT DEPRECIATION	**(15,168.4)**	**(1,159.6)**	**(1.3)**	**0.8**	**383.1**	**(639.8)**		**(12.1)**	**(16,597.3)**
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	**13,225.7**	**654.5**	**(1.3)**	**0.8**	**(60.2)**	**653.1**	**25.6**	**55.8**	**14,554.0**

(a) Other movements primarily include changes in the scope of consolidation.

The charge for the period corresponds to the increase in depreciation, net of investment grants released to the income statement.

12.3 FINANCE LEASES

These agreements mainly relate to office or industrial buildings, vehicle trailers and other industrial equipment as well as information technology hardware.

The present value of minimum lease payments for leased assets is recorded in the balance sheet under “Property, plant and equipment.”” The breakdown is as follows:

	2014		**2015**	
(in millions of euros)	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Less than 1 year	6	6	10	10
1 to 5 years	19	16	18	15
More than 5 years	6	3	2	2
Total minimum lease payments	**31**	**25**	**30**	**27**
Less impact of discounting (finance charge)	(6)		(3)	
Present value of minimum lease payments	**25**		**27**	

Note 13 – Non-current financial assets

(in millions of euros)	2014	2015
Available-for-sale financial assets	164.6	139.0
Loans	45.8	82.6
Other long-term receivables	235.1	257.1
Employee benefits – prepaid expenses	1.5	6.4
NON-CURRENT FINANCIAL ASSETS	**447.0**	**485.1**

As of December 31, 2015, Other long-term receivables comprised the receivable related to the refund claim for the equalization charge paid for the period 2000 to 2004 in the amount of 64.6 million euros (compared to 62.7 million euros as of December 31, 2014). In connection with the litigation concerning the reimbursement of the receivable, the Administrative Court of Montreuil partially sided with Air Liquide on July 21, 2014. Following the court order, L'Air Liquide S.A. received 30.3 million euros in principal and 15.0 million euros in interest on arrears. The Group appealed the decision of the Administrative Court of Montreuil on September 19, 2014 for the recovery of the balance. The appeal decision had not been rendered as of the period-end date.

Note 14 – Investments in associates

14.1 FINANCIAL INFORMATION RELATED TO JOINT VENTURES AND ASSOCIATES

Group share of associates and joint ventures as of December 31, 2015 *(in millions of euros)*	Share of profit for the period	Share of equity [(a)]	Share of net income and gains and losses recognized directly in equity [(b)]
Joint ventures	13.0	69.5	12.1
Associates	1.7	46.4	15.5
TOTAL	**14.7**	**115.9**	**27.6**

(a) Including goodwill relating to associates and joint ventures.
(b) The share of net income and gains and losses recognized directly in equity primarily comprises the translation reserves.

Group share of associates and joint ventures as of December 31, 2014 *(in millions of euros)*	Share of profit for the period	Share of equity [(a)]	Share of net income and gains and losses recognized directly in equity [(b)]
Joint ventures	8.0	68.8	6.0
Associates	(4.0)	31.6	15.1
TOTAL	**4.0**	**100.4**	**21.1**

(a) Including goodwill relating to associates and joint ventures.
(b) The share of net income and gains and losses recognized directly in equity primarily comprises the translation reserves.

14.2 MOVEMENTS DURING THE YEAR

(in millions of euros)	As of January 1	Share of profit for the period	Dividend distribution	Foreign exchange differences	Other movements [(a)]	As of December 31
2014	201.7	4.0	(9.1)	21.1	(117.3)	100.4
2015	**100.4**	**14.7**	**(11.4)**	**6.5**	**5.7**	**115.9**

(a) In 2014, other movements primarily included the disposal of the investment in Daesung Industrial Gases Co., Ltd (South Korea).

None of the companies consolidated using the equity method of accounting is individually material.

Note 15 – Deferred taxes

Movements in deferred tax assets and liabilities during the period are as follows:

15.1 DEFERRED TAX ASSETS

(in millions of euros)	2014	2015
AS OF JANUARY 1	**301.7**	**245.5**
Income (charge) to the income statement	(102.7)	(23.2)
Income (charge) to equity for the period [(a)]	42.4	(12.3)
Acquisitions/Disposals	(2.2)	11.3
Foreign exchange differences	2.4	0.3
Others [(b)]	3.9	13.6
AS OF DECEMBER 31	**245.5**	**235.2**

(a) Relates to deferred taxes recognized in other items in the statement of net income and gains and losses recognized directly in equity: -13.6 million euros relate to changes in the fair value of derivatives and 1.3 million euros relate to actuarial gains and losses. In 2014, the respective effects amounted to 5.4 million euros relating to changes in the fair value of derivatives and 37.0 million euros relating to actuarial gains and losses.

(b) Other movements result from reclassifications between current and deferred taxes.

15.2 DEFERRED TAX LIABILITIES

(in millions of euros)	2014	2015
AS OF JANUARY 1	**1,196.3**	**1,187.7**
Charge (income) to the income statement	(17.6)	89.4
Charge (income) to equity for the period [(a)]	(64.4)	(3.2)
Acquisitions/Disposals	2.5	(7.4)
Foreign exchange differences	77.4	57.7
Others [(b)]	(6.5)	(2.4)
AS OF DECEMBER 31	**1,187.7**	**1,321.8**

(a) Relates to deferred taxes recognized in other items in the statement of net income and gains and losses recognized directly in equity: 1.4 million euros relate to changes in the fair value of derivatives and -4.6 million euros relate to actuarial gains and losses. In 2014, the respective effects amounted to 8.7 million euros relating to changes in the fair value of derivatives and -73.0 million euros relating to actuarial gains and losses.

(b) Other movements result from reclassifications between current and deferred taxes.

As of December 31, 2015, unrecognized deferred tax assets amounted to 46.3 million euros (35.8 million euros as of December 31, 2014).

Note 16 – Inventories

(in millions of euros)	2014	2015
Raw materials and supplies	249.2	288.1
Finished and semi-finished goods	567.0	616.9
Work-in-progress	60.0	75.6
NET INVENTORIES	**876.2**	**980.6**

(in millions of euros)	2014	2015
Write-down of inventories	(15.7)	(17.2)
Reversals of write-down	18.4	12.8
NET WRITE-DOWN RECOGNIZED IN THE INCOME STATEMENT	**2.7**	**(4.4)**

Note 17 – Trade receivables

(in millions of euros)	2014	2015
Trade and other operating receivables	3,031.2	3,138.0
Allowance for doubtful receivables	(151.4)	(156.9)
TRADE RECEIVABLES	**2,879.8**	**2,981.1**

Trade and other operating receivables include gross amounts relating to Engineering & Construction contracts for 205.7 million euros (223.7 million euros as of December 31, 2014).

As of December 31, 2015, cumulative revenue recognized using the percentage of completion method and advances received amounted to 2,536.7 million euros and 2,469.9 million euros respectively.

As of December 31, 2014, cumulative revenue recognized using the percentage of completion method and advances received amounted to 1,853.6 million euros and 1,783.4 million euros respectively.

17.1 BREAKDOWN OF TRADE AND OTHER OPERATING RECEIVABLES

(in millions of euros)	Gross carrying amount	Not yet due	Impaired and overdue	Not impaired and overdue
2014	3,031.2	2,255.5	132.4	643.3
2015	**3,138.0**	**2,315.8**	**139.9**	**682.3**

Trade receivables overdue and not impaired at the year-end mainly included receivables due within three months (68.2% in 2015, 64.5% in 2014). The decision for not impairing overdue receivable balances arises from a detailed analysis of the associated risks.

Trade receivables overdue by more than three months and not impaired mainly relate to public sector customers in the Healthcare segment whose credit risk is deemed to be low.

17.2 ALLOWANCE FOR DOUBTFUL RECEIVABLES

(in millions of euros)	As of January 1	Charges	Reversals	Foreign exchange differences	Other movements	As of December 31
2014	(138.8)	(45.6)	34.4	(3.0)	1.6	(151.4)
2015	**(151.4)**	**(52.6)**	**47.2**	**0.3**	**(0.4)**	**(156.9)**

Note 18 – Working capital requirement

The working capital requirement presented in the consolidated cash flow statement, increased by 258.4 million euros, and can be broken down as follows:

- increase of 143.3 million euros in the working capital requirement of Gas and Services, Global Markets & Technologies and Other activities;
- movements in current tax payables and receivables contributing to the increase for 137.9 million euros.

Note 19 – Other current assets

(in millions of euros)	2014	2015
Advances and down-payments made	107.9	138.7
Prepaid expenses	99.2	128.5
Other sundry current assets	261.6	329.4
OTHER CURRENT ASSETS	**468.7**	**596.6**

Note 20 – Cash and cash equivalents

(in millions of euros)	2014	2015
Short-term loans	32.8	38.0
Short-term investments	324.9	325.2
Cash in bank	552.4	602.3
CASH AND CASH EQUIVALENTS	**910.1**	**965.5**

As of December 31, 2015, cash and cash equivalents comprised 83 million euros subject to restrictions (95 million euros as of December 31, 2014), mainly in three countries: in China (in particular the contractual restrictions as part of the set-up of the syndicated credit facility and a loan to our partner in joint venture), in Luxembourg (regulatory restrictions relating to the Group's captive reinsurance company) and in Egypt (because of effective currency restrictions).

Furthermore, 18 million euros of cash and cash equivalents are held in countries in which a prior authorization is necessary to transfer funds abroad. These liquidities are at the Group's disposal within a reasonable time period, if preliminary formalities are respected. This amount stood at 20 million euros as of December 31, 2014.

Note 21 – Shareholders' equity

21.1 SHARES

Number of shares

	2014	2015
NUMBER OF SHARES OUTSTANDING AS OF JANUARY 1	**312,831,676**	**344,872,883**
Free share attribution	32,095,812	
Options exercised during the period	945,395	790,118
Cancelation of treasury shares	(1,000,000)	(1,500,000)
NUMBER OF SHARES AS OF DECEMBER 31	**344,872,883**	**344,163,001**

Shares have a par value of 5.50 euros each and are all issued and fully paid-up.

In 2015, a total of 1,498,125 shares were repurchased (net of disposals).

21.2 TREASURY SHARES

Treasury shares are Air Liquide shares held by the Group, including shares forming part of the liquidity contract in accordance with an Ethics Charter recognized by the French financial markets authority (Autorité des marchés financiers). As of December 31, 2015, the Group held 1,217,163 treasury shares (1,293,164 as of December 31, 2014), including 3,375 treasury shares under a liquidity contract (5,250 as of December 31, 2014). Changes in the number of treasury shares are explained on pages 44 and 45 (in the consolidated statement of changes in equity).

21.3 SHARE-BASED PAYMENTS

Share subscription option plans

Pursuant to the decisions of the Board of Directors, the Supervisory Board and the Management Board, following the approval by the Annual General Meeting and based on the recommendations of the Remuneration Committee, the Group had adopted share subscription plans for some of the senior executives of the Company and its subsidiaries worldwide, as well as corporate officers.

The purpose of these options is to provide an incentive to key Group executives, by rewarding the loyalty of high-performing executives and their actions in exceptional situations, as well as associating them with the long-term interests of shareholders.

Stock options are granted for a minimum price which cannot be lower than the average closing market price over the 20 trading days preceding the grant date. Options granted between March 21, 2005 and June 28, 2010 inclusive must be exercised within eight years and options granted since October 14, 2011 must be exercised within ten years.

A four-year vesting period applies for stock options granted.

On September 28, 2015, the Board of Directors consented to grant 467,194 stock options (399 beneficiaries) exercisable between September 28, 2019 and September 27, 2025, at a purchase price of 105.00 euros.

As of December 31, 2015, the number of outstanding share options granted by the Board of Directors, the Supervisory Board, and the Management Board under the plans approved by Annual General Meetings amounted to 4,655,891 options after adjustment (average price of 83.18 euros), or 1.35% of share capital, of which 1,158,389 options (average price of 79.15 euros) were granted to corporate officers present as of December 31, 2015.

Out of the total number of options issued pursuant to the approval by the Annual General Meeting on May 7, 2013, 4,778,815 options were retained for possible grant by the Board of Directors as of December 31, 2015.

Performance shares plans

An additional compensation system involving performance shares was set up in 2008 as a way to reward our best employees and associate their medium-term performance with the Company's objectives.

The 11th resolution adopted by the Extraordinary Annual General Meeting held on May 6, 2015 authorizes the Board of Directors to grant free shares to Group employees, up to a maximum of 0.5% of the Company's share capital over a 38-month period. As part of this maximum attribution, free shares representing up to 0.15% of the Group's share capital can be granted to corporate officers over the same period.

Under this authority, the Board of Directors adopted two different regulations on September 28, 2015 ("France" Plan and "World" Plan) governing the attribution of performance shares to beneficiaries by the Board.

The "France" and "World" Plans mainly differ as to the number of years of service required – paragraph a) below and the correlative absence of any holding requirement for the "World" Plan – paragraph c) below.

Performance shares are subject to:

a) a continued service requirement during the vesting period:

   the shares granted to a beneficiary shall only finally vest if he or she has been an employee or corporate officer of a Group company during a vesting period, calculated as from the grant date, of three years for "France" Plan beneficiaries and four years for "World" Plan beneficiaries. In the event of retirement, the beneficiary retains his rights, being no longer required to satisfy the continued service requirement;

b) performance requirements for all performance shares allocated to all beneficiaries which are now identical to performance requirements applicable to stock-options. They are described in the attribution of performance shares to employees summary table;

c) a holding requirement:

   as from the final grant date, the beneficiaries of the "France" Plan are required to hold their shares for two additional years during which such shares may not be transferred (except in the event of disability or death).

The granted shares shall be either shares issued through a capital increase performed by the Company by no later than the definitive vesting date or shares bought back by the Company in the market prior to such date.

To date, performances shares granted are treasury shares bought back as part of the Company's shares buyback program (cf. the minutes of the shares buyback program).

The granted shares shall be of the same nature and category as those making up the Company's share capital at the date on which the plans are approved by the Board of Directors.

On September 28, 2015, the Board of Directors decided to grant 287,172 performance shares to employees (1,744 beneficiaries).

Options granted to the ten employees of the Company and its subsidiaries (excluding corporate officers) who were attributed the highest number of options

In 2015, 92,090 options were granted to the ten employees of the Company and its subsidiaries (excluding corporate officers), who were attributed the highest number of options.

Options exercised in 2015 by the ten employees of the Company and its subsidiaries (excluding corporate officers) with the highest number of options exercised

Year of grant	Number of options exercised	Average price *(in euros)* (a)
2007	18,125	64.03
2008	29,155	64.66
2009	34,810	50.03
2010	55,385	68.26
2011	23,512	71.54
TOTAL	**160,987**	**63.67**

(a) Historical data.

Options exercised in 2014 by the ten employees of the Company and its subsidiaries (excluding corporate officers) with the highest number of options exercised

Year of grant	Number of options exercised	Average price *(in euros)* (a)
2006	22,587	58.92
2007	56,568	66.53
2008	35,246	65.42
2009	25,454	52.04
2010	23,349	68.26
TOTAL	**163,204**	**63.22**

(a) Historical data.

Number of share subscription options and weighted average strike price

	2014		2015	
	Options	Weighted average strike price *(in euros)*	Options	Weighted average strike price *(in euros)*
Total number of options outstanding as of January 1 *(adjusted number and price)*	**5,203,391**	**72.09**	**5,052,423**	**78.13**
Options granted during the period *(adjusted number and price)*	868,385	97.00	467,194	105.00
Options exercized during the period *(adjusted number and price)*	945,395	63.53	790,118	63.49
Options canceled during the period *(adjusted number and price)*	73,958	80.52	73,608	86.59
Total number of options as of December 31 *(adjusted number and price)*	**5,052,423**	**78.13**	**4,655,891**	**83.18**
Of which total number of options eligible for exercize	***2,605,512***	***64.57***	***1,805,297***	***65.02***

Information on the fair value of share subscription options and attribution of performance shares

Share subscription options

	2014		2015	
	Plan 1		Plan 1	
	September 22, 2014		September 28, 2015	
Duration of the option	6 years		6 years	
Fair value of the option *(in euros)*	17.32 [(a)]	14.07 [(b)]	13.30 [(a)]	11.74 [(b)]

(a) Fair value of options subject to performance requirements related to the Group's results.

(b) Fair value of options subject to performance requirements related to the share price trend.

Attribution of performance shares

The achievement of the Group's performance requirement is not considered as an underlying assumption and was deemed to have been fully achieved at the valuation date.

	2014		2015	
	Plan 1		Plan 1	
	September 22, 2014		September 28, 2015	
Duration of performance shares	5 years	4 years	5 years	4 years
Fair value of performance shares *(in euros)*	95.81 [(a)]	91.40 [(b)]	93.53 [(a)]	89.19 [(b)]

(a) Performance shares to employees to beneficiaries located in France.

(b) Performance shares to employees to beneficiaries located outside France.

An expense of 23.2 million euros (excluding taxes) relating to share subscription options and the attribution of performance shares was recognized in the income statement in 2015 compared to 18.1 million euros in 2014. The corresponding entry is recorded in equity.

Note 22 – Provisions, pensions and other employee benefits

2015 *(in millions of euros)*	As of January 1	Increase	Utilized	Other reversals	Discounting	Foreign exchange differences	Acquisitions related to business combination	Other movements (a)	As of December 31
Pensions and other employee benefits	1,794.8	28.3	(138.3)		49.0	14.3	1.7	0.1	1,749.9
Restructuring plans	51.2	10.5	(31.5)	(0.5)		0.1	1.4	(0.1)	31.1
Guarantees and other provisions related to engineering contracts	73.6	81.3	(34.4)	(26.7)		1.6		(1.3)	94.1
Dismantling	188.2		(2.3)	(3.4)	6.7	0.7		32.0	221.9
Other provisions	355.1	60.6	(96.9)	(43.6)		0.3	5.2	6.7	287.4
TOTAL PROVISIONS	**2,462.9**	**180.7**	**(303.4)**	**(74.2)**	**55.7**	**17.0**	**8.3**	**37.4**	**2,384.4**

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

2014 *(in millions of euros)*	As of January 1	Increase	Utilized	Other reversals	Discounting	Foreign exchange differences	Acquisitions related to business combination	Other movements (a)	As of December 31
Pensions and other employee benefits	1,671.1	(118.5)	(126.0)		356.2	15.5		(3.5)	1,794.8
Restructuring plans	94.9	20.3	(60.3)	(3.9)		1.0		(0.8)	51.2
Guarantees and other provisions related to engineering contracts	93.6	54.2	(25.9)	(46.6)		2.5		(4.2)	73.6
Dismantling	170.5		(3.7)	(1.6)	6.5	0.5		16.0	188.2
Other provisions	256.9	145.8	(24.7)	(30.9)		3.5	6.2	(1.7)	355.1
TOTAL PROVISIONS	**2,287.0**	**101.8**	**(240.6)**	**(83.0)**	**362.7**	**23.0**	**6.2**	**5.8**	**2,462.9**

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

In the normal course of its operations, the Group is party to arbitration, judicial or administrative proceedings. The potential costs of such proceedings are provided for, when they are probable, only if the amount can be quantified or estimated within a reasonable range. In the latter case, the amount provided for represents the best estimate of the Group's management. Provisions are determined based on a case-by-case risk assessment and events occurring during ongoing proceedings may result in a risk reappraisal at any time. These litigations are by nature diverse and involve various Group subsidiaries. Contingency provisions recorded with respect to all Group litigations amounted to 114 million euros as of December 31, 2015 (163 million euros as of December 31, 2014) and are presented in "Other provisions")

The Group does not provide the detail of these provisions considering that disclosing the amount provided for each individual litigation could be prejudicial to the Group. Nevertheless, no single litigation is likely to have a material effect on the Group's financial position or its profitability.

On May 26, 2011, Air Liquide Japan Ltd and three other competitors received a fine payment order from the Japanese Fair Trade Commission (JFTC) regarding alleged unfair practices in sales of liquid oxygen, liquid nitrogen and liquid argon (excluding medical use) in Japan between April 2008 and January 2010.

The JFTC requested Air Liquide Japan Ltd to take corrective actions and a fine amounting to 4.8 billion Japanese Yen (equivalent to 36.6 million euros as of December 31, 2015) was paid on August 29, 2011. Air Liquide Japan Ltd initiated an appeal process through the JFTC administrative proceedings following the JFTC's decision. An expense was booked representing the best estimate of the risk related to this dispute.

In 2015, Air Liquide Japan appealed the decision of the administrative proceeding to the Tokyo High Court. The appeal is on going. No new development occurred which would likely call into question the amount provided for in 2011.

Note 23 – Employee benefit obligations

23.1 PENSION PLANS

The most significant pension plans relate to France, Germany and the United States.

In France, Air Liquide provides an additional retirement benefit based on the final salary which is paid in addition to other normal pension plans. On December 31, 1995, this plan was closed to employees under age 45 or with less than 20 years of service as of January 1, 1996; the latter being covered by a defined contribution plan. These plans are unfunded. The annual amounts paid with regards to additional benefits cannot exceed a threshold set at 12% of total payroll or 12% of pre-tax profits of companies involved. From 2011 onwards, this 12% threshold will be proportionately reduced by comparing the number of plan beneficiaries for the year to the number of plan beneficiaries for the previous year.

IAS19 “Employee Benefits” provides a very restrictive definition of defined contribution plans; any plans not complying fully with the conditions required are defined benefit plans by default.

This restrictive definition of defined contribution plans requires Air Liquide to account for these additional benefits as a defined benefit plan in spite of the limited obligations for the Company and the nature of the obligations not being stable or continuous.

The qualification as a defined benefit plan results in the recognition of a provision with regards to the future obligations.

The Company’s obligations being limited, the valuation of what will actually be paid to retirees is uncertain. Since the effect of this threshold cannot be measured reliably, the provision recognized represents the actuarial value of the amounts to be paid out to retirees until the plan is closed, excluding any potential threshold effect. In 2014, this plan was amended: from 2015 onwards, the additional retirement benefit paid by Air Liquide is aligned with the indexation of French statutory and supplementary pension plans up to a maximum annuity. Any additional annuity will not be subject to any indexation. A revaluation cap and floor were also introduced and the date when thresholds are reduced was postponed to 2017. These thresholds will be proportionately reduced by comparing the number of plan beneficiaries for the year to the number of plan beneficiaries for the previous year. In accordance with IAS19 revised, this amendment was accounted for as past service costs and was consequently recognized in the consolidated income statement in 2014. The decrease in the commitment resulting from the non-revaluation of the annuity above a certain amount was accounted for in “Personnel expenses.” The effects related to the revaluation cap and floor were accounted for in “Other financial expenses.”

In Germany, there are two main Air Liquide pension plans.

The first plan provides the retirees of Lurgi (Engineering & Construction activity) with a lifetime annuity, based on the income and length of service vested in the plan at the time of retirement, the normal retirement age being 65. The plan also provides disability and widowhood pensions. This plan is now closed to new entrants, the latter benefiting from a defined contribution plan.

The second plan is an old plan covering employees of the Gas and Services activity. The plan provides a lifetime annuity, based on the average income earned over the employee’s career and the length of service vested at the time of retirement, the normal retirement age being 65. The plan also provides disability, pre-retirement and widowhood pensions. It is now closed to new entrants, new employees benefiting from another defined benefit plan. Providing a minimum length of service of ten years, the plan provides a lifetime annuity based on the average income earned over the employee’s career and the length of service vested at the time of retirement, the normal retirement age being 65. The plan also provides disability, pre-retirement and widowhood pensions.

In accordance with common market practice in Germany, limited funding contributions are made to pension funds as both plans are mainly managed internally.

In the United States, Air Liquide grants retirees supplemental benefits in addition to the normal pension plans. The US plan provides a traditional final average pay benefit to those who continue to accrue benefits. A retiring employee may elect to receive their pension benefit as a lump sum or a lifetime annuity. This plan was closed to new participants in 2004, the latter now benefiting from a defined contribution plan. As required under US pension law the plan is managed by a fiduciary committee, composed of Company management, who are responsible for the plan’s governance. Annual actuarial valuations are performed in accordance with US pension law to determine minimum funding requirements and funded status. Air Liquide has historically made contributions to the plan’s trust fund to satisfy the annual minimum funding requirements under US pension law. Excess funding can be used to offset minimum contribution requirements. The plan’s assets are invested in a combination of return-seeking (mainly equities) and liability-hedging (mainly long duration fixed income) assets. The current allocation is approximately 35% in shares, 60% in bonds and 5% in real estate. The financial strategy consists in gradually shifting to a greater proportion of liability-hedging as funded status improves.

23.2 OBLIGATIONS

Group obligations related to pension plans and similar benefits as of December 31, 2015 are shown below:

2015 *(in millions of euros)*	Defined benefit plans	Retirement termination payments	Other long term benefits	Medical Plans	Total
A. Change in net liabilities					
Net liabilities at the beginning of the period	(1,538.2)	(175.8)	(24.0)	(55.3)	(1,793.3)
(Acquisition) divestiture / transfer	(1.9)				(1.9)
(Expense) income recognized	(43.8)	(12.2)	(1.0)	1.8	(55.2)
Employer contributions	128.9	4.6	2.3	3.5	139.3
Gains (losses) for the period	(31.9)	11.6		2.3	(18.0)
Exchange rate movements	(15.9)	0.4	(0.2)	1.3	(14.4)
Net liabilities at the end of the period	**(1,502.8)**	**(171.4)**	**(22.9)**	**(46.4)**	**(1,743.5)**
B. Expense recorded in 2015					
Service cost	32.2	9.8	1.8	1.0	44.8
Interest expense on the net defined benefit liability	21.5	2.7	0.4	1.3	25.9
Past service cost	(9.9)	(0.3)		(4.1)	(14.3) [(a)]
Actuarial (gains) losses			(1.2)		(1.2)
Expense (income) recognized	**43.8**	**12.2**	**1.0**	**(1.8)**	**55.2**
C. Change in present value of obligations in 2015					
DBO at the beginning of the period	2,713.0	178.0	24.3	55.4	2,970.7
Acquisition (divestiture) / transfer	2.3				2.3
Service cost	32.2	9.8	1.8	1.0	44.8
Interest cost	52.4	2.8	0.4	1.3	56.9
Employee contributions	2.6				2.6
Plan amendments	(9.9)	(0.3)		(4.1)	(14.3) [(a)]
Benefit payments	(182.3)	(4.9)	(2.5)	(3.5)	(193.2)
Actuarial (gains) losses	(6.1)	(11.7)	(1.2)	(2.3)	(21.3)
Exchange rate movements	94.6	(0.2)	0.2	(1.3)	93.3
Obligations at the end of the period	**2,698.8**	**173.5**	**23.0**	**46.5**	**2,941.8**
D. Change in plan assets in 2015					
Fair value of assets at the beginning of the period	1,174.8	2.2	0.3	0.1	1,177.4
Acquisition (divestiture) / transfer	0.4				0.4
Actual return on plan assets	(7.1)				(7.1)
Employer contributions	97.4	4.4	2.2	3.5	107.5
Employee contributions	2.6				2.6
Benefit payments	(150.8)	(4.7)	(2.4)	(3.5)	(161.4)
Exchange rate movements	78.7	0.2			78.9
Fair value of assets at the end of the period	**1,196.0**	**2.1**	**0.1**	**0.1**	**1,198.3**
E. Funded status at the end of 2015					
Present value of obligations	(2,698.8)	(173.5)	(23.0)	(46.5)	(2,941.8)
Fair value of plan assets	1,196.0	2.1	0.1	0.1	1,198.3
Net liabilities	**(1,502.8)**	**(171.4)**	**(22.9)**	**(46.4)**	**(1,743.5)**
F. Actuarial (gains) and losses recognized directly in equity					
(Gains) and losses at the beginning of the period	1,020.8	51.0		9.5	1,081.3
Acquisition (divestiture) / transfer	(57.1)				(57.1)
(Gains) and losses on obligations	(6.1)	(11.7)		(2.3)	(20.1)
(Gains) and losses on plan assets	38.0	0.1			38.1
Exchange rate movements	37.1	(0.1)			37.0
(Gains) and losses at the end of the period [(b)]	**1,032.7**	**39.3**		**7.2**	**1,079.2**

(a) Past service costs and plan amendments mainly relate to pension plans and medical plans in Switzerland and in the US.
(b) Losses (gains), net of tax, recognized in equity, amounted to 717 million euros as of December 31, 2015.

Group obligations related to pension plans and similar benefits as of December 31, 2014 are shown below:

2014 *(in millions of euros)*	**Defined benefit plans**	**Retirement termination payments**	**Other long term benefits**	**Medical Plans**	**Total**
A. Change in net liabilities					
Net liabilities at the beginning of the period	(1,443.5)	(152.6)	(22.5)	(47.6)	(1,666.2)
(Acquisition) divestiture / transfer	3.0	3.2	(0.2)	(2.6)	3.4
(Expense) income recognized	122.2	(10.6)	(4.3)	(3.2)	104.1
Employer contributions	112.2	8.1	3.1	3.5	126.9
Gains (losses) for the period	(317.2)	(24.4)		(4.7)	(346.3)
Exchange rate movements	(14.9)	0.5	(0.1)	(0.7)	(15.2)
Net liabilities at the end of the period	**(1,538.2)**	**(175.8)**	**(24.0)**	**(55.3)**	**(1,793.3)**
B. Expense recorded in 2014					
Service cost	30.0	8.2	1.8	0.8	40.8
Interest expense on the net defined benefit liability	44.6	4.8	0.7	2.0	52.1
Past service cost	(140.3)			0.4	(139.9) [(a)]
Actuarial (gains) losses			1.9		1.9
Curtailment / settlement	(56.5)	(2.4)	(0.1)		(59.0) [(a)]
Expense (income) recognized	**(122.2)**	**10.6**	**4.3**	**3.2**	**(104.1)**
C. Change in present value of obligations in 2014					
DBO at the beginning of the period	2,530.0	154.8	23.3	47.6	2,755.7
Acquisition (divestiture) / transfer	(6.2)	(3.7)	0.2	2.7	(7.0)
Service cost	30.0	8.2	1.8	0.8	40.8
Interest cost	86.3	4.9	0.7	2.0	93.9
Employee contributions	3.1				3.1
Plan amendments	(140.3)			0.4	(139.9) [(a)]
Curtailment / settlement	(102.8)	(2.4)	(0.1)		(105.3) [(a)]
Benefit payments	(163.1)	(8.2)	(3.6)	(3.5)	(178.4)
Actuarial (gains) losses	374.1	24.4	1.9	4.7	405.1
Exchange rate movements	101.9		0.1	0.7	102.7
Obligations at the end of the period	**2,713.0**	**178.0**	**24.3**	**55.4**	**2,970.7**
D. Change in plan assets in 2014					
Fair value of assets at the beginning of the period	1,086.5	2.2	0.8		1,089.5
Acquisition (divestiture) / transfer	(3.2)	(0.5)		0.1	(3.6)
Actual return on plan assets	98.6	0.1			98.7
Employer contributions	96.3	7.8	2.8	3.5	110.4
Employee contributions	3.1				3.1
Benefit payments	(147.2)	(7.9)	(3.3)	(3.5)	(161.9)
Settlement	(46.3)				(46.3) [(a)]
Exchange rate movements	87.0	0.5			87.5
Fair value of assets at the end of the period	**1,174.8**	**2.2**	**0.3**	**0.1**	**1,177.4**
E. Funded status at the end of 2014					
Present value of obligations	(2,713.0)	(178.0)	(24.3)	(55.4)	(2,970.7)
Fair value of plan assets	1,174.8	2.2	0.3	0.1	1,177.4
Net liabilities	**(1,538.2)**	**(175.8)**	**(24.0)**	**(55.3)**	**(1,793.3)**
F. Actuarial (gains) and losses recognized directly in equity					
(Gains) and losses at the beginning of the period	669.1	26.7		5.4	701.2
Acquisition (divestiture) / transfer	(4.1)				(4.1)
(Gains) and losses on obligations	374.1	24.4		4.7	403.2
(Gains) and losses on plan assets	(56.9)				(56.9)
Exchange rate movements	38.6	(0.1)		(0.6)	37.9
(Gains) and losses at the end of the period [(b)]	**1,020.8**	**51.0**		**9.5**	**1,081.3**

(a) Settlements, plan amendments and past service costs mainly related to pension plans in France, the US and the Netherlands.
(b) Losses (gains), net of tax, recognized in equity, amounted to 724 million euros as of December 31, 2014.

The amounts mentioned above can be broken down as follows by geographical area as of December 31, 2015:

2015 *(in millions of euros)*	**Obligations**	**Plan assets**	**Provisions in the balance sheet**
Europe / Africa	(1,923)	405	(1,518)
Americas	(931)	734	(197)
Asia-Pacific	(88)	59	(29)
TOTAL	**(2,942)**	**1,198**	**(1,744)**

The amounts mentioned above can be broken down as follows by geographical area as of December 31, 2014:

2014 *(in millions of euros)*	**Obligations**	**Plan assets**	**Provisions in the balance sheet**
Europe / Africa	(1,982)	395	(1,587)
Americas	(906)	730	(176)
Asia-Pacific	(82)	52	(30)
TOTAL	**(2,970)**	**1,177**	**(1,793)**

23.3 MAIN ASSUMPTIONS

The main discount rates used are as follows:

	2014	**2015**
Euro zone	1.8%	2.0%
Canada	4.0%	4.0%
Japan	0.8%	0.8%
Switzerland	1.2%	0.8%
United States	3.9%	4.3%
United Kingdom	3.6%	3.7%

Differences between expected returns on plan assets and the main discount rates are as follows:

2015	**Expected return on assets** [(a)]	**Discount rate 2014**	**Impact** *(in bp)*
Euro zone	3.0%	1.8%	(120)
Canada	4.9%	4.0%	(90)
Japan	3.0%	0.8%	(220)
Switzerland	3.5%	1.2%	(230)
United States	6.2%	3.9%	(230)
United Kingdom	5.4%	3.6%	(180)

(a) The expected return on long-term assets was determined by taking into account, in each country, the asset allocation in the portfolio.

2014	Expected return on assets [a]	Discount rate 2013	Impact *(in bp)*
Euro zone	4.4%	3.2%	(125)
Canada	6.2%	4.9%	(135)
Japan	3.0%	1.1%	(195)
Switzerland	4.6%	2.0%	(260)
United States	7.2%	4.8%	(240)
United Kingdom	5.8%	4.4%	(140)

(a) The expected return on long-term assets was determined by taking into account, in each country, the asset allocation in the portfolio.

23.4 BREAKDOWN OF GAINS AND LOSSES FOR THE PERIOD

(in millions of euros)	2014	2015
Experience gains and losses on present value of the obligation	13	(40)
Gains and losses on present value of the defined obligation related to changes in assumptions	(412)	60
Experience gains and losses on fair value of assets	57	(38)

Breakdown of experience gains and losses on financial assets

2015 *(in millions of euros)*	Interest income on financial assets	Actual return on assets	Gains and losses on assets
Europe / Africa	7.6	0.8	(6.8)
Americas	22.8	(10.9)	(33.7)
Asia-Pacific	0.6	3.0	2.4
TOTAL	**31.0**	**(7.1)**	**(38.1)**

2014 *(in millions of euros)*	Interest income on financial assets	Actual return on assets	Gains and losses on assets
Europe / Africa	11.7	34.0	22.3
Americas	29.3	60.6	31.3
Asia-Pacific	0.8	4.1	3.3
TOTAL	**41.8**	**98.7**	**56.9**

23.5 PENSION PLAN RISK ANALYSIS

Sensitivity to movements in discount rates and other variables

The present value of obligations related to defined benefit plans is measured by discounting future cash flows. Discount rates are determined based on Government bonds rates or, when the financial markets are sufficiently liquid, “high-quality” corporate bond rates, which can vary from one period to another.

Changes in discount rates can materially change the present value of the Group’s obligations and the expense recorded in the year.

The amount of obligations is affected to a lesser extent by revised wages and inflation indexes, as well as legal changes regarding retirement age or official mortality tables.

Impact of a -0.25% decrease in discount rates

	Impact on obligations as of December 31, 2015 (in millions of euros)	% of total obligations as of December 31, 2015
Europe / Africa	63	3.3%
Americas	32	3.4%
Asia-Pacific	2	2.3%
TOTAL	**97**	**3.3%**

	Impact on obligations as of December 31, 2014 (in millions of euros)	% of total obligations as of December 31, 2014
Europe / Africa	68	3.4%
Americas	32	3.5%
Asia-Pacific	2	2.4%
TOTAL	**102**	**3.4%**

Impact of a +0.25% increase in discount rates

	Impact on obligations as of December 31, 2015 (in millions of euros)	% of total obligations as of December 31, 2015
Europe / Africa	(61)	-3.2%
Americas	(31)	-3.3%
Asia-Pacific	(2)	-2.2%
TOTAL	**(94)**	**-3.2%**

	Impact on obligations as of December 31, 2014 (in millions of euros)	% of total obligations as of December 31, 2014
Europe / Africa	(67)	-3.4%
Americas	(30)	-3.3%
Asia-Pacific	(2)	-2.3%
TOTAL	**(99)**	**-3.3%**

Sensitivity of the value of plan assets to market conditions

For the Group's defined benefit plans subject to funding requirements, the present value of plan assets is primarily dependent on interest rates, the performance of plan assets and amendments to local regulations. Any adverse movement in these variables would require additional Group contributions to the pension funds on a timely basis.

Plan assets consist of shares, bonds and other assets whose value is subject to market fluctuations. A downturn in the financial markets would increase the net liabilities of defined benefit plans. The plans' coverage ratios would decrease accordingly, requiring additional Group contributions on a timely basis.

	Shares		Bonds		Real estate		Cash		Others		Total	
2015	**Amounts**	**%**	**Amounts**	**%**	**Amounts**	**%**	**Amounts**	**%**	**Amounts**	**%**	**Amounts**	**%**
Europe / Africa	146	36.0%	143	35.2%	87	21.4%	11	2.7%	18	4.7%	405	100.0%
Americas	272	37.0%	423	57.5%	28	3.8%	10	1.3%	1	0.4%	734	100.0%
Asia-Pacific	23	41.1%	30	53.5%	1	1.8%			5	3.6%	59	100.0%
TOTAL	**441**		**596**		**116**		**21**		**24**		**1,198**	

	Shares		Bonds		Real estate		Cash		Others		Total	
2014	**Amounts**	**%**	**Amounts**	**%**	**Amounts**	**%**	**Amounts**	**%**	**Amounts**	**%**	**Amounts**	**%**
Europe / Africa	136	34.4%	152	38.5%	83	21.0%	6	1.5%	18	4.6%	395	100.0%
Americas	265	36.3%	429	58.8%	28	3.8%	5	0.7%	3	0.4%	730	100.0%
Asia-Pacific	21	40.4%	29	55.8%			1	1.9%	1	1.9%	52	100.0%
TOTAL	**422**		**610**		**111**		**12**		**22**		**1,177**	

Note 24 – Borrowings

This note provides information on the breakdown of the Group's borrowings by instrument. For further information on financial instruments and the exposure to foreign exchange and interest rate risks, please refer to note 25.

The Air Liquide Group net indebtedness breaks down as follows:

	2014			2015		
	Carrying amount			Carrying amount		
(in millions of euros)	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Bonds and private placements	4,985.6	562.4	5,548.0	5,534.5	553.0	6,087.5
Commercial paper programs		375.1	375.1		877.8	877.8
Bank debt and other financial debt	862.0	389.3	1,251.3	682.1	465.8	1,147.9
Finance leases [(a)]	18.8	5.8	24.6	16.6	10.6	27.2
Put options granted to minority shareholders	17.4		17.4	57.5	5.5	63.0
TOTAL BORROWINGS (A)	**5,883.8**	**1,332.6**	**7,216.4**	**6,290.7**	**1,912.7**	**8,203.4**
Loans maturing in less than one year		32.8	32.8		38.0	38.0
Short-term marketable securities		324.9	324.9		325.2	325.2
Cash in bank		552.4	552.4		602.3	602.3
TOTAL CASH AND CASH EQUIVALENTS (B)		**910.1**	**910.1**		**965.5**	**965.5**
Fair value of derivatives (assets) [(b)]					0.8	0.8
TOTAL DERIVATIVE INSTRUMENTS RELATING TO BORROWINGS (C)					**0.8**	**0.8**
NET INDEBTEDNESS (A) - (B) + (C)	**5,883.8**	**422.5**	**6,306.3**	**6,290.7**	**948.0**	**7,238.7**

(a) See note 12.3 Finance leases.
(b) Fair market value of derivative instruments hedging fixed-rate debt.

In accordance with the Group's policy to diversify funding sources, different types of instruments are used to meet the Group's funding requirements (capital markets and bank credit facilities). Long-term bonds and private placements are the primary sources of funding and represent 74% of gross debt as of December 31, 2015. At the end of 2015, outstanding notes under this program amounted to 6.1 billion euros (nominal amount), of which 1.0 billion euros (nominal amount) was issued in 2015 to finance the Group's growth and benefit from attractive market conditions.

The carrying amount of commercial paper amounted to 877.8 million euros as of December 31, 2015 versus 375.1 million euros as of December 31, 2014. In accordance with the Group's policy, the outstanding commercial paper programs are backed by committed long-term credit lines amounting to 2.6 billion euros as of December 31, 2015.

Gross indebtedness increased by +987.0 million euros following bond issues that exceeded redemptions, and the increased use of short-term commercial paper.

Bond issues in 2015 were as follows:

- a public bond issue, on the Taiwanese market, for 500 million renminbis (equivalent to 71 million euros), maturing on January 23, 2022, at a fixed rate of 3.97%;
- a public bond issue for 500 million euros, maturing on June 3, 2025, at a fixed rate of 1.25%, for which the interest rate had been hedged in 2014;
- a private placement bond issue, for 250 million euros, maturing on June 26, 2017, at a Euribor 3 months +0.21% floating rate;
- a private placement bond issue, for 170 million euros, maturing on June 30, 2018, at a Euribor 3 months +0.30% floating rate;

These issues were carried out, under the EMTN program, by Air Liquide Finance S.A., and guaranteed by L'Air Liquide S.A.

In consideration thereof:

- the 256 million euros bond issued on June 3, 2009 by L'Air Liquide S.A., at a fixed rate of 4.375% was repaid on June 3, 2015;
- the first serie of 250 million euros of the 700 million euros bond of Air Liquide Finance S.A., issued on June 17, 2013 at a Euribor 3 months +0.15% floating rate was repaid on June 17, 2015.

The carrying amount of borrowings in the balance sheet is as follows:

	2014	2015			
(in millions of euros)	**Carrying amount**	**Amount issued (a)**	**Amortized cost adjustments (b)**	**Fair value adjustments (c)**	**Carrying amount (a) + (b) + (c)**
Air Liquide bonds (employee savings)	87.3				
Bonds in the EMTN program	3,694.8	3,777.5	(29.5)	(0.8)	3,747.2
Bonds not in the EMTN program	349.8	370.8	3.1		373.9
Private placements in the EMTN program	835.4	1,309.4	9.1		1,318.5
Private placements not in the EMTN program	580.7	643.0	4.9		647.9
TOTAL BONDS AND PRIVATE PLACEMENTS	**5,548.0**	**6,100.7**	**(12.4)**	**(0.8)**	**6,087.5**
Commercial paper programs	375.1	879.3	(1.5)		877.8
Bank debt and other financial debt	1,251.3	1,138.8	9.1		1,147.9
Finance leases (d)	24.6	27.2			27.2
Put options granted to minority shareholders	17.4	63.0			63.0
LONG-TERM BORROWINGS	**7,216.4**	**8,209.0**	**(4.8)**	**(0.8)**	**8,203.4**

(a) Nominal amount.
(b) Amortized cost including accrued interest.
(c) Remeasurement of the debt in connection with fair value hedging.
(d) See note 12.3 Finance leases.

24.1 CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets or liabilities with a carrying amount differing from their fair value are unhedged fixed-rate borrowings.

	2014		2015	
(in millions of euros)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
FINANCIAL LIABILITIES				
Non-current borrowings	5,883.8	6,411.1	6,290.7	6,778.1

The Group's financial instruments are measured at fair value to the extent that available financial market data enables a reliable estimate of their market value assuming the absence of any intentions or needs to liquidate.

In 2015, the decrease in long-term interest rates in euro (and to a lesser extent in US dollars, Japanese yen and Chinese renminbi) had a negative impact on the fair value of non-current borrowings, due to the preponderance of fixed-rate debt in Group debt.

24.2 MATURITY OF BORROWINGS

			Maturity									
					≥ 1 year and ≤ 5 years				> 5 years			
2015 *(in millions of euros)*	**Nominal amount**	**Carrying amount**	**On demand**	**< 1 year**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**> 2023**
Bonds	4,148.3	4,121.1		449.9	512.7	566.2	253.8	498.3	500.7	72.9	306.3	960.3
Private placements	1,952.4	1,966.4		103.1	249.7	169.8	303.6			490.4		649.8
Commercial paper programs	879.3	877.8		877.8								
Bank debt and other financial debt	1,138.8	1,147.9		465.8	185.2	127.7	107.6	67.4	47.2	45.0	37.6	64.4
Finance leases [(a)]	27.2	27.2		10.6	8.1	3.7	1.6	1.2	0.7	0.9	0.1	0.3
Put options granted to minority shareholders	63.0	63.0	57.5	5.5								
TOTAL BORROWINGS	**8,209.0**	**8,203.4**	**57.5**	**1,912.7**	**955.7**	**867.4**	**666.6**	**566.9**	**548.6**	**609.2**	**344.0**	**1,674.8**

(a) See note 12.3 Finance leases.

2014 *(in millions of euros)*	Nominal amount	Carrying amount	Maturity									
			On demand	< 1 year	≥ 1 year and ≤ 5 years				> 5 years			
					2016	2017	2018	2019	2020	2021	2022	> 2022
Bonds	4,146.9	4,131.9		562.4	445.7	524.4	562.1	259.2	493.2	499.9	332.6	452.4
Private placements	1,402.3	1,416.1			93.1			274.5			108.2	940.3
Commercial paper programs	379.1	375.1		375.1								
Bank debt and other financial debt	1,235.2	1,251.3		389.3	278.2	143.9	139.7	105.1	70.3	51.6	48.2	25.0
Finance leases [a]	24.6	24.6		5.8	7.8	4.4	2.7	1.2	1.1	1.4	0.2	
Put options granted to minority shareholders	17.4	17.4	17.4									
TOTAL BORROWINGS	**7,205.5**	**7,216.4**	**17.4**	**1,332.6**	**824.8**	**672.7**	**704.5**	**640.0**	**564.6**	**552.9**	**489.2**	**1,417.7**

(a) See note 12.3 Finance leases.

It is the Group policy to spread over time the maturity of long-term debt (bonds, private placements and bank credit facilities) in order to limit annual refinancing needs.

24.3 NET INDEBTEDNESS BY CURRENCY

The Group provides a natural hedge and reduces its exposure to currency fluctuations by raising debt mainly in the currency of the cash flows that are generated to repay the debt. In most countries, and especially outside the euro, US dollar and Japanese yen zones, financing is raised in either local or foreign currency (EUR or USD) when sales contracts are indexed in foreign currency. Debt in other foreign currency is mainly denominated in Chinese renminbi, British pound sterling, Swiss franc, Brazilian real, and Taiwanese dollar currencies.

As part of intra-group multi-currency financing, the Group Financing Treasury converts the debt raised in financial markets into various currencies to refinance subsidiaries in their functional currencies or their cash flow currencies. The breakdown of this hedging portfolio is shown in the table below.

Accordingly, a portion of the euro debt raised was converted (3,198.6 million euros) to other currencies to refinance foreign subsidiaries. Out of the Group's US dollar gross debt amounting to 3,314.7 million euros, 1,365.7 million was raised directly in US dollars and 1,949.0 million euros was raised in euros and converted to US dollars using currency swap contracts.

2015 *(in millions of euros)*	Gross debt – original issue	Cash and cash equivalents	Currency swaps	Adjusted net indebtedness	Non-current assets
EUR	5,429.6	(487.0)	(3,198.6)	1,744.0	8,278.2
USD	1,365.7	(142.2)	1,949.0	3,172.5	5,728.5
JPY	377.6	(20.2)	313.4	670.8	1,187.6
CNY	672.0	(106.5)	309.4	874.9	2,402.2
Other currencies	359.3	(209.6)	626.8	776.5	5,625.5
TOTAL	**8,204.2**	**(965.5)**		**7,238.7**	**23,222.0**

2014 (in millions of euros)	Gross debt – original issue	Cash and cash equivalents	Currency swaps	Adjusted net indebtedness	Non-current assets
EUR	4,721.5	(550.5)	(2,566.7)	1,604.3	8,102.0
USD	1,121.6	(85.0)	1,476.9	2,513.5	4,885.6
JPY	343.2	(8.5)	358.4	693.1	1,083.6
CNY	616.1	(91.3)	344.5	869.3	2,181.5
Other currencies	414.0	(174.8)	386.9	626.1	5,186.2
TOTAL	**7,216.4**	**(910.1)**		**6,306.3**	**21,438.9**

24.4 FIXED-RATE PORTION OF GROSS DEBT

(as % of total debt)		2014	2015
EUR debt	Portion of fixed-rate debt	85%	58%
	Additional optional hedges [(a)]	6%	3%
USD debt	Portion of fixed-rate debt	66%	75%
	Additional optional hedges [(a)]		
JPY debt	Portion of fixed-rate debt	90%	100%
	Additional optional hedges [(a)]		
Total debt	Portion of fixed-rate debt	77%	72%
	Additional optional hedges [(a)]	2%	1%

(a) Additional optional hedging instruments consist of inactivated caps allowing a maximum interest rate to be set in advance, while benefiting from short-term interest rates movement, in return for the payment of a premium.

As of December 31, 2015, fixed-rate debt represented 72% of the gross debt. Including all optional hedging instruments up to the total amount of gross debt in each currency, the average debt hedging ratio (fixed rate + hedging options) was 73%.

The hedging fixed-rate of the debt denominated in euro has decreased, including optional hedging instruments; due to the set-up of several currency and interest rate swaps (fixed-rate euro/ fixed-rate currencies) to hedge intra-group loans to subsidiaries, the maturing of fixed-rate hedges and floating-rate euro bond issues.

The hedging fixed-rate of the debt denominated in US dollar increased following the issue of new euro/US dollar currency and interest rate swaps, to replace the floating-rate debt.

The hedging fixed-rate of the debt denominated in Japanese yen also increased, following the repayment of currency swaps.

24.5 BREAKDOWN OF AVERAGE NET FINANCE COSTS

	2014			2015		
(in millions of euros)	Average outstanding debt	Net interests	Average net finance cost	Average outstanding debt	Net interests	Average net finance cost
EUR	1,924.4	81.8	4.3%	1,997.2	68.2	3.4%
USD	2,352.7	59.5	2.5%	3,112.4	83.8	2.7%
JPY	742.7	13.8	1.9%	716.7	13.9	1.9%
CNY	846.4	51.7	6.1%	966.8	55.4	5.7%
Other currencies	845.0	62.0	7.3%	1,052.7	68.7	6.5%
Capitalized interests [(a)]		(39.9)			(62.9)	
TOTAL	**6,711.2**	**228.9**	**4.0%**	**7,845.8**	**227.1**	**3.7%**

(a) Excluded from the cost of debt per currency.

The average net finance cost decreased to 3.7% in 2015. This decrease results from lower bond refinancing costs, profits generated by pooling and the increased use of commercial paper for financing.

24.6 PUT OPTIONS GRANTED TO MINORITY SHAREHOLDERS

(in millions of euros)	**2014**	**2015**
Put options granted to minority shareholders	17.4	63.0

The variation between 2014 and 2015 primarily include the recognition of put options granted to minority shareholders following the acquisitions of OMT Gmbh & Co.KG in Germany on January 07, 2015 and Respiratory Homecare Solutions Canada Inc. in Canada on March 13, 2015.

24.7 OTHER INFORMATION

Other financing information

Financial covenants are associated with three bank debt facilities exceeding 50 million euros:

- a long-term loan to Air Liquide Far Eastern (Taiwan) with an outstanding amount of 2.1 billion Taiwanese dollars (equivalent to 59.5 million euros) as of December 31, 2015. Financial covenants were all met as of December 31, 2015;
- a long-term loan to Air Liquide Arabia (Saudi Arabia) with an outstanding amount of 233.9 million US dollars (equivalent to 214.8 million euros) as of December 31, 2015. Financial covenants were all met as of December 31, 2015;
- a long-term loan to Air Liquide Yenakievo (Ukraine) with an outstanding amount of 81 million euros as of December 31, 2015. In order to cope with the consequences of the political environment in Dombass area (Ukraine) for Air Liquide Yenakievo, and after signing a first amendment in 2014, Air Liquide has entered into negotiations with the lending institution and sent a Notification of Political Risk Event allowing (if confirmed) a discharge of obligations for the guarantor.

Bank credit facilities subject to financial covenants slightly decreased to 9,1% of the Group's gross debt as of December 31, 2015.

Bonds issued by both L'Air Liquide S.A. and Air Liquide Finance S.A. and making up the carrying amount of bonds as of December 31, 2015, include a change of control clause, with the exception of the 170 million euros bond issued by Air Liquide Finance S.A., maturing in June 2018.

In addition, as of December 31, 2015, a portion of borrowings was guaranteed by assets valued at 140.7 million euros (175.9 million euros as of December 31, 2014).

Information relating to non-recourse assignments of trade receivables

Non-recourse assignments of trade receivables represent 146.1 million euros compared to 23.6 million euros at the end of 2014. These transactions constitute neither a risk nor a financial commitment for the Group.

In December 2015, certain Group subsidiaries concluded an agreement with a factoring company regarding non-recourse assignments of receivables. Initially, the programme covers an amount of 150 million euros and finishes in February 2017, with the possibility of being renewed every year for a period of 12 months. The assigned receivables, in the amount of 79.9 million euros, were derecognized as of December 31, 2015, as virtually all the risks and rewards were transferred to the assignee.

Note 25 – Financial risk policy and management

25.1 FINANCIAL RISK MANAGEMENT

Risk management is a priority for the Group. Consequently, the Finance Department defined its governance with regards to the financial decision-making process at two levels:

- **A Strategic Finance Committee,** composed of Executive Management members as well as members of the Finance Department, whose purpose is to oversee the correct application of the Group's financial policy, approve proposals and suggestions submitted to it and review on a regular basis the rules governing the Group's financial policy. This Committee meets at least three times a year and upon request if necessary, under the authority of the Chairman and Chief Executive Officer. It includes the Chief Financial Officer, the Corporate Finance and M&A Director, and the Group Financing and Treasury Director.

- **An Operational Finance Committee,** internal to the Finance Department, whose purpose is to make decisions on the Group's day-to-day financial management, submit proposals of structuring operations to the Strategic Finance Committee, and ensure that they are implemented once approved. This Committee meets every four to six weeks. It is composed of the Chief Financial Officer, the Corporate Finance and M&A Director and the Group Financing and Treasury Director, assisted by a Committee Secretary.

The Finance Department centrally manages the main financial risks, in accordance with decisions taken by the Strategic Finance Committee to which it reports on a regular basis. The Finance Department also performs country and customer risks analyses associated with investment decisions and attends Investment Committee meetings.

The financial policy adopted by Air Liquide, the purpose of which is to minimize the risk exposure for the Group and its subsidiaries, enabled the Group to ensure sustainable funding sources in 2015. In order to minimize the refinancing risk related to the debt repayment schedules, the Group diversifies funding sources and spreads maturity dates over several years. In 2015, the average debt maturity was 5 years. As of December 31, 2015, the long-term debt ratio (gross debt maturing in more than one year / total gross debt) represented 77% of the overall Group debt, compared to 82% as of December 31, 2014.

Interest rate and foreign currency hedging strategies validated by the Operational Finance Committee are set up depending on market opportunities with a concern for optimization, while complying with prudence and risk limitation principles.

The Group also pays particular attention to its bank and customer counterparty risks by regularly monitoring ratings and the level of risk associated with these counterparties.

a) Foreign exchange risk

Principles

Financial instruments are only used to hedge transaction-based foreign exchange risk. This risk is attached on the one hand to financial cash flows arising from patent royalties, brands, technical support, dividends, intra-group loans and borrowings denominated in foreign currencies and on the other hand to foreign currency commercial cash flows from operating entities. Commercial cash flows denominated in foreign currencies do not represent significant amounts compared to consolidated revenue.

Foreign exchange risk related to patent royalties, brands, technical support, dividend flows and intra-group loans and borrowings in foreign currencies is hedged by the Group Financing Treasury using currency forwards or options with a maximum term of 18 months.

Foreign currency commercial flows from operating units are hedged either as part of the annual budgetary process for subsidiaries with recurring flows in foreign currencies or at the signing date of a sale or purchase contract for non-recurring flows, as is the case for the Engineering & Construction business line. Around a hundred subsidiaries are exposed to foreign exchange risk. These subsidiaries mainly use currency forwards set up by Air Liquide Finance S.A. (internal counterparty for hedging transactions) except in countries where it is prohibited by local regulations. The majority of these contracts have short maturities (three to twelve months) and market transactions are regulated by master agreements of the French Banking Federation ("FBF") or by master agreements of the International Swaps and Derivative Association ("ISDA") for local hedging operations.

When preparing their budget at the year-end, subsidiaries report their foreign exchange risk exposure for the following year to the Group Financing Treasury in order to hedge their commercial cash flows on a forecast basis.

In each case, the Group Financing Treasury monitors the adequacy of hedging instruments with the identified risks and performs a full revaluation of all hedging instruments every six months.

Sensitivity of income statement and balance sheet items to foreign currency fluctuations

The table below sets out the effect of a 1% increase in the foreign exchange rate on the following items:

(in millions of euros)	Revenue	% total group	Operating income recurring	% total group	Net profit	% total group	Equity	% total group
USD	30.7	0.19%	6.3	0.22%	2.6	0.15%	21.8	0.18%
CNY	15.7	0.10%	3.0	0.10%	1.4	0.08%	15.2	0.12%
JPY	9.7	0.06%	1.3	0.04%	0.5	0.03%	4.2	0.03%
CAD	6.3	0.04%	1.4	0.05%	0.9	0.05%	2.0	0.02%

The foreign currency risk sensitivity analysis shows that a 1% increase in the four major currencies as of December 31, 2015 would result in changes to revenue, operating income recurring, net profit and equity as indicated above.

A 1% decrease in the above currencies as of December 31, 2015, would have the equivalent but opposite effects as those presented above assuming that all other variables remained constant.

Sensitivity of derivatives and their underlying hedged items to foreign currency fluctuations

The table below shows the effect of a 1% fluctuation in hedging currency exchange rates on the recognition of the foreign exchange derivatives portfolio in the Group's net profit and equity as of December 31, 2015. The sensitivity of net profit and equity primarily reflects the effect of foreign exchange swaps relating to the intra-group financing activity of the subsidiary Air Liquide Finance S.A., and currency forward hedging instruments contracted at head office level.

	Foreign exchange risk			
	+1%		-1%	
(in millions of euros)	P&L impact	Equity impact	P&L impact	Equity impact
Foreign exchange derivatives and their hedged underlying items	0.0	2.7	0.0	(2.7)

b) Interest rate risk

Principles

Air Liquide centrally manages interest rate risk on the main currencies: euro, US dollar, Chinese renminbi and Japanese yen, which represented 89% of the overall net debt at the end of 2015. Regarding other currencies, the Finance Department provides subsidiaries with advice as to the different types of bank loans and/or hedging transactions to enter into according to the characteristics of local financial markets.

The Group policy is to maintain the major portion of total debt at fixed rates and to protect the residual balance using optional hedging instruments. This approach enables the Group to limit the effect of interest rate fluctuations on financial expenses.

Consequently, at the 2015 year-end, 72% of the overall gross debt was fixed-rate debt and an additional 1% was covered using optional hedging instruments. The fixed-rate/floating-rate breakdown is reviewed on a regular basis by the Strategic Finance Committee, depending on interest rate fluctuations and the level of Group debt.

Sensitivity of floating-rate debt to interest rate fluctuations

The Group net indebtedness exposed to interest rate fluctuations amounted to around 1,200 million euros as of December 31, 2015 (gross debt adjusted for interest rate hedging instruments and short-term securities) compared to 607 million euros as of December 31, 2014.

The increase in the portion of net debt exposed to interest rate fluctuations was mainly due to the increased use of commercial paper for financing.

An increase or a decrease in interest rates by 100 basis points (±1%) across all yield curves would have an effect of approximately ±12 million euros on the Group's annual financial expenses before tax, assuming outstanding debt remains constant.

Sensitivity to interest rate fluctuations on derivatives and their underlying hedged items

The table below shows the effect of a 0.5% fluctuation in interest rates across all foreign currencies on the interest rate derivatives portfolio in the Group's net profit and equity, as of December 31, 2015.

	Interest rate risk			
	+0.5%		-0.5%	
(in millions of euros)	P&L impact	Equity impact	P&L impact	Equity impact
Interest rate derivatives and their hedged underlying items	(1.3)	(65.5)	(1.2)	69.7

All hedging instruments used for interest rate or foreign exchange risk management purposes relate to identified risks and are set up to comply with the Group's financial policy. The effect on equity primarily stems from the fixed-rate hedging instruments contracted by Air Liquide Finance S.A.

Moreover, to protect the Group against a potential increase in euro rates until the refinancing of a bond issue (500 million euros), maturing in July 2017, a firm hedge for 100 million euros was set up in October 2015.

c) Counterparty risk

Counterparty risks for Air Liquide potentially include customers and bank counterparties.

The Group's subsidiaries serve a very significant number of customers (over 1 million worldwide) located in extremely various markets: chemicals, steel, refining, food, pharmaceuticals, metals, automotive, manufacturing, healthcare, research laboratories, photovoltaic, etc. In 2015, the Group's main customer represents around 2% of revenue, the Group's 10 main customers represent around 12% of sales, and the Group's 50 main customers represent around 28% of sales. The geographical risk is limited by the Group's sustainable presence on all continents, in 80 countries. This diversity reduces customer and market risk.

To better assess its exposure, the Group has implemented procedures to regularly monitor the financial situation of its major customers, as well as a monthly reporting for the Group's 150 main transnational customers in order to monitor the related consolidated risk.

Moreover, customer risk assessment and in particular the quality of the customer's site is an important component of the investment decision process.

Bank counterparty risk relates to the outstanding amount of deposits, market values of derivatives and credit lines contracted with each bank. Pursuant to its financial policy, in the vast majority of cases the Group requires a long-term Standard & Poor's "A" rating or a Moody's "A2" rating from its counterparties to accept commitments on financial instruments. The Group's credit lines are also spread among several banks from various geographical areas to avoid the risk of concentration while complying with the same rating requirements. The Operational Finance Committee regularly reviews and approves the list of bank counterparties related to investments and the list of financial instruments. With regards to short-term investments, outstandings are subject to strict limits per counterparty.

IFRS13 Fair value measurement specifies that the valuation of currency, interest rate and commodity hedging instruments must take into account the counterparty credit risk attached to these transactions. Considering the aforementioned counterparty selection criteria, the effect on the periodic valuations calculated by applying the historical default probabilities method is not material.

d) Liquidity risk

It is the Group financial policy to spread over time the maturity of long-term debt in order to avoid concentration of annual refinancing needs. Liquidity risk is also reduced by the stability of cash flows generated from operations as well as by having confirmed credit lines in place. The financial covenants attached to the current financing arrangements described in note 24.7, do not affect the Group's access to liquidity.

The carrying amount of short-term financing in the form of commercial paper amounted to 878 million euros as of December 31, 2015, an increase of +503 million euros compared to the end of 2014. The average amount of commercial paper amounted to 1,164 milllion euros in 2015 compared to 606 million euros in 2014. The Group policy requires that commercial paper in issue be backed by confirmed long-term credit lines. In 2015, this requirement was met, the amount of confirmed credit lines of 2,570 million euros, exceeding outstanding commercial paper.

The table below presents the maturities of bilateral and syndicated credit lines:

(in millions of euros)	2016	2017	2018	2019	2020	Total
Bilateral lines and syndicated credit lines	200.0	50.0	540.0	380.0	1,400.0	2,570.0

The bilateral line, maturing in 2016, was renewed on January 8, 2016, for the same amount and a period of five years.

When the Group makes short-term financial investments other than bank deposits, it systematically favors monetary instruments with a short-term maturity in order to limit the risk of non-liquidity or high volatility.

The following tables represent the future cash flows related to the main balance sheet items and to the derivative financial instruments recognized at the end of the last two periods. Interest flows are calculated in accordance with IFRS7 and represent interests payable for each relevant period. Interest flows related to floating interest rate or foreign currency instruments are calculated using the closing interest and exchange rates as of December 31, 2014 and 2015. Flows related to debt repayment obligations differ from the amounts recognized in the Group's balance sheet due to the accounting treatment applied to borrowings and the exclusion of hedging instruments.

2015 *(in millions of euros)*	Book value as of December 31, 2015	Cash Flow < 1 year		Cash flow ≥ 1 year and ≤ 5 years		Cash Flow > 5 years	
		Interest	Capital refund	Interest	Capital refund	Interest	Capital refund
Derivative instruments							
Assets							
Fair value of derivatives (assets)	162.9	44.9	395.8	138.0	1,279.6	50.5	1,118.5
Liabilities							
Fair value of derivatives (liabilities)	(288.7)	(92.9)	(382.6)	(294.4)	(1,286.0)	(125.6)	(1,118.5)
SUB-TOTAL DERIVATIVE INSTRUMENTS		**(48.0)**	**13.2**	**(156.4)**	**(6.4)**	**(75.1)**	
Assets							
Loans and other non-current receivables	339.7				339.7		
Trade receivables	2,981.1		2,933.3		47.8		
Cash and cash equivalents	965.5	1.6	963.9				
SUB-TOTAL ASSETS		**1.6**	**3,897.2**		**387.5**		
Liabilities							
Non-current borrowings	(6,290.7)	(156.7)		(559.8)	(3,072.4)	(319.2)	(3,171.1)
Other non-current liabilities	(243.8)				(243.8)		
Trade and other payables	(2,269.3)		(2,225.1)		(44.2)		
Current borrowings	(1,912.7)	(14.1)	(1,901.8)				
SUB-TOTAL LIABILITIES		**(170.8)**	**(4,126.9)**	**(559.8)**	**(3,360.4)**	**(319.2)**	**(3,171.1)**

2014 *(in millions of euros)*	Book value as of December 31, 2014	Cash Flow < 1 year		Cash flow ≥ 1 year and ≤ 5 years		Cash Flow > 5 years	
		Interest	Capital refund	Interest	Capital refund	Interest	Capital refund
Derivative instruments							
Assets							
Fair value of derivatives (assets)	127.4	38.3	293.5	123.9	1,133.6	44.3	1,144.9
Liabilities							
Fair value of derivatives (liabilities)	(170.4)	(71.9)	(304.6)	(231.4)	(1,138.4)	(101.2)	(1,144.9)
SUB-TOTAL DERIVATIVE INSTRUMENTS		**(33.6)**	**(11.1)**	**(107.5)**	**(4.8)**	**(56.9)**	
Assets							
Loans and other non-current receivables	280.9				280.9		
Trade receivables	2,879.8		2,802.8		77.0		
Cash and cash equivalents	910.1	0.4	909.7				
SUB-TOTAL ASSETS		**0.4**	**3,712.5**		**357.9**		
Liabilities							
Non-current borrowings	(5,883.8)	(159.6)		(559.9)	(2,817.2)	(332.0)	(3,048.0)
Other non-current liabilities	(232.2)				(232.2)		
Trade and other payables	(2,183.7)		(2,155.5)		(28.2)		
Current borrowings	(1,332.6)	(31.2)	(1,354.4)				
SUB-TOTAL LIABILITIES		**(190.8)**	**(3,509.9)**	**(559.9)**	**(3,077.6)**	**(332.0)**	**(3,048.0)**

Cash and cash equivalents increased slightly at the end of 2015. The carrying amount of non-current borrowings has increased, following the 991 million euro bond issues maturing in 2, 3, 7 and 10 years, partially offset by the reclassification of non-current debt maturing in the next twelve months to current debt. The increase in current borrowings primarily reflects the increased use of the commercial paper program, with the reclassification of the debt maturing in the next twelve months being offset by the repayment of short-term debts.

The following tables represent the future cash flows maturing in less than one year relating to the main balance sheet items and derivative financial instruments. Interest and repayment flows relating to current borrowings maturing in less than three months correspond to bank overdrafts and a portion of short-term borrowings recorded at the 2015 year-end. Interest and repayment flows relating to current borrowings maturing in more than three months and less than one year include short-term debt and the portion of the Group's long-term debt maturing in less than one year.

2015 *(in millions of euros)*	Cash flow < 1 year			
	< 3 months		≥ 3 months and < 1 year	
	Interest	Capital refund	Interest	Capital refund
Derivative instruments				
Assets				
Fair value of derivatives (assets)	0.3	37.6	44.6	358.2
Liabilities				
Fair value of derivatives (liabilities)	(5.6)	(27.1)	(87.3)	(355.5)
SUB-TOTAL DERIVATIVE INSTRUMENTS	**(5.3)**	**10.5**	**(42.7)**	**2.7**
Liabilities				
Non-current borrowings	(32.0)		(124.7)	
Trade payables		(1,945.0)		(280.1)
Current borrowings	(4.1)	(1,082.3)	(10.0)	(819.5)
SUB-TOTAL LIABILITIES	**(36.1)**	**(3,027.3)**	**(134.7)**	**(1,099.6)**

2014 *(in millions of euros)*	Cash flow < 1 year			
	< 3 months		≥ 3 months and < 1 year	
	Interest	Capital refund	Interest	Capital refund
Derivative instruments				
Assets				
Fair value of derivatives (assets)	0.2	98.2	38.1	195.3
Liabilities				
Fair value of derivatives (liabilities)	(5.0)	(105.6)	(66.9)	(199.0)
SUB-TOTAL DERIVATIVE INSTRUMENTS	**(4.8)**	**(7.4)**	**(28.8)**	**(3.7)**
Liabilities				
Non-current borrowings	(34.9)		(124.7)	
Trade payables		(1,910.4)		(245.1)
Current borrowings	(6.8)	(614.8)	(24.4)	(739.6)
SUB-TOTAL LIABILITIES	**(41.7)**	**(2,525.2)**	**(149.1)**	**(984.7)**

e) Hierarchy of financial instruments fair value

(in millions of euros)	2014	2015
Level 1	**11.3**	**10.6**
Available-for-sale financial assets (listed shares)	11.3	10.6
Level 2	**(43.0)**	**(125.8)**
Derivatives	(43.0)	(125.8)
Level 3	**17.4**	**63.0**
Put options granted to minority shareholders	17.4	63.0

f) Commodity risk (energy contracts)

Most of Air Liquide's energy supplies are obtained through forward purchase contracts at a fixed or indexed price.

IAS39 provides for the inclusion within its scope of forward purchases and sales of non-financial assets when these transactions are deemed similar to derivative instruments.

However, IAS39 considers that forward contracts for non-financial assets should not be considered as derivatives when they have been entered into to meet the Company's "normal" business requirements, resulting in the delivery upon maturity of the underlying item for use in the Company's industrial process. As Air Liquide does not purchase electricity or natural gas for the purpose of speculating or arbitraging on commodity price trends, no forward contracts relating to energy meet the definition of a derivative instrument. These contracts were entered into as part of the Company's normal business to be used in the industrial process.

Furthermore, in a global context of highly volatile electricity and natural gas market prices, Air Liquide continues to index long-term customer contracts to hedge these risks. For natural gas and electricity prices, the opening of some markets led the Group, under these circumstances, to replace the price indices used during the regulated period by indices relevant to each local market.

Nonetheless, a few isolated contracts remain for which price indexation alone cannot guarantee a total and effective hedge against the risk of energy price fluctuations. These risks are therefore hedged by Air Liquide, and specifically Air Liquide Finance S.A., using adequate commodity derivatives and mainly swaps with maturities of less than two years.

The fair value recognition of these derivative instruments had no material impact on Group equity or profits as of December 31, 2015.

25.2 INFORMATION ON DERIVATIVE INSTRUMENTS

The Group policy consists in using financial derivatives only when hedging actual financial flows. As a result, the majority of derivative financial instruments used by the Group benefit from hedge accounting. Derivative instruments that do not benefit from hedge accounting do not represent material amounts and are not used for speculative purposes.

Impact of the fair value recognition of derivative instruments on the balance sheet:

		ASSETS					EQUITY AND LIABILITIES						
				Fair value of derivatives							Fair value of derivatives		
2015 *(in millions of euros)*	**IFRS classification**	**Deferred tax assets**	**Trade receivables**	**Assets – non current**	**Assets – current**	**Total**	**Net income recognized in equity**	**Profit for the period**	**Borrowings**	**Trade payables**	**Liabilities – non current**	**Liabilities – current**	**Total**
Foreign exchange risk													
Currency forwards hedging future cash flows	CFH (a)	(0.4)			32.0	31.6	2.9	(2.0)				30.7	31.6
Currency forwards hedging transactions recorded in the accounts and Cross Currency Swaps	FVH (b)	0.5	6.1	79.5	20.7	106.8		(0.7)	(164.8)	4.4	241.5	26.4	106.8
Other derivatives	(c)				1.6	1.6		(0.4)	1.6 (e)			0.4	1.6
Currency embedded derivatives and Cross Currency Swaps	NIH (d)	10.9		1.5	0.9	13.3	(20.2)				33.5		13.3
Interest rate risk													
Interest rate swaps	FVH (b)			(0.8)		(0.8)			(0.8)				(0.8)
Swaps, options and Cross Currency Swaps	CFH (a) and NIH (d)	(21.9)		19.9		(2.0)	41.8				(43.7)	(0.1)	(2.0)
Commodity risk (Energy)													
Forwards hedging future cash flows	CFH (a)	(2.6)			7.6	5.0	5.0						5.0
TOTAL		**(13.5)**	**6.1**	**100.1**	**62.8**	**155.5**	**29.5**	**(3.1)**	**(164.0)**	**4.4**	**231.3**	**57.4**	**155.5**

(a) CFH: Cash Flow Hedge.

(b) FVH: Fair Value Hedge.

(c) Derivative instruments not benefiting from hedge accounting.

(d) NIH: Net Investment Hedge.

(e) Financial instrument not recognized as a hedging instrument under IAS39.

2014 *(in millions of euros)*	IFRS classification	ASSETS					EQUITY AND LIABILITIES						
				Fair value of derivatives							Fair value of derivatives		
		Deferred tax assets	Trade receivables	Assets – non current	Assets – current	Total	Net income recognized in equity	Profit for the period	Borrowings	Trade payables	Liabilities – non current	Liabilities – current	Total
Foreign exchange risk													
Currency forwards hedging future cash flows	CFH [a]	2.0			25.5	27.5	(2.3)	(2.3)				32.1	27.5
Currency forwards hedging transactions recorded in the accounts and Cross Currency Swaps	FVH [b]		7.2	45.8	22.0	75.0		(0.5)	(75.0)	16.0	103.4	31.1	75.0
Other derivatives	[c]	0.1			4.2	4.3		(0.1)	4.2 [e]			0.2	4.3
Currency embedded derivatives and Cross Currency Swaps	NIH [d]	5.6		2.5	0.9	9.0	(9.6)				18.6		9.0
Interest rate risk													
Interest rate swaps	FVH [b]												
Swaps, options and Cross Currency Swaps	CFH [a] and NIH [d]	(12.3)		20.6		8.3	23.4				(49.0)	33.9	8.3
Other derivatives	[c]							(0.1)				0.1	
Commodity risk (Energy)													
Forwards hedging future cash flows	CFH [a]	(2.0)			5.9	3.9	3.9						3.9
TOTAL		**(6.6)**	**7.2**	**68.9**	**58.5**	**128.0**	**15.4**	**(3.0)**	**(70.8)**	**16.0**	**73.0**	**97.4**	**128.0**

(a) CFH: Cash Flow Hedge.

(b) FVH: Fair Value Hedge.

(c) Derivative instruments not benefiting from hedge accounting.

(d) NIH: Net Investment Hedge.

(e) Financial instrument not recognized as a hedging instrument under IAS39.

Maturity schedule for fixed-rate debt, taking into account interest-rate hedging

2015 *(in millions of euros)*	Currency of issue	Carrying amount	Nominal amount outstanding	Interest rates repricing dates		
				< 1 year	≥ 1 and ≤ 5 years	> 5 years
Original issue – left at fixed rate	EUR	1,210.2	1,210.2	11.4	521.4	677.4
Interest rate swaps hedges	EUR		51.2	51.2		
Caps hedges	EUR		75.0	75.0		
Original issue – left at fixed rate	USD	2,394.8	2,394.8	0.3	747.3	1,647.2
Interest rate swaps hedges	USD		88.6	5.8	18.0	64.8
Original issue – left at fixed rate	JPY	699.9	699.9	200.9	270.9	228.1

2014 *(in millions of euros)*	Currency of issue	Carrying amount	Nominal amount outstanding	Interest rates repricing dates		
				< 1 year	≥1 and ≤ 5 years	> 5 years
Original issue – left at fixed rate	EUR	1,710.6	1,710.6	265.1	539.4	906.1
Interest rate swaps hedges	EUR		104.9	50.0	54.9	
Caps hedges	EUR		125.0	50.0	75.0	
Original issue – left at fixed rate	USD	1,691.9	1,691.9	0.6	392.6	1,298.7
Interest rate swaps hedges	USD		33.2	1.2	32.0	
Original issue – left at fixed rate	JPY	631.9	631.9		426.0	205.9

Note 26 – Other liabilities (non-current/current)

26.1 OTHER NON-CURRENT LIABILITIES

(in millions of euros)	2014	2015
Investment grants	64.5	68.8
Advances and deposits received from customers	66.3	59.9
Other non-current liabilities	101.4	115.1
TOTAL OTHER NON-CURRENT LIABILITIES	**232.2**	**243.8**

26.2 OTHER CURRENT LIABILITIES

(in millions of euros)	2014	2015
Advances received	275.3	315.1
Advances and deposits received from customers	92.3	92.6
Other payables	639.9	672.8
Accruals and deferred income	215.8	221.9
TOTAL OTHER CURRENT LIABILITIES	**1,223.3**	**1,302.4**

Amounts payable to customers under Engineering & Construction contracts and amounting to 138.9 million euros are included in other current liabilities as of December 31, 2015 (153.4 million euros in 2014).

Note 27 – Trade payables

(in millions of euros)	2014	2015
Operating suppliers	1,927.8	2,012.8
Property, plant and equipment and intangible assets suppliers	255.9	256.5
TOTAL TRADE PAYABLES	**2,183.7**	**2,269.3**

Note 28 – Related party information

28.1 TRANSACTIONS WITH COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of L'Air Liquide S.A. and all the subsidiaries listed on pages 106 to 108. L'Air Liquide S.A. is the ultimate parent company.

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

Information related to associates and joint ventures is disclosed in note 14 to the consolidated financial statements.

28.2 REMUNERATION ALLOCATED TO MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT BODIES

The remuneration of Group executives includes the remuneration allocated to the Board of Directors and the Company's management bodies as compensation for their duties within the entire Group as employees and corporate officers for the respective fiscal years. The Company's management bodies include all the members of Executive Management and the Executive Committee. The amounts expensed in this respect are as follows:

(in thousands of euros)	2014	2015
Short-term benefits	14,871	15,156
Post-employment benefits: pension and health coverage	2,312	2,273
Share-based payments	5,854	6,361
TOTAL	**23,037**	**23,790**

Short-term benefits

Short-term benefits include fixed remuneration, variable remuneration, benefits in kind and Directors' fees. The entire variable remuneration portion due for any given year is paid the following year after the financial statements have been approved.

The remuneration policy for members of the executive team takes into account market practices. It includes a substantial variable portion depending on the achievement of earnings and individual performance objectives.

Post-employment benefits

Post-employment benefits include the contributions paid to external pension funds for members of Executive Management and of the Executive Committee. Retirement commitments for executives and former executives of the Board of Directors amounted to 27,574 thousand euros in 2015 and 46,544 thousand euros in 2014.

Share-based payments

Stock options held by members of Executive Management and of the Executive Committee have the following expiry dates and strike prices:

Year	Expiry date	Strike price *(in euros)*	Number 2014	Number 2015
2007 (May 9)	05/08/15	64.03	56,034	
2008 (July 9)	07/08/16	64.66	189,265	113,736
2009 (June 15)	06/14/17	50.03	290,214	261,704
2010	06/27/18	68.26	354,443	306,843
2011 (October 14)	10/13/21	71.54	383,038	363,901
2012 (May 11)	05/10/22	79.77	7,297	7,297
2012 (September 27)	09/26/22	87.60	365,493	330,771
2013 (September 26)	09/25/23	92.49	424,594	424,594
2014 (September 22)	09/21/24	97.00	395,000	395,000
2015 (September 28)	09/27/25	105.00		193,400

The fair value of options granted in September 2015 and determined according to IFRS2 amounted to:

- 13.30 euros per option for options subject to performance conditions linked to the Group's results (17.32 euros per option in September 2014);
- 11.74 euros per option for options subject to performance conditions linked to the share price trend (14.07 euros per option in September 2014).

These amounts are expensed over the option vesting period. The amounts that will be recognized in future periods in respect of the granted options totaled 10,896 thousand euros as of December 31, 2015 (14,662 thousand euros as of December 31, 2014).

The 2015 plan options granted to corporate officers and Executive Committee members cannot be exercised unless the Company achieves certain performance conditions.

No options were granted to other non-executive Directors under these plans.

Note 29 – Commitments

Commitments are given in the normal course of the Group's business.

(in millions of euros)	2014	2015
Firm purchase orders for fixed assets	1,439.8	1,388.2
Lease commitments which cannot be terminated	716.0	993.0
Other commitments related to operating activities	229.9	205.3
Commitments relating to operating activities	**2,385.7**	**2,586.5**
Commitments relating to financing operations and consolidation scope	**74.0**	**69.7**
TOTAL	**2,459.7**	**2,656.2**

Air Liquide owns a 13.7% stake in Exeltium S.A.S. amounting to 23.8 million euros.

On March 24, 2010, Exeltium and EDF entered into an industrial partnership agreement under which Exeltium can acquire rights to a portion of EDF's electronuclear production. In consideration, Exeltium and its shareholder clients signed long-term electricity supply contracts. The contract signed by Air Liquide has a 20-year term and can be suspended by Air Liquide after 10 years. This contract provides long-term visibility over the price of the electricity to be supplied. This project was approved by the European Commission.

The Group's energy purchase commitments amounted to 1,699.1 million euros as of December 31, 2015 (2,184 million euros as of December 31, 2014). This amount includes the energy purchase commitments relating to the Exeltium contract.

Almost all of these commitments are covered by mutual commitments received from clients in connection with long-term gas supply contracts.

Confirmed credit lines and the amount of loans guaranteed by assets are shown in note 24.7.

Commitments related to associates amounted to 56 million euros as of December 31, 2015.

Operating leases

Assets used for industrial activities are leased under an operating lease when the acquisition of such assets does not present any economic benefits. The primary assets included are utility vehicles and transport equipment.

The Group has neither contingent rental commitments nor sublease contracts.

Future minimum lease payments under non-cancelable operating leases payable as of December 31, 2015 are as follows:

(in millions of euros)	**2014**	**2015**
Due within 1 year	167	189
Due in 1 to 5 years	318	422
Due after 5 years	231	382
TOTAL	**716**	**993**

Note 30 – 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.

In September 2010, the Brazilian competition authority (CADE) fined the major industrial gas companies operating in Brazil, including Air Liquide Brazil, for unfair trade practices prior to 2004. Air Liquide Brazil was fined 197.6 million Brazilian reals before interest on arrears amounting to 102.0 million Brazilian reals as of December 31, 2015 (equivalent to 45.8 million euros for the fine and 23.7 million euros for interest on arrears).

Air Liquide Brazil strongly contests this decision and has consequently filed an application to annul the fine before the Brasilia Federal Court. In May 2014, the CADE ruling was annulled in first instance by this Court. In September 2014, the CADE filed an appeal against this decision, which was rejected by the Court in November 2015. At this stage, the Group considers it probable that Air Liquide Brazil will prevail and consequently no provision has been recorded.

Note 31 – Greenhouse gas emission quotas

The ETS (Emission Trading Scheme) European Directive which established a quota system for greenhouse gas emissions in the European Union has entered its third phase (2013-2020), which will feature an expanded scope for industrial plants subject to the ETS and a gradual reduction in the free allocation of quotas.

With phase III, the Group is required to obtain CO_2 quotas for the portion of emissions from hydrogen production sites not covered by free allocations, as well as for all emissions from cogeneration sites. As the Group manages CO_2 quotas solely to cover its industrial needs, they are classified as a commodity and managed as such. The quotas are therefore valued at acquisition cost and presented in inventories.

The Group recognizes a provision when the year-end quotas covering greenhouse gas emissions are insufficient, based on the best estimate of the outflow of resources required to settle the obligation.

As of December 31, 2015, the amounts recognized in assets and liabilities are immaterial.

Note 32 – Post-balance sheet events

There are no significant post-balance sheet events.

Foreign exchange rates and main consolidated companies

FOREIGN EXCHANGE RATES

Main foreign exchange rates used

Average rates

Euros for 1 currency	2014	2015
USD	0.75	0.90
CNY	0.12	0.14
CAD	0.68	0.71
Yen (1,000)	7.13	7.45

Closing rates

Euros for 1 currency	2014	2015
USD	0.82	0.92
CNY	0.13	0.14
CAD	0.71	0.66
Yen (1,000)	6.89	7.63

MAIN CONSOLIDATED COMPANIES

Companies marked with JO are consolidated by joint operation and those marked with E by the equity method. Other companies are fully consolidated.

The total Group interest is given after the name of each company.

Main consolidated companies	Country	Integration	% interest
GAS AND SERVICES			
EUROPE			
Air Liquide Austria GmbH	AUT		100.00%
L'Air Liquide Belge S.A.	BEL		100.00%
Air Liquide Industries Belgium S.A.	BEL		100.00%
Air Liquide Large Industry S.A.	BEL		100.00%
Air Liquide Medical S.A.	BEL		100.00%
Air Liquide Bulgaria EOOD	BGR		100.00%
Carbagas S.A.	CHE		100.00%
Air Liquide CZ, s.r.o.	CZE		100.00%
Air Liquide Deutschland GmbH	DEU		100.00%
Air Liquide Electronics GmbH	DEU		100.00%
Air Liquide Industriegase GmbH & Co. KG	DEU		100.00%
EVC Dresden-Wilschdorf GmbH & Co. KG (a)	DEU		40.00%
Fabig-Peters Medizintechnik GmbH & Co. KG	DEU		100.00%
OMT GmbH & Co. KG	DEU		65.00%
Schülke & Mayr GmbH	DEU		100.00%
VitalAire GmbH	DEU		100.00%
Zweite EVC Dresden-Wilschdorf GmbH & Co. KG	DEU		50.00%
Air Liquide Danemark A/S	DNK		100.00%
Air Liquide España S.A.	ESP		99.89%
Air Liquide Ibérica de Gases S.L.U.	ESP		100.00%
Air Liquide Medicinal S.L.U.	ESP		99.89%
Grupo Gasmedi S.L.U.	ESP		100.00%
AL Finland Oy.	FIN		100.00%
Air Liquide Eastern Europe S.A.	FRA		100.00%
Air Liquide Electronics Materials S.A.	FRA		100.00%
Air Liquide France Industrie S.A.	FRA		99.99%
Air Liquide Medical Systems S.A.	FRA		100.00%
Air Liquide Réunion S.A.	FRA		95.01%
Air Liquide Russie S.A.	FRA		100.00%
Air Liquide Santé (International) S.A.	FRA		100.00%
Air Liquide Santé France S.A.	FRA		100.00%
Air Liquide Guyane Spatial S.A.	FRA		98.65%
Air Liquide Ukraine S.A.	FRA		100.00%

Main consolidated companies	Country	Integration	% interest
Cryo-Express S.A.	FRA		98.81%
Lavéra Energies S.N.C.	FRA	JO	50.00%
LVL Médical Groupe S.A.	FRA		100.00%
Pharma Dom (Orkyn') S.A.	FRA		100.00%
Société des Gaz Industriels de la Guadeloupe S.A.	FRA		95.88%
Société d'Exploitation de Produits pour les Industries Chimiques S.A.	FRA		99.98%
Société Guyanaise de L'Air Liquide S.A.	FRA		97.04%
Société Martiniquaise de L'Air Liquide S.A.	FRA		95.87%
VitalAire S.A.	FRA		100.00%
Air Liquide Ltd	GBR		100.00%
Air Liquide (Homecare) Ltd	GBR		100.00%
Air Liquide UK Ltd	GBR		100.00%
Energas Ltd	GBR		100.00%
Air Liquide Hellas S.A.G.I.	GRC		99.78%
Air Liquide Ipari Gaztermelo Kft	HUN		100.00%
Air Liquide Italia S.p.A.	ITA		99.77%
Air Liquide Italia Service S.r.l	ITA		99.77%
Air Liquide Sanità Service S.p.A.	ITA		99.77%
Air Liquide Produzione S.r.l	ITA		99.77%
VitalAire Italia S.p.A.	ITA		99.77%
Air Liquide Healthcare Ireland Limited	IRL		100.00%
Air Liquide Luxembourg S.A.	LUX		100.00%
Air Liquide Acetylene B.V.	NLD		100.00%
Air Liquide B.V.	NLD		100.00%
Air Liquide Industrie B.V.	NLD		100.00%
Air Liquide Nederland B.V.	NLD		100.00%
Scott Specialty Gases Netherlands B.V.	NLD		100.00%
Air Liquide Norway A.S.	NOR		100.00%
Air Liquide Katowice Sp.z.o.o.	POL		79.25%
Air Liquide Polska Sp.z.o.o.	POL		100.00%
Air Liquide Medicinal S.A.	PRT		99.85%
Sociedade Portuguesa do Ar Liquido Lda	PRT		99.93%
Air Liquide Romania S.r.l	ROM		100.00%
Air Liquide OOO	RUS		100.00%

(a) Consolidation method differs from percentage of shares due to a contractual agreement.

Main consolidated companies	Country	Integration	% interest
Air Liquide Severstal CJSC	RUS		75.00%
Air Liquide Slovakia s.r.o.	SVK		100.00%
Air Liquide Gas A.B.	SWE		100.00%
Nordicinfu Care A.B.	SWE		100.00%
Air Liquide Gaz Sanayi Ve Ticaret A.S.	TUR		100.00%
AMERICAS			
Air Liquide Argentina S.A.	ARG		100.00%
Air Liquide Brasil Ltda	BRA		100.00%
Air Liquide Canada, Inc.	CAN		100.00%
Vitalaire Canada, Inc.	CAN		100.00%
Respiratory Homecare Solutions Canada Inc.	CAN		72.50%
Air Liquide Chile S.A.	CHL		100.00%
Air Liquide Colombia S.A.S	COL		100.00%
Air Liquide Dominicana S.A.S	DOM		100.00%
Air Liquide Mexico, S. de RL de CV	MEX		100.00%
Cryogas de Centroamérica, S.A.	PAN		100.00%
La Oxigena Paraguaya S.A.	PRY		87.89%
Air Liquide Trinidad and Tobago Ltd	TTO		100.00%
Air Liquide Uruguay S.A.	URY		96.68%
Air Liquide America Specialty Gases LLC	USA		100.00%
Air Liquide Electronics U.S. LP	USA		100.00%
Air Liquide Healthcare America Corporation	USA		100.00%
Air Liquide Industrial U.S. LP	USA		100.00%
Air Liquide Large Industries U.S. LP	USA		100.00%
Air Liquide Advanced Materials, Inc.	USA		100.00%
MIDDLE EAST AND AFRICA			
Air Liquide Afrique S.A.	FRA		100.00%
Air Liquide Angola LDA	AGO		73.99%
Air Liquide Middle East & North Africa FZCO	ARE		100.00%
Pure Helium Gulf FZE	ARE		100.00%
Air Liquide Bénin S.A.	BEN	E	99.99%
Air Liquide Burkina Faso S.A.	BFA		64.88%
Air Liquide Botswana Proprietary Ltd	BWA		99.91%
Air Liquide Côte d'Ivoire S.A.	CIV		72.08%
Air Liquide Cameroun S.A.	CMR		100.00%
Air Liquide Congo S.A.	COG		100.00%
Société d'Installations et de Diffusion de Matériel Technique S.P.A.	DZA	E	100.00%

Main consolidated companies	Country	Integration	% interest
Air Liquide Alexandria for Medical & Industrial Gases S.A.E.	EGY		100.00%
Air Liquide El Soukhna for Industrial Gases S.A.E.	EGY		100.00%
Air Liquide Misr S.A.E.	EGY		100.00%
Air Liquide Middle East S.A.	FRA		100.00%
Air Liquide Gabon S.A.	GAB		98.57%
Air Liquide Ghana Ltd	GHA		100.00%
Air Liquide India Holding Pvt. Ltd	IND		100.00%
Shuaiba Oxygen Company K.S.C.C. [(a)]	KWT		49.81%
Société d'Oxygène et d'Acétylène du Liban S.A.L.	LBN	E	49.93%
Air Liquide Maroc S.A.	MAR		74.80%
Air Liquide Madagascar S.A.	MDG		73.73%
Air Liquide Mali S.A.	MLI		99.97%
Air Liquide Namibia Proprietary Ltd	NAM		100.00%
Air Liquide Nigeria Plc	NGA		61.11%
Air Liquide Sohar Industrial Gases LLC	OMN		50.11%
Gasal Q.S.C.	QAT	E	40.00%
Air Liquide Al-Khafrah Industrial Gases LLC	SAU		75.00%
Air Liquide Arabia LLC	SAU		65.00%
Air Liquide Sénégal S.A.	SEN	E	83.60%
Air Liquide Togo S.A.	TGO	E	70.58%
Air Liquide Tunisie S.A.	TUN		59.17%
Air Liquide Proprietary Ltd	ZAF		99.91%
ASIA-PACIFIC			
Air Liquide Australia Ltd	AUS		100.00%
Air Liquide Healthcare P/L	AUS		100.00%
Air Liquide W.A. Pty Ltd	AUS		100.00%
Brunei Oxygen Ltd	BRN		50.00%
Air Liquide Cangzhou Co., Ltd	CHN		100.00%
Air Liquide China Holding Co., Ltd	CHN		100.00%
Air Liquide Shanghai Co., Ltd	CHN		100.00%
Air Liquide Shanghai International Trading Co. Ltd	CHN		100.00%
Air Liquide Tianjin Co., Ltd	CHN		100.00%
Air Liquide Yongli Tianjin Co., Ltd	CHN		55.00%
Air Liquide Zhangjiagang Industry Gas Co., Ltd	CHN		100.00%
Shanghai Chemical Industry Park Industrial Gases Co., Ltd	CHN	JO	50.00%
Société d'Oxygène et d'Acétylène d'Extrême-Orient S.A.	FRA		100.00%

(a) Consolidation method differs from percentage of shares due to a contractual agreement.

Main consolidated companies	Country	Integration	% interest
Celki International Ltd	HKG		100.00%
P.T. Air Liquide Indonesia	IDN		100.00%
Air Liquide Asia Pacific Co. Ltd	JPN		100.00%
Air Liquide Japan Ltd	JPN		100.00%
Toshiba Nano Analysis K.K.	JPN		51.00%
Vital Air Japan K.K.	JPN		100.00%
Air Liquide Korea Co., Ltd	KOR		100.00%
VitalAire Korea Inc.	KOR		100.00%
Air Liquide Malaysia Sdn Bhd	MYS		100.00%
Air Liquide New Zealand Ltd	NZL		100.00%
Air Liquide Philippines Inc.	PHL		100.00%
Singapore Oxygen Air Liquide Pte Ltd	SGP		100.00%
Air Liquide Thailand Ltd	THA		100.00%
Air Liquide Electronics Systems Asia Ltd	TWN		100.00%
Air Liquide Far Eastern Ltd	TWN		65.00%
Air Liquide Vietnam Co., Ltd	VNM		100.00%
ENGINEERING & CONSTRUCTION			
Air Liquide Global E&C Solutions Canada LP	CAN		100.00%
Air Liquide Global E&C Solutions Hangzhou Co., Ltd.	CHN		100.00%
Air Liquide Global E&C Solutions Germany Gmbh	DEU		100.00%
Air Liquide Global E&C Solutions France S.A.	FRA		100.00%
JJ-Lurgi Engineering Sdn. Bhd.	MYS	E	50.00%
Air Liquide Global E&C Solutions Singapore Pte. Ltd	SGP		100.00%
Air Liquide Global E&C Solutions US, Inc.	USA		100.00%
Lurgi, Inc.	USA		100.00%
Air Liquide Engineering Southern Africa Ltd	ZAF	E	100.00%

Main consolidated companies	Country	Integration	% interest
GLOBAL MARKETS & TECHNOLOGIES			
Air Liquide Advanced Technologies US LLC	USA		100.00%
Air Liquide Services S.A.	FRA		100.00%
Air Liquide Advanced Technologies S.A.	FRA		100.00%
Cryolor S.A.	FRA		100.00%
GIE Cryospace	FRA		55.00%
Air Liquide Electronics Systems S.A.	FRA		100.00%
FordonsGas Sverige AB	SWE		100.00%
Hélium Services S.A.	FRA		100.00%
OHS Group (BVI) Limited	GBR		100.00%
OTHER ACTIVITIES			
Oerlikon Schweisstechnik GmbH	DEU		100.00%
Air Liquide Welding France S.A.	FRA		100.00%
Air Liquide Welding S.A.	FRA		100.00%
Aqua Lung International S.A.	FRA		98.36%
La Spirotechnique I.C. S.A.	FRA		98.36%
Fro Air Liquide Welding Italia S.p.A.	ITA		100.00%
HOLDING COMPANIES AND R&D ACTIVITIES			
Air Liquide Finance S.A.	FRA		100.00%
Air Liquide International S.A.	FRA		100.00%
Air Liquide Participations S.A.	FRA		100.00%
L'Air Liquide S.A.	FRA		100.00%
Orsay-Re S.A.	LUX		100.00%
Air Liquide International Corp.	USA		100.00%
American Air Liquide, Inc.	USA		100.00%
American Air Liquide Holdings, Inc	USA		100.00%

(a) Consolidation method differs from percentage of shares due to a contractual agreement.

Fees of Statutory Auditors and their network

Fees reported in 2014 and 2015 by the Air Liquide Group for engagements awarded to the Statutory Auditors related to audit services were as follows:

	2015							
(in thousands of euros)	Ernst & Young		Mazars		Others		Total	
Statutory audit, certification, review of individual and consolidated financial statements	6,556	68.6%	4,077	91.4%	700	74.3%	11,333	75.7%
■ Issuer	725		500				1,225	
■ Fully consolidated subsidiaries	5,831		3,577		700		10,108	
Other statutory audit engagements	758	7.9%	187	4.2%	19	2.0%	964	6.5%
■ Issuer	242		56				298	
■ Fully consolidated subsidiaries	516		131		19		666	
TOTAL OF AUDIT SERVICES	**7,314**	**76.5%**	**4,264**	**95.6%**	**719**	**76.3%**	**12,297**	**82.2%**

	2014							
(in thousands of euros)	Ernst & Young		Mazars		Others		Total	
Statutory audit, certification, review of individual and consolidated financial statements	5,809	73.2%	4,544	92.8%	714	79.6%	11,067	80.6%
■ Issuer	730		547				1,277	
■ Fully consolidated subsidiaries	5,079		3,997		714		9,790	
Other statutory audit engagements	994	12.5%	141	2.9%	3	0.3%	1,138	8.3%
■ Issuer	243		86				329	
■ Fully consolidated subsidiaries	751		55		3		809	
TOTAL OF AUDIT SERVICES	**6,803**	**85.7%**	**4,685**	**95.7%**	**717**	**79.9%**	**12,205**	**88.9%**

Statutory Auditors' Report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' Report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking readers.

The Statutory Auditors' Report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessment of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's Management Report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying consolidated financial statements of L'Air Liquide;
- the justification of our assessments;
- the specific verification required by French law..

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements present a true and fair view of the assets and liabilities, of the financial position of the group as of December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- goodwill is subject to impairment tests performed in accordance with the principles set out in paragraph 6.f. of the consolidated financial statements relating to "Accounting principles." We have reviewed the soundness of the chosen approach and the assumptions used for these impairment tests and we carried out the assessment of the reasonableness of these estimates, and have ensured that the information given in note 10.2 to the consolidated financial statements is appropriate;
- the results of Engineering and Construction contracts are recognized in accordance with the principles set out in paragraph 4.b of the consolidated financial statements relating to "Accounting principles." We have reviewed the underlying data and assumptions used by

Management for determining and accounting for these results, and have ensured that the information given in the notes to the consolidated financial statements, in particular in note 5, is appropriate;

- we have reviewed the methodology used to recognize “Provisions, pensions and other employee benefits,” as well as the assumptions used for their estimation. We ensured that such provisions were recognized in accordance with the principles set out in paragraphs 12.a and 12.b of the consolidated financial statements relating to “Accounting principles” and that the information given in notes 22 and 23 to the consolidated financial statements is appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law we have also verified, in accordance with professional standards applicable in France, the information relating to the Group presented in the Directors’ Report.

We have no matters to report as to the fair presentation and the consistency of this information with the consolidated financial statements.

Paris-La Défense, February 24, 2016

The statutory auditors
French original signed by

Mazars		Ernst & Young et Autres	
Isabelle Sapet	Daniel Escudeiro	Jean-Yves Jégourel	Pierre-Yves Caër

Statutory accounts of the parent company

Income statement

For the year ended December 31

(in millions of euros)	Notes	2014	2015
Revenue	(1)	166.6	176.3
Royalties and other operating income	(2)	511.5	518.3
Total operating income (I)		**678.1**	**694.6**
Purchases		(67.5)	(75.8)
Duties and taxes other than corporate income tax		(31.6)	(21.0)
Personnel expenses		(212.7)	(217.0)
Depreciation, amortization and provision expenses	(4)	(32.0)	(43.5)
Other operating expenses	(3)	(234.3)	(247.0)
Total operating expenses (II)		**(578.1)**	**(604.3)**
Net operating profit (loss) (I + II)		**100.0**	**90.3**
Financial income from equity affiliates	(5)	4,916.9	2,189.9
Interests, similar income and expenses	(5)	(121.6)	(25.1)
Other financial income and expenses	(5)	(6.6)	(12.5)
Financial income and expenses (III)		**4,788.7**	**2,152.3**
Net profit / (loss) from ordinary activities before tax (I + II + III)		**4,888.7**	**2,242.6**
Exceptional income and expenses	**(6)**	**227.9**	**135.8**
Statutory employee profit-sharing		(2.7)	(2.2)
Corporate income tax	(7)	(53.1)	(59.0)
NET PROFIT FOR THE YEAR		**5,060.8**	**2,317.2**

Balance sheet

For the year ended December 31

(in millions of euros)	Notes	December 31, 2014 Net	December 31, 2015 Gross carrying amounts	Amortization, depreciation and provisions	Net
ASSETS					
Intangible assets	(8)	51.2	260.0	205.6	54.4
Tangible assets	(8)	35.2	102.1	65.7	36.4
Financial assets	(9) & (10)	10,434.7	11,572.1	65.7	11,506.4
TOTAL NON-CURRENT ASSETS		**10,521.1**	**11,934.2**	**337.0**	**11,597.2**
Inventories and work-in-progress	(10)	29.5	16.1	1.6	14.5
Operating receivables	(10) & (13)	339.9	434.7	61.5	373.2
Current account loans with subsidiaries	(10) & (13)	450.6	364.4	4.0	360.4
Short-term financial investments	(11)	57.0	52.6		52.6
Cash		7.4	11.8		11.8
Prepaid expenses		1.3	21.0		21.0
TOTAL CURRENT ASSETS		**885.7**	**900.6**	**67.1**	**833.5**
Loan issue premiums	(14)	1.7	14.8		14.8
Bond redemption premiums	(14)	21.2	15.7		15.7
Unrealized foreign exchange losses		0.6	5.1		5.1
TOTAL ASSETS		**11,430.3**	**12,870.4**	**404.1**	**12,466.3**
EQUITY AND LIABILITIES					
Share capital		1,896.8			1,892.9
Additional paid-in capital		25.7			15.6
Revaluation reserve		25.4			25.4
Legal reserve		172.0			189.6
Other reserves		388.5			388.5
Retained earnings		1,360.6			5,417.0
Net profit for the year		5,060.8			2,317.2
Tax-driven provisions		5.1			5.1
TOTAL SHAREHOLDERS' EQUITY	**(12)**	**8,934.9**			**10,251.3**
PROVISIONS	**(10)**	**27.2**			**37.6**
Other bonds	(13)	1,024.3			762.0
Bank borrowings	(13)	352.0			0.5
Other borrowings	(13)	87.2			251.9
Operating payables	(13)	374.1			390.7
Current account borrowings with subsidiaries	(13)	627.1			767.4
Deferred income		0.2			
		2,464.9			**2,172.5**
Unrealized foreign exchange gains		3.3			4.9
TOTAL EQUITY AND LIABILITIES		**11,430.3**			**12,466.3**

Notes to the statutory accounts

ACCOUNTING POLICIES

1. General principles

The year-end financial statements of L'Air Liquide S.A. have been prepared in accordance with general accounting principles applicable in France and in particular those of the French Chart of Accounts (*Plan Comptable Général*) and the French Commercial Code.

2. Non-current assets

A. Intangible assets

Internally generated intangible assets primarily include the development costs of information management systems. They are capitalized only if they generate probable future economic benefits. Internal and external costs corresponding to detailed application design, programming, the performance of tests and the drafting of technical documentation intended for internal or external use are capitalized.

Significant upgrade and improvement costs are added to the initial cost of assets if they specifically meet the capitalization criteria.

Other intangible assets include separately acquired intangible assets such as software, licenses, certain businesses and intellectual property rights and are measured at acquisition cost.

Intangible assets are amortized according to the straight-line method over their estimated useful lives.

B. Tangible assets

Land, buildings and equipment are recognized at historical cost. Interim interest expense is not included in the cost.

Where components of a tangible asset have different useful lives, they are accounted for separately and depreciated over their own useful lives.

Depreciation is computed according to the straight-line method over their estimated useful lives as follows:

- buildings: 20 years;
- other equipment: 5 to 15 years.

Land is not depreciated.

C. Impairment of intangible and tangible assets

The Company assesses at each closing date whether there is any indication of impairment loss of intangible and tangible assets. If such indications exist, an impairment test is performed to assess whether the carrying amount of the asset exceeds its present value, which is defined as the greater of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value as this would be done for an investment decision.

When the present amount of an asset is lower than its net carrying amount, an impairment loss is recognized in the income statement. When the present value exceeds the carrying amount, the previously recognized impairment is reversed to the income statement.

D. Equity investments

Equity investments are recognized at their initial amount on the entry date, with the exception of those subject to a revaluation as provided by Law 76-1232 of December 29, 1976. Acquisition costs that are not representative of market value are expensed.

When the carrying amount, determined using the criteria normally adopted for the measurement of equity investments (market multiples method based on the Air Liquide group market valuation, estimated cash flow approach, and net asset value remeasured at fair value), is lower than the gross amount, an impairment loss is recognized for the difference.

E. Treasury shares

When the Company purchases its own shares, they are recognized at cost as treasury shares in other long-term investment securities. The gains or losses on disposals of treasury shares contribute to the net profit for the year.

However, shares allocated for the purpose of implementing plans for free grants of shares are reclassified to a "Short-term financial investments – Company treasury shares" caption at the balance sheet value on the date of allotment.

A provision is recorded over the rights vesting period to cover the future charge relating to the remittance of current shares when the performance criteria can be determined with certainty. Conversely, the amount corresponding to the maximum performance level is presented in off-balance sheet commitments.

When the purchase cost of shares is higher than their valuation based on the average share price during the last month of the fiscal year, treasury shares earmarked for cancellation or allocated for the purpose of implementing plans for free grants of shares are not impaired.

3. Inventories and work-in-progress

Raw materials, supplies and goods are primarily measured at weighted average cost.

Costs related to construction contracts in progress at the year-end are recognized as work-in-progress.

An impairment loss is recognized for inventories and work-in-progress when the estimated realizable amount is lower than cost.

4. Trade receivables and other operating assets

Trade receivables and other operating assets are measured at historical cost.

An impairment loss for doubtful receivables is recognized when it becomes probable that the amount due will not be collected and the loss can be reasonably estimated.

5. Foreign currency transactions

Foreign currency transactions are translated at the exchange rate prevailing on the transaction date, with the exception of forward hedging transactions that are translated at the hedging rate.

At year-end, the difference arising from the translation of receivables and payables, not subject to a forward hedge and denominated in a foreign currency, are recognized in suspense accounts in assets and liabilities ("Unrealized foreign currency gains or losses").

When the forecasted date for settlement of hedged transactions is brought forward or deferred, changes in fair value of the hedging instruments (difference between the initial forward price and the adjustment forward price) are recognized in suspense accounts in the balance sheet ("differences offset by foreign exchange hedges") until the hedges are fully settled.

Unrealized foreign exchange losses are subject to a contingency provision.

6. Provisions

Provisions are recognized when:

- the Company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

A provision for onerous contracts is recognized when the expected benefits from the contract are lower than the cost of meeting the obligations under the contract.

7. Financial instruments

Gains or losses relating to financial instruments used in hedging transactions are determined and recognized in line with the recording of income and expenses on the hedged items.

When the financial instruments used do not constitute hedging transactions, the losses resulting from their year-end fair value measurement are recognized in the income statement. Pursuant to the prudence principle, unrealized gains are not recognized in the income statement.

8. Post-employment benefits

The Company applies ANC recommendation 2013-02 related to the recognition and measurement of retirement benefits and similar obligations.

The Company provides its employees with various pension plans, termination benefits, jubilees (awards based on years of service) and other post-employment benefits for both active employees and retirees. These benefits are covered in two ways:

- by so-called defined contribution plans;
- by so-called defined benefit plans.

Defined contribution plans are plans under which the employer's sole obligation is to pay regular contributions. The employer does not grant any guarantee on the future level of benefits paid to the employee or retiree ("means-based obligation"). The annual pension expense is equal to the contribution paid during the fiscal year which relieves the employer from any further obligation.

Defined benefit plans are those by which the employer guarantees the future level of benefits defined in the agreement, most often depending on the employee's salary and seniority ("result-based obligation"). Defined benefit plans can be:

- either financed by contributions to a fund specialized in managing the contributions paid;
- or managed internally.

The Company grants both defined benefit and defined contribution plans.

In the case of defined benefit plans, retirement and similar obligations are measured by independent actuaries, according to the projected unit credit method. The actuarial calculations mainly take into account the following assumptions: salary increases, employee turnover, retirement date, expected salary trends, mortality, inflation and appropriate discount rates.

Actuarial gains and losses exceeding the greater of 10% of the obligations or 10% of the fair value of plan assets at the beginning of the reporting period are amortized over the expected average working lives of the plan participants.

In accordance with the option offered by ANC recommendation 2013-02, the Company maintained its previous practices: obligations related to retirement termination payments and jubilees are provided whereas retirement obligations related to defined benefit plans are not provided but are disclosed in the notes.

9. Revenue recognition

A. Revenue from the sale of goods and services

Revenue from the sale of goods is recognized when the risks and rewards of ownership have been transferred to the buyer.

Revenue associated with delivery of services is recognized depending on the stage of completion of the transaction at the balance sheet date, when this can be reliably measured.

B. Engineering & Construction contracts

Revenue from construction contracts, and their related costs and margin are recognized using the completed contract method.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately expensed.

10. Tax consolidation

L'Air Liquide S.A. has set up a tax consolidation group with the French subsidiaries in which it holds a direct or indirect interest exceeding 95%, as defined by article 223-A of the French General Tax Code.

Each company calculates its tax provision as if it was taxed separately. L'Air Liquide S.A., as head of the tax consolidation group, recognizes as an expense the tax corresponding to its own profits and recognizes in a balance sheet current tax account the impact of restatements and eliminations when determining taxable profit as a whole and the tax deferrals of subsidiaries with losses.

11. Research and Development expenditures

Development costs shall be recognized as assets if and only if the Company can demonstrate all of the following:

- the project is clearly identified and the related costs are individualized and reliably monitored;
- the technical and industrial feasibility of the project is demonstrated;
- there is a clear intention to complete the project and use or sell the products arising from it;
- it is probable that the project will generate future economic benefits for the Company.

The conditions required by accounting standards for the capitalization of development costs are deemed not to have been met, since the work carried out does not systematically result in the completion of an intangible asset that will be available for use or sale.

As a result, the development costs incurred by the Company in the course of its research and innovation development projects are expensed as incurred.

ADDITIONAL NOTES ON THE BALANCE SHEET AND INCOME STATEMENT

1. Revenue breakdown by geographical area

(in millions of euros)	2014	2015
France	138.0	157.1
Abroad	28.6	19.2
REVENUE	**166.6**	**176.3**

By the nature of its activities, the revenue of L'Air Liquide S.A. mainly corresponds to services and pension expenses recharged to its subsidiaries (see note 16.A).

2. Royalties and other operating income

Other operating income mainly includes change in inventories of goods and services, production of assets capitalized, operating subsidies, operating expense reclassifications, as well as operating provision and impairment reversals.

3. Other operating expenses

Other operating expenses primarily consist of research and development costs and other external expenses such as subcontracting and maintenance costs, fees, travel expenses, telecommunication costs and rental expenses.

4. Depreciation, amortization and provision expenses

Depreciation, amortization and provision expenses break down as follows:

(in millions of euros)	2014	2015
Depreciation and amortization expenses	(16.4)	(16.8)
Provision expenses	(15.6)	(26.7)
DEPRECIATION, AMORTIZATION AND PROVISION EXPENSES	**(32.0)**	**(43.5)**

5. Financial income and expenses

In 2015, financial income from equity affiliates amounts to 2,189.9 million euros (4,916.9 million euros in 2014). In 2014, Air Liquide International made an one-off dividend payment out of reserves for 4,401.8 million euros. In 2015, this company paid an interim dividend for 1,000.6 million euros.

Interests, similar income and expenses break down as follows:

(in millions of euros)	2014	2015
Revenues from other marketable securities and long-term loans	6.5	4.4
Other interest and similar income	(128.1)	(29.5)
INTERESTS, SIMILAR INCOME AND EXPENSES	**(121.6)**	**(25.1)**

Other financial income and expenses break down as follows:

(in millions of euros)	2014	2015
Other financial expenses, impairment and provisions net of reversals	(7.4)	(16.8)
Foreign exchange gains / losses (net)	0.8	4.3
OTHER FINANCIAL INCOME AND EXPENSES	**(6.6)**	**(12.5)**

6. Exceptional income and expenses

As part of the tax consolidation of L'Air Liquide S.A. and its consolidated French subsidiaries, exceptional income in the amount of 99.4 million euros was booked in 2015 (56.9 million euros in 2014). This income had no impact on the Group's consolidated tax position or the profit or loss of the relevant subsidiaries.

Exceptional income and expenses also include the impact of eliminations related to the tax consolidation regime in the amount of 54.5 million euros in 2015 and 121.5 million euros in 2014.

In 2014, L'Air Liquide S.A. recognized a capital gain on the disposal of its investment in Daesung Industrial Gases Co, Ltd (South Korea), amounting to 55.9 million euros.

7. Corporate income tax

The total tax charge amounts to 59.0 million euros, compared to 53.1 million euros in 2014.

After allocation of add-backs, deductions and tax credits relating to profits, it breaks down as follows:

(in millions of euros)	**2014**	**2015**
Net profit from ordinary activities before tax	(21.8)	(24.6)
Additional contributions on earnings [(a)]	(6.9)	(7.5)
Additional contribution on cash dividend [(b)]	(24.4)	(26.9)
TOTAL	**(53.1)**	**(59.0)**

(a) 3.3% social security contribution on earnings and a 10.7% exceptional contribution.
(b) Corresponds to a 3% contribution on the amount of the dividend paid in cash.

The Company elected the tax consolidation regime to determine corporate income tax.

8. Intangible and tangible assets

Changes in gross value break down as follows:

(in millions of euros)	**Gross value as of January 1, 2015**	**Additions**	**Disposals**	**Gross value as of December 31, 2015**
Concessions, patents, licenses	92.9	5.2		98.1
Other intangible assets	153.8	11.1	(3.0)	161.9
INTANGIBLE ASSETS	**246.7**	**16.3**	**(3.0)**	**260.0**
Land and buildings	44.7	1.1	(1.9)	43.9
Plant, machinery and equipment	34.6	1.7	(1.1)	35.2
Other tangible assets	18.6	2.5	(4.5)	16.6
Tangible assets under construction and payments on account – tangible assets	2.7	3.7		6.4
TANGIBLE ASSETS	**100.6**	**9.0**	**(7.5)**	**102.1**
TOTAL	**347.3**	**25.3**	**(10.5)**	**362.1**

Changes in amortization, depreciation and impairment losses break down as follows:

(in millions of euros)	**Amortization, depreciation, and impairment losses as of January 1, 2015**	**Amortization and depreciation**	**Decreases, disposals, scrappings**	**Amortization, depreciation and impairment losses as of December 31, 2015**
Intangible assets	195.5	10.2	(0.1)	205.6
Tangible assets	65.4	6.8	(6.5)	65.7
TOTAL	**260.9**	**17.0**	**(6.6)**	**271.3**

9. Financial assets

Changes in gross value break down as follows:

(in millions of euros)	Gross value as of January 1, 2015	Increases	Decreases	Gross value as of December 31, 2015
Equity investments	10,317.7	67.5 [a]		10,385.2
Other long-term investment securities [b]	82.5	298.9	(273.8)	107.6 [d]
Long-term loans	20.8	1,002.6 [c]	(10.1)	1,013.3
Other long-term financial assets	65.6	0.5	(0.1)	66.0 [e]
FINANCIAL ASSETS	**10,486.6**	**1,369.5**	**(284.0)**	**11,572.1**

(a) The increase in equity investments mainly corresponds to the capital increases of the subsidiaries Air Liquide Advanced Business for 36.0 million euros and Air Liquide Investissements d'Avenir et de Démonstration for 30.0 million euros.

(b) The change in other long-term investment securities mainly corresponds to:

- *the acquisition and sale of Company treasury shares under the liquidity contract for 120.7 million euros and -120.8 million euros respectively;*
- *the acquisition of 1,500,000 Company treasury shares for 178.2 million euros;*
- *the cancellation of 1,500,000 Company treasury shares in the amount of -153.0 million euros.*

(c) The increase in long-term loans mainly corresponds to the issue of a credit facility for Air Liquide Finance for 1,300.0 million euros (maturing in December 2018. 1,000.6 million euros were withdrawn on December 31, 2015.

At the 2015 year-end:

(d) the "Other long-term investment securities" caption includes a total of 834,537 treasury shares valued at an average price of 118.71 euros, i.e. a total amount of 99.1 million euros, of which 831,162 shares allocated for the purpose of share exchanges or as payment in connection with possible external growth transactions and 3,375 shares held under the liquidity contract;

(e) the "Other long-term investments" caption mainly includes the receivable linked to the refund claim on the equalization charge paid for the years 2000 to 2004 for 41.4 million euros and the interest on arrears for 23.3 million euros. In connection with the litigation concerning the reimbursement of the receivable, the Administrative Court of Montreuil partially sided with L'Air Liquide S.A. on July 21, 2014. Following this decision, L'Air Liquide S.A. received 30.3 million euros in principal and 15.0 million euros in interest on arrears. On September 19, 2014, the Company appealed the decision of the Administrative Court of Montreuil regarding the recovery of the balance. The appeal decision had not been rendered as of the period-end date.

10. Impairment, allowances and provisions

A. Impairment and allowances

Impairment and allowances are recognized when the asset's carrying amount is lower than its entry value.

They break down as follows:

(in millions of euros)		2014	Charges	Reversals	2015
Tangible assets		0.2	0.1	(0.2)	0.1
Equity investments		43.2	2.2		45.4
Other long-term investment securities		8.3	11.6		19.9
Other long-term investments		0.4			0.4
Inventories and work-in-progress		1.5	0.3	(0.2)	1.6
Operating receivables		38.2	23.3		61.5
Current account loans with subsidiaries			4.0		4.0
IMPAIRMENT AND ALLOWANCES		**91.8**	**41.5**	**(0.4)**	**132.9**
Whose charges and reversals:	*operating items*		*23.7*	*(0.2)*	
	financial items		*4.0*		
	exceptional items		*13.8*	*(0.2)*	

Charges mainly relate to impairments of Company treasury shares for 11.6 million euros and trade receivables from subsidiaries for 23.3 million euros.

B. Provisions

Provisions mainly include:

- third party or employee contingency and litigation provisions;
- jubilee awards and vested rights with regard to retirement termination payments (21.1 million euros in 2015 and 19.0 million euros in 2014).

(in millions of euros)		2014	Charges, increases	Reversals	2015
Provisions for contingencies		7.2	9.0	(0.9)	15.3
Provisions for losses		20.0	3.0	(0.7)	22.3
PROVISIONS		**27.2**	**12.0**	**(1.6)**	**37.6**
Whose charges and reversals:	*operating items*		*2.9*	*(0.6)*	
	financial items		*4.6*	*(0.6)*	
	exceptional items		*4.5*	*(0.4)*	

Charges mainly relate to provisions for jubilee awards and vested rights with regard to retirement termination payments for 2.6 million euros, subsidiary contingencies for 4.0 million euros and foreign exchange for 4.6 million euros.

Reversals primarily stem from the cancellation of foreign exchange provisions for -0.6 million euros, from the utilization of provisions for jubilee awards and vested rights with regard to retirement benefits for -0.5 million euros.

11. Short-term financial investments

The item breaks down as follows:

(in millions of euros)	Gross value as of December 31, 2014	Gross value as of December 31, 2015
Company treasury shares	27.0	22.3
Other short-term financial investments	30.0	30.3
SHORT-TERM FINANCIAL INVESTMENTS	**57.0**	**52.6**

At the 2015 year-end, the “Company treasury shares” caption consisted of 286,745 shares (360,871 shares in 2014) allocated for the implementation of any performance shares plans to employees.

12. Shareholders' equity

As of December 31, 2015, the share capital comprised 344,163,001 shares with a par value of 5.50 euros.

The portion of share capital arising from the special revaluation reserve totals 71.4 million euros.

(in millions of euros)	As of December 31, 2014 (before appropriation of earnings)	Appropriation of 2014 net profit [(a)]	Capital increases	Capital decreases	Other changes	As of December 31, 2015 (before appropriation of earnings)
Share capital [(b)]	1,896.8		4.4	(8.3)		1,892.9
Additional paid-in capital [(b)]	25.7		45.9	(56.0)		15.6
Revaluation reserve	25.4					25.4
Reserves:						
■ Legal reserve	172.0	17.6				189.6
■ Tax-driven reserves	307.8					307.8
■ Translation reserve	7.7					7.7
■ Other reserves	73.0					73.0
Retained earnings [(b) (c)]	1,360.6	4,138.1		(88.7)	7.0	5,417.0
Net profit for the year	5,060.8	(5,060.8)			2,317.2	2,317.2
Accelerated depreciation	5.1					5.1
SHAREHOLDERS' EQUITY	**8,934.9**	**(905.1)** [(d)]	**50.3**	**(153.0)**	**2,324.2**	**10,251.3**

(a) Following the decision of the Combined Annual Shareholders' Meeting of May 6, 2015.

(b) The change in the "Share capital," "Additional paid-in capital," and "Retained earnings" captions results from the following transactions:

- *capital decrease in the amount of -8.3 million euros by canceling 1,500,000 treasury shares, as decided by the Board of Directors on May 6, 2015. The "Additional paid-in capital" caption and "Retained earnings" were reduced by the amount of premiums related to these shares, i.e. respectively -56.0 million euros and -88.7 million euros;*
- *capital increases of 4.4 million euros resulting from the exercise of 790,118 subscription options. The "Additional paid-in capital" caption was increased by the premiums related to these share capital increases, i.e. 45.9 million euros.*

(c) The change in "Retained earnings" also includes the difference between the estimated loyalty dividend and the loyalty dividend actually paid and the cancellation of the dividend pertaining to treasury shares.

(d) Amount distributed.

13. Debt maturity analysis

	December 31, 2015		
(in millions of euros)	Gross	≤ 1 year	> 1 year
Long-term loans	1,013.3	11.2	1,002.1
Other long-term investments	66.0	1.3	64.7
Operating receivables	434.7	429.5	5.2
Current account loans with subsidiaries [(a)]	364.4	364.4	
ASSETS	**1,878.4**	**806.4**	**1,072.0**

(a) Current amount loans agreements are concluded for an indefinite period.

	December 31, 2015			
(in millions of euros)	Gross	≤ 1 year	> 1 to ≤ 5 years	> 5 years
Other bonds [(a)] [(b)]	762.0	5.2	456.8	300.0
Bank borrowings [(c)]	0.5	0.5		
Other borrowings [(d)]	251.9	1.9		250.0
Operating payables	390.7	386.8	3.9	
Current account borrowings with subsidiaries [(e)]	767.4	767.4		
DEBTS	**2,172.5**	**1,161.8**	**460.7**	**550.0**

(a) All new bond issues carried out by L'Air Liquide S.A., and constituting the outstanding bonds as of December 31, 2015, include a change of control clause.
(b) A bond of 255.9 million euros at a fixed rate of 4.375% was reimbursed on June 3, 2015.
(c) Repayment of commercial papers in the amount of 352.0 million euros. The balance as of December 31, 2015 relates to bank overdrafts.
(d) Subscription with Air Liquide Finance of a 250 million euros long-term loan (maturing in 2025) at a fixed rate of 1.286% and bond repayment of 87.2 million euros in April 2015 relating to the statutory employee profit-sharing.
(e) Current amount borrowings agreements are concluded for an indefinite period.

14. Loan issue and bond redemption premiums

The change in the item breaks down as follows:

(in millions of euros)	Net value as of January 1, 2015	Increases	Charges	Net value as of December 31, 2015
Loan issue premiums	1.7	14.3	(1.2)	14.8
Bond redemption premiums	21.2		(5.5)	15.7
TOTAL	**22.9**	**14.3**	**(6.7)**	**30.5**

The 14.3 million euros increase corresponds to the loan issue premium from the new loan subscribed with Air Liquide Finance.

The charges in bond redemption premiums mainly correspond to the amortization of a 43.8 million euros premium related to the 2010 bond exchange over the term of the new bond, i.e. until October 2018.

15. Financial instruments

Unsettled derivatives as of December 31, 2015 break down as follows:

	December 31, 2015	
(in millions of euros)	Carrying value	Fair value difference
Currency forwards		
■ Buy	41.9	1.0
■ Sell	104.6	0.4
FOREIGN EXCHANGE RISK		**1.4**

The fair value difference represents the difference between the derivative's valuation and the value of the contract determined at the closing year-end exchange rate.

Insofar as these instruments are all allocated to hedging transactions, the fair value differences had no impact on the financial statements for the 2015 year-end.

16. Retirement and similar plans

A. Group retirement benefit guarantee agreement

In France, Air Liquide grants additional benefits to retirees (4,238 retirees as of December 31, 2015) and to employees over 45, or with more than 20 years of service as of January 1, 1996 (38 employees as of December 31, 2015). These benefits provide a supplemental retirement income based on final pay, which is paid in addition to other normal retirement benefits. This plan is closed to employees under the age 45, or with less than 20 years of service as of January 1, 1996. These plans are unfunded. The annual amount paid with regards to additional benefits cannot exceed 12% of total payroll or 12% of pre-tax profits of companies involved. From 2011 onwards, this 12% threshold will be proportionately reduced by comparing the number of plan beneficiaries for the year to the number of plan beneficiaries for the previous year. In 2014, this plan was amended: from 2015 onwards, the additional retirement benefit paid by Air Liquide is aligned with the indexation of French statutory and supplementary pension plans up to a maximum annuity. Any additional annuity will not be subject to any indexation. A revaluation cap and floor were also introduced and the date when thresholds are reduced was postponed to 2017. These thresholds will be proportionately reduced by comparing the number of plan beneficiaries for the year to the number of plan beneficiaries for the previous year.

The contributions amounted to 12.3 million euros in 2015 (12.0 million euros in 2014) after reinvoicing subsidiaries. Excluding the impact of timelines, and until the plan ends, the actuarial value of obligations vis-à-vis retirees and those eligible as of December 31, 2015 amounts to 664.1 million euros (630.1 million euros for retirees and 34.0 million euros for active employees).

Based on the assumptions used for the valuation of the retirement obligations, an estimated 470.3 million euros will be recharged to the subsidiaries of L'Air Liquide S.A. as and when benefits are paid to the retirees.

B. Externally funded plan

L'Air Liquide S.A grants to employees not covered by the preceding plan (1,003 employees as of December 31, 2015) and with at least one half-year of service benefit from an externally funded defined contribution plan. Contributions to this plan are jointly paid by the employer and employee. For 2015, employer contributions (net of reinvoicing to subsidiaries) amounted to 6.1 million euros (6.0 million euros in 2014).

C. Retirement termination payments and jubilees

The corresponding obligations are provided for in the amount of 20.1 million euros (net of tax) and 1.0 million euros, respectively.

D. Calculation of actuarial assumptions and methods

The calculations with respect to the Group's retirement benefit guarantee agreement, retirement termination payments and jubilees are performed by independent actuaries using the projected unit credit method.

Actuarial gains and losses exceeding the greater of 10% of the obligations related to retirement termination payments and unrecognized past service costs are amortized over the expected average working lives of the plan participants. As of December 31, 2015, the amounts stand at 16.9 million euros (19.7 million euros in 2014).

The actuarial assumptions (turnover, mortality, retirement age, salary increase) vary according to demographic and economic conditions.

The discount rates used to determine the present value of obligations are based on Government bonds or High-quality Corporate bonds, with the same duration as the obligations at the valuation date (2% as of December 31, 2015).

E. Change in retirement obligations and similar benefits

Company obligations with respect to pension plans and similar benefits break down as follows:

(in millions of euros)	Defined benefit plan	Retirement indemnities	Jubilees	Total
OBLIGATIONS AS OF JANUARY 1, 2015	**684.7**	**47.4**	**1.0**	**733.1**
Service cost	1.0	2.4		3.4
Interest cost	7.6	0.5		8.1
Benefit payments	(45.0)	(0.8)		(45.8)
Actuarial (gains) / losses [a]	15.8	(1.9)		13.9
OBLIGATIONS AS OF DECEMBER 31, 2015 [b]	**664.1**	**47.6**	**1.0**	**712.7**

(a) The amounts recognized in "Actuarial (gains) / losses" mainly arise from the difference between the December 31, 2015 discount rate (2.00%) and the December 31, 2014 rate (1.75%).

(b) Commitments as of December 31, 2015 are covered by assets amounting to 9.0 million euros.

17. Accrued income and accrued expenses

(in millions of euros)	December 31, 2015
Accrued income	
Other long-term financial assets	64.7
Operating receivables	12.2
ACCRUED INCOME	**76.9**
Accrued expenses	
Other bonds	5.2
Other borrowings	1.9
Operating payables	142.0
ACCRUED EXPENSES	**149.1**

18. Deferred taxes

Deferred taxes arise from timing differences between the tax regime and the accounting treatment of income and expenses. According to the nature of the differences, these deferred taxes will increase or decrease the future tax expense and are not recorded pursuant to the provisions of the chart of accounts.

Deferred taxes as of December 31, 2015 are estimated as follows:

(in millions of euros)	December 31, 2014	December 31, 2015
Deferred tax assets (decrease in future tax expense)	4.4	4.8
Deferred tax liabilities (increase in future tax expense)	8.5	5.7

As the 10.7% exceptional contribution has not been renewed for the year 2016, the deferred taxes were calculated taking into account the 3.3% social security contribution on earnings i.e. a general rate of 34.43%. This rate was 38% in December 2014.

OTHER INFORMATIONS

1. Items concerning related undertakings

The Company conducted related party transactions with its wholly owned subsidiaries or subsidiaries that were directly or indirectly controlled.

(in millions of euros)	December 31, 2015	
	Gross	Including related undertakings
Balance sheet		
Long-term loans	1,013.3	1,012.2
Other long-term financial assets	66.0	
Operating receivables	434.7	376.2
Current account loans with subsidiaries	364.4	364.4
Other borrowings	251.9	251.9
Operating payables	390.7	103.0
Current account borrowings with subsidiaries	767.4	767.4
Income statement		
Financial income from equity affiliates	2,189.9	2,189.9
Interests, similar income and expenses	(25.1)	(0.6)
Other financial income and expenses	(12.5)	(4.0)

2. Off-balance sheet commitments

Off-balance sheet commitments break down as follows:

(in millions of euros)	December 31, 2014	December 31, 2015
Commitments given		
Endorsements, securities and guarantees given [(a)]	751.8	686.8
To Air Liquide Finance and Air Liquide US LLC on transactions performed [(b)]	4,630.5	6,376.7
COMMITMENTS GIVEN	**5,382.3**	**7,063.5**

(a) Guarantees given mainly concerned the joint and several liability guarantee of the subsidiary Air Liquide France Industrie in connection with energy purchases, and a guarantee covering the obligations of the Air Liquide Arabia and Air Liquide Global E&C Solutions France subsidiaries under Middle Eastern projects.

(b) L'Air Liquide S.A. holds 100% of the French subsidiary Air Liquide Finance, which manages the Group's cash position and interest rate risk, as well as financing.

In addition, Air Liquide Finance holds 100% of Air Liquide US LLC, in order to borrow on the US market.

Insofar as the sole activity of Air Liquide Finance and Air Liquide US LLC is the Group's financing, L'Air Liquide S.A. is required to guarantee any issuances performed by these companies.

3. Remuneration paid to members of Executive Management and the Board of Directors

The remuneration (short-term benefits: fixed and variable portions, benefits in kind, retirement termination payments, Directors' fees) paid by the Company to members of Executive Management and the Board of Directors respectively, amounts to:

(in millions of euros)	**2015**
Remuneration of the Board of Directors	0.8
Remuneration of Executive Management	3.3
TOTAL	**4.1**

During 2015, the Company paid to third parties the total amount of 214,958 euros.

For Benoît Potier: with respect to supplementary defined contribution pension plans: 9,095 euros, with respect to the collective life insurance contract: 202,759 euros and with respect to the collective death and disability benefits plan: 3,104 euros.

4. Average number of employees

The monthly average number of employees is:

	2014	**2015**
Engineers and executives	793	811
Supervisory staff	264	265
Employees	12	7
Laborers	28	25
TOTAL	**1,097**	**1,108**

5. Subsidiaries and affiliates information

(in thousands of euros)	Share capital as of December 31, 2015	Other equity as of December 31, 2015	% share holding
A. Detailed information on affiliates whose carrying amounts exceed 1% of the capital of the Company required to publish its financial statements			
a) Companies operating in France			
Air Liquide International [(b)] – 75, quai d'Orsay – 75007 Paris	2,880,780	808,546 [(c)]	99.99
Air Liquide France Industrie – 6, rue Cognacq-Jay – 75007 Paris	72,268	514,085	99.99
Air Liquide Finance – 6, rue Cognacq-Jay – 75007 Paris	72,000	8,096	99.99
Air Liquide Santé (International) – 75, quai d'Orsay – 75007 Paris	38,477	238,896	99.99
Chemoxal [(b)] – 75, quai d'Orsay – 75007 Paris	30,036	3,351	99.99
Air Liquide Investissements d'Avenir et de Démonstration – 6, rue Cognacq-Jay – 75007 Paris	55,050	8,441	99.99
Air Liquide Advanced Business – 6, rue Cognacq-Jay – 75007 Paris	61,050	(7,379)	99.99
Air Liquide Santé France – 6, rue Cognacq-Jay – 75007 Paris	10,403	23,083	10.12
b) Companies operating outside of France			
Air Liquide Industriegase GmbH & Co. KG – Hans-Günther-Sohl-Strasse 5 – 40235 Düsseldorf – Germany	10	2,800,976	100.00
B. General information on other subsidiaries and affiliates			
a) French companies (together)			
b) Foreign companies (together)			

(a) Most recent year-end accounts approved by the competent decision-making bodies.
(b) Holding company.
(c) Air Liquide International pay a portion of its dividend in the form of an interim dividend.
(d) Net amount: 9,456 thousands of euros.

Carrying amount of shares held after the revaluations of 1976, 1978 and 1979			Loans and advances granted by the Company and not repaid	Guarantees and endorsements given by the Company	2014 net revenue [a]	Net profit (or loss) for 2014 [a]	Dividends collected by the Company during 2015
Gross	Net	Including revaluation difference					
7,333,883	7,333,883	21,186			(246)	808,908	1,649,727 [c]
285,126	285,126				1,056,377	131,503	107,197
72,901	72,901		1,166,754	5,940,398		53,917	53,940
331,728	331,728	6,301			16,398	95,002	205,994
30,326	30,326					32,582	32,596
55,050	55,050				32	10,417	
61,050	61,050		3,668		7,169	(5,791)	
20,388	20,388		1,946		174,341	11,141	1,096
2,106,474	2,106,474				58,474	156,513	110,000
83,037	38,305	18,335	13,456 [d]	2,770			24,292
3,963	3,206		10,075				4,667

Statutory Auditors' Report on the annual financial statements

This is a free translation into English of the Statutory Auditors' Report on the financial statements issued in French and it is provided solely for the convenience of English speaking readers.

The Statutory Auditors' Report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying annual financial statements of L'Air Liquide S.A.;
- the justification of our assessments;
- the specific verifications and information required by French law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, by audit sampling and other selective testing methods, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall financial statements presentation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2015 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Investments are valued in accordance with the methods set out in paragraph 2.D of the notes to the annual financial statements relating to "Accounting policies." We assessed the approach and the estimates used by the Company were reasonable, and checked the depreciation computation, if any.
- These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of French Commercial Code (*Code de Commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies it controls. Based on this work, we concur with the accuracy and fair presentation of this information.

In accordance with French law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders and holders of the voting rights has been properly disclosed in the Directors' Report.

Paris-La Défense, February 24, 2016

The Statutory Auditors
French original signed by

Mazars		Ernst & Young et Autres	
Isabelle Sapet	Daniel Escudeiro	Jean-Yves Jégourel	Pierre-Yves Caër

Five-year summary of Company results

(Articles R. 225-83 and R. 225-102 of the French Commercial Code)

	2011	2012	2013	2014	2015
I – Share capital at the end of the year					
a) Share capital *(in euros)* [(a) (b) (c)]	1,560,971,176	1,717,546,375	1,720,574,218	1,896,800,857	1,892,896,506
b) Number of outstanding ordinary shares	283,812,941	312,281,159	312,831,676	344,872,883	344,163,001
c) Number of shares with loyalty dividend entitlement [(d)]	78,070,815	90,629,532	92,705,933	102,644,011	102,889,311
d) Convertible bonds					
II – Operations and results of the year *(in millions of euros)*					
a) Revenue	258.8	256.2	232.0	166.6	176.3
b) Net profit before tax, employee profit-sharing, depreciation, amortization and provisions	1,342.3	1,111.0	1,149.2	5,160.5	2,455.5
c) Corporate income tax	24.8	27.5	52.9	53.1	59.0
d) Employee profit-sharing for the year	3.6	3.6	3.3	2.7	2.2
e) Net profit after tax, employee profit-sharing, depreciation, amortization and provisions	1,273.3	1,039.9	1,017.9	5,060.8	2,317.2
f) Distributed profit	729.1	803.4	820.9	905.1	921.6
III – Per share data *(in euros)*					
a) Net profit after tax, employee profit-sharing, but before depreciation, amortization and provisions					
■ over the number of ordinary shares outstanding	4.63	3.46	3.49	14.80	6.96
■ over the adjusted number of shares [(e)]	3.82	3.15	3.19	14.87	6.98
b) Net profit after tax, employee profit-sharing, depreciation, amortization and provisions					
■ over the number of ordinary shares outstanding	4.49	3.33	3.25	14.67	6.73
■ over the adjusted number of shares [(e)]	3.70	3.03	2.97	14.74	6.76
c) Dividend allocated to each share					
■ over the number of ordinary shares outstanding	2.50	2.50	2.55	2.55	2.60
■ over the adjusted number of shares [(f)]	2.06	2.27	2.31	2.55	2.60
d) Loyalty dividend					
■ over the number of beneficiary shares	0.25	0.25	0.25	0.25	0.26
■ over the adjusted number of shares [(f)]	0.21	0.23	0.23	0.25	0.26
IV – Employees working in France					
a) Average number of employees during the year	1,525	1,290	1,264	1,097	1,108
b) Total payroll for the year *(in millions of euros)*	172.9	158.9	159.1	145.1	147.0
c) Amounts paid with respect to employee benefits during the year (social security, staff benefits, etc.) *(in millions of euros)*	72.5	68.7	69.6	67.6	70.0

(a) Using the authorization granted by the 8th resolution of the Combined Annual Shareholders' Meeting of May 9, 2012, the10th resolution of the Combined Annual Shareholders' Meeting of May 7, 2013 and the 15th resolution of the Combined Annual Shareholders' Meeting of May 7, 2014, the Board of Directors made the following decisions:

- *in its meeting of May 9, 2012, capital decrease by cancellation of 1,200,000 treasury shares;*
- *in its meeting of May 7, 2013, capital decrease by cancellation of 1,000,000 treasury shares;*
- *in its meeting of May 7, 2014, capital decrease by cancellation of 1,000,000 treasury shares;*
- *in its meeting of May 6, 2015, capital decrease by cancellation of 1,500,000 treasury shares.*

(b) Using the authorization granted by the 9th resolution of the Combined Annual Shareholders' Meeting of May 9, 2012, the Board of Directors decided in its meeting of May 9, 2012, the granting of one free share for ten existing shares (ranking for dividends as of January 1, 2012), and the granting of a 10% bonus for shares held in registered form from December 31, 2009 to May 30, 2012 (ranking for dividends as of January 1, 2012).

Using the authorization granted by the 16th resolution of the Combined Annual Shareholders' Meeting of May 7, 2014, the Board of Directors decided in its meeting of May 7, 2014, the granting of one free share for ten existing shares (ranking for dividends as of January 1, 2014), and the granting of a 10% bonus for shares held in registered form from December 31, 2011 to June 1, 2014 (ranking for dividends as of January 1, 2014).

(c) Using the authorizations granted by the resolutions of Combined Annual Shareholders' Meetings of May 9, 2007 and May 5, 2010,

- *the Board of Directors noted in its meeting of February 16, 2015 the issuance of 106,569 shares (ranking for dividends as of January 1, 2015) arising from:*

- the exercise of 7,985 options subscribed at the price of 50.03 euros;
- the exercise of 72,571 options subscribed at the price of 64.03 euros;
- the exercise of 18,166 options subscribed at the price of 64.66 euros;
- the exercise of 7,603 options subscribed at the price of 68.26 euros;
- the exercise of 244 options subscribed at the price of 71.54 euros.

- *the Board of Directors noted in its meeting of May 6, 2015 the issuance of 415,163 shares (ranking for dividends as of January 1, 2015) arising from:*

- the exercise of 23,145 options subscribed at the price of 50.03 euros;
- the exercise of 246,251 options subscribed at the price of 64.03 euros;
- the exercise of 85,474 options subscribed at the price of 64.66 euros;
- the exercise of 60,182 options subscribed at the price of 68.26 euros;
- the exercise of 111 options subscribed at the price of 87.60 euros.

- *the Board of Directors noted in its meeting of February 15, 2016 the issuance of 268,386 shares (ranking for dividends as of January 1, 2015) arising from:*

- the exercise of 64,380 options subscribed at the price of 50.03 euros;
- the exercise of 66,147 options subscribed at the price of 64.03 euros;
- the exercise of 59,853 options subscribed at the price of 64.66 euros;
- the exercise of 21,568 options subscribed at the price of 68.26 euros;
- the exercise of 56,438 options subscribed at the price of 71.54 euros.

(d) Beginning December 31, 1995, shareholders holding their shares in registered form for at least two years at the period-end, and who will retain these shares in this form until the dividend payment date, will receive a dividend with a 10% bonus compared to the dividend paid to other shares. The difference between the loyalty dividend calculated on the number of shares outstanding as of the period-end and the loyalty dividend actually paid shall be allocated to retaining earnings.

(e) Adjusted to take into account, in the weighted average, the capital increases performed via cash subscriptions and treasury shares.

(f) Adjusted to account for share capital movements.

Cautionary note regarding forward-looking statements

This document contains certain statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. L’Air Liquide S.A. (“Air Liquide”) has identified some of these forward-looking statements with words like “believe”, “may”, “could”, “would”, “might”, “possible”, “will”, “should”, “expect”, “intend”, “plan”, “anticipate”, or “continue”, the negative of these words, other terms of similar meaning or the use of future dates. Forward-looking statements in this document include without limitation statements regarding the expected timing of the completion of the transactions described in this document, Air Liquide’s operation of the business of Airgas, Inc. (“Airgas”) following completion of the contemplated transactions, and statements regarding the future operation, direction and success of Airgas’ businesses. Such statements are qualified by the inherent risks and uncertainties surrounding future expectations generally, and actual results could differ materially from those currently anticipated due to a number of risks and uncertainties. Risks and uncertainties that could cause results to differ from expectations include: uncertainties as to the timing of the contemplated transactions; the possibility that the closing conditions to the contemplated transactions may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant a necessary regulatory approval; the effects of disruption caused by the announcement of the contemplated transactions making it more difficult to maintain relationships with employees, customers, vendors and other business partners; the risk that stockholder litigation in connection with the contemplated transactions may affect the timing or occurrence of the contemplated transactions or result in significant costs of defense, indemnification and liability; other business effects, including the effects of industry, economic or political conditions outside of the control of the parties to the contemplated transactions; transactions costs; actual or contingent liabilities; and other risks and uncertainties discussed in Airgas’ filings with the US Securities and Exchange Commission (the “SEC”), including the “Risk Factors” sections of Airgas’ most recent annual report on Form 10-K. You can obtain copies of Airgas’ filings with the SEC for free at the SEC’s website (www.sec.gov). Air Liquide does not undertake any obligation to update any forward-looking statements as a result of new information, future developments or otherwise, except as expressly required by law. All forward-looking statements in this document are qualified in their entirety by this cautionary statement.