



**RISK  
FACTORS**

## RISK FACTORS

The Group identifies the risk factors to which it is exposed using a formal risk management approach.

The risks presented below, at the date of the Reference Document ([www.airliquide.com/investors/2015-reference-document](http://www.airliquide.com/investors/2015-reference-document)), are the risks of which the Group considers that the occurrence may have a significant negative impact on its business, results, or outlook; in addition, the occurrence of some of these risks could expose the Group to civil, criminal and/or administrative sanctions and have a negative effect on its image and reputation. The list of these risks is however not exhaustive and other risks, unknown at the date of this document, could occur and have a negative effect on the Group's business.

As part of the Group's risk management approach, the Group is committed to regularly assessing the risks and to reducing the likelihood that they will occur or their potential impact by implementing formalized and specific action plans.

The Report from the Chairman of the Board (in the 2015 Reference Document) presents the main underlying internal control and management procedures put in place for the main risks that contribute specifically to limiting the probability of them occurring or their impact.

### Specific Business-Related Risks

The industrial gas business is characterized by a significant technology content (both in the design phase and the construction of production units), local production capacity, high capital intensity, and substantial energy requirements.

The risks associated with these characteristics are mitigated by various factors, which include primarily the diversity of customers, industries served, applications, and countries in which the Group operates, as well as the significant share of business that is subject to specific contracts, a strict investment project authorization and management process, and a tailored energy policy.

### Industrial Risks

Industrial risks are linked to the various industrial processes and distribution methods implemented by the Group. They are distributed over a large number of sites from which it operates.

The Group's key priority is safety, with a formal objective of "zero accidents, on every site, in every region, in every unit." The safety results for the past 20 plus years illustrate the long-term effectiveness of Group's actions in this area.

Over and above the usual risks inherent in all industrial activities, Air Liquide's businesses entail more specific risks relating to:

- products: the intrinsic properties of certain products packaged by the Group classifies them in the dangerous materials category, for which tailored procedures and means of detection have been defined to ensure compliance with local regulations as a minimum;
- processes and their operation: cryogenics is used to separate gases by distillation, store them and transport them. This very low temperature technique as well as other high temperature techniques (used in particular in the production of hydrogen) require specific means of control and protection. In addition, pressure is central to the Group's processes. Pressurized equipment must be designed with security features restricting uncontrolled release which may trigger accidents;
- logistics and transportation: each year, delivery vehicles, sales staff and technicians travel many kilometers. Non-compliance by the drivers with the highway code or the lack of regular maintenance of vehicles would expose drivers and third parties to risks of accidents. Preventive measures are regularly implemented, such as awareness campaigns. In addition, industrial sites use a lot of motorized lifting gears. Training in the use of such equipment and user permits are required;
- engineering and construction: industrial risks are factored in from the design phase of future installations. Subsequently, during the construction phase, the lack of prevention plans and rigorous organization would hamper the coordination among the various trades; the project and competences management tools aim to reduce these risks;
- delivery reliability: a variety of solutions contribute to reducing the risks of fault in the systems supplying gas to customers: direct pipeline connection from a production unit, on-site storage with remote surveillance enabling the automatic trigger of resupply or bar-coded gas cylinders ensuring the traceability of products;
- challenges in the medical area: the products and services delivered for the healthcare and wellbeing of patients are regulated by internal standards and specific regulations, and must be subject to particular attention by the teams in question.

The Group has an Industrial Management System (IMS), which defines the management processes covering the above points. It is described in greater depth in the Chairman's Report in the Reference Document.

### **Industrial investment-related risks**

The Group may be exposed to certain risks specific to its industrial investments. Each investment project may be affected, particularly in its profitability, by different factors linked primarily to project location, customer quality and the competitiveness of the site, as well as to design, cost estimates and the construction of gas production units. The investment authorization process is led by Resources and Investment Committees, which apply extremely strict appraisal criteria to projects. These Committees comprise regional, technical and financial managers that vary depending on the nature of the project considered, and are chaired by an Executive Committee member. The investment decision-making process is explained in the “Investment cycle and financing strategy” section in the Reference Document.

### **Engineering & Construction-related risks**

Air Liquide enters into major contracts to design and build gas production units worldwide. The primary role of Group Engineering is to undertake internal investment projects. It also performs projects, including turnkey projects, for third-party customers, which are selected based on strict criteria aimed at limiting the risks associated with these Engineering & Construction activities.

Measures to limit commitments on the most complex projects are described in the “Control Activities” section of the Chairman’s Report in the Reference Document.

These projects generally extend over several years. Potential risks relating to design, purchasing, transport or construction and more generally to the overall quality of work may arise at different stages of the project. Risks relating to these projects are often greater during the construction stage, in particular for turnkey projects:

- the quality and delivery times for critical equipment on one hand, and costs and on-site construction costs and deadlines on the other may give rise to project start-up setbacks and impact project profitability;
- unexpected technical problems may also arise as a result of new innovative processes being implemented. Preliminary tests on pilot or demonstration units are therefore meant to help reduce such risks prior to commercial implementation;
- certain projects are located in regions that may be a source of political risks. Constant monitoring of such projects helps better manage such risks.

The impact of the risks described above depends also on the contractual commitments given to customers.

### **Business-related risks**

The primary business-related risk is the risk of customer bankruptcy or closure of a customer’s production site. The diversity of the Group’s geographic presence in 80 countries distributes the risk among customers and markets. The Group’s subsidiaries serve a very large number of customers (more than one million worldwide) in a broad range of industries: chemicals, steel, refining, food, pharmaceuticals, metals, automotive, healthcare, electronics, photovoltaic and research laboratories, etc. The Group’s top customer represents around 2% of revenue, the Group’s top 10 customers represent around 12% of revenue and the top 50 customers represent around 28% of revenue.

Moreover, a significant part of the Industrial Gas business is covered by customer contracts, with commitment periods specific to the relevant business line:

- the Large Industries business and a third of the Electronics business respectively rely on 15-year to 20-year, and 10-year, take-or-pay secured contracts, ensuring a guaranteed minimum revenue. These contracts provide strong future cash flow predictability;
- the contracts in the Industrial Merchant business, generally with a one to five year duration, also include services relating to storage and cylinders;
- in the Home Healthcare business, positions vary between health systems, with certain countries awarding one to five-year contracts on a regional and pathology basis following public tenders.

In addition, some Group clients’ business may be interrupted for climatic or major political events.

The impact on the Group of the risks of customer business interruption following major climatic or political events is however limited by the wide diversity of countries in which it operates. This impact can be reduced by the necessary recourse to gases in critical situations. Indeed, gases are needed to secure industrial or chemical installations (inert gases), maintain local industrial activity (essential to industrial processes) and even sustain life (medical gases). They are therefore often protected or prioritized depending on the situation.

The amount of operating receivables as well as provisions for doubtful receivables are shown in note 17 – Trade receivables to the consolidated financial statements.

### Supply-related risks

Electricity and natural gas are the main raw materials used by production units. Their availability is thus essential to the Group. Due to the geographic spread of its activities, Group supply contracts are diversified. Where the local market permits, Group subsidiaries secure these resources through medium to long-term supply commitments and competitive bidding scenarios with the objective of achieving the most reliable and competitive energy costs available in any particular market. The Group passes on cost variations to its customers via indexed invoicing integrated into medium and long-term contracts.

Commodity risk is described in **note 25.1** to the consolidated financial statements.

### Innovation and intellectual property-related risks

The Group's activity is not dependent on third-party patents. It is mainly based on technology, processes and designs which are mostly protected by patents, drawings and models as well as by brands; these technology, processes and designs are developed internally, notably by its Research and Development, Marketing, and Engineering teams, as well as through partnerships with third parties. There is nonetheless a risk of third-party rights being infringed, in particular when several market players are developing similar technologies. The Group is also developing innovative activities through collaboration with partners, acquisitions, or buying shares in innovative entities: risks may arise in the breakdown between stakeholders of rights and obligations relating to intellectual property.

Measures aimed at ensuring the respect of intellectual property are set out in the Chairman's Report in the Reference Document.

### Environmental and Climatic Risks

The industrial and medical gas business presents few environmental risks. Around 85% of the Group's large production units separate the components of atmospheric air, that is oxygen, nitrogen, argon and rare gases. These plants "without chimneys" do not use any combustion processes and consume almost exclusively electrical energy. They are particularly environmentally friendly as they emit almost no CO<sub>2</sub>, sulfur oxides or nitrogen oxides.

Nonetheless, electricity consumption generates CO<sub>2</sub> emissions by the suppliers of this energy, known as indirect emissions. Besides, the Group's two other main activities, namely hydrogen production and cogeneration, account for nearly 15% of large production units and use combustion processes emitting CO<sub>2</sub> and nitrogen oxides, as well as low quantities of sulfur oxides.

Water is a resource necessary to these three main Group processes. Air gas separation units use water exclusively for cooling purposes during the separation process. Hydrogen production units require water in the form of steam in the reaction producing hydrogen. Finally, the cogeneration units produce steam, which is mainly supplied to customers.

Environmental risks primarily comprise the following components:

- the Environmental Footprint, involving the Group's activities worldwide, is closely monitored: sites under the European Seveso directive and equivalent sites worldwide, electrical and thermal energy consumption, annual water supply, emissions into water and the atmosphere, waste and by-products, the distance covered by delivery trucks and progress made toward quality (ISO9001) and environmental (ISO14001) certifications;
- Group direct and indirect greenhouse gas emissions are measured at all production sites.

The Group analyzes and monitors the environmental risk factors at the main stages of its product life cycles as well as when key investment decisions are taken. In addition, a mapping of sites located in hydric stress areas enables the identification of water supply risks. Finally the Group is in constant dialogue with stakeholders to assess the risk to its image associated with environmental issues.

Climatic risks notably comprise the following elements:

- risks associated with changes in environmental protection legislation. In this regard, the Group continuously monitors the European Trading Scheme and other CO<sub>2</sub> allocation exchange systems existing or under development around the world, in order to assess the impact of any regulatory changes on the Group's activities;
- weather and climatic disasters which may disrupt the smooth running of operations in particular on the main sites in the regions at risk. Adaptation measures covering risks relating to extreme weather-related phenomena exist at the main sites located in high-risk areas.

A detailed energy and environment report is presented in the Sustainable Development report in the Reference Document on page 70.

## Financial and Tax Risks

Financial risk management is a priority for the Group.

The financial risk management processes are detailed in the Chairman's Report in the Reference Document, in accordance with a governance structure that defines the role of the Finance Department, the various Committees and the role of local entities.

The Finance Department also analyzes country and customer risks on investment decisions; it participates in Investment Committee meetings.

### Foreign exchange risk

Since industrial and medical gases are not transported over long distances, most products are manufactured in the country where they are sold. The Group considers that its activities have a low level of exposure to currency fluctuations.

Foreign exchange transaction risk is related both to cash flows arising from royalties, technical support and dividends, as well as to foreign currency commercial cash flows from operating entities. These commercial cash flows in foreign currencies are not material when compared to consolidated revenue on an annual basis. This foreign exchange transaction risk is managed through the hedging policy implemented by the Finance Department.

Furthermore, the Group provides a natural hedge and reduces its exposure to exchange rate fluctuations by raising debt in the currency of the cash flows generated to repay debt. Thus, financing is raised either in local currency, or when sales contracts are indexed in euros or US dollars, in foreign currency (EUR or USD).

Foreign exchange risk related to the translation of local currency financial statements into euros mainly corresponds to the sensitivity to the main foreign currencies — the US dollar (USD), the Japanese yen (JPY) and the Chinese renminbi (CNY).

*Note 25.1 to the consolidated financial statements describes the foreign exchange transaction risk management process and the derivative instruments used, as well as sensitivity to foreign currency exchange rates.*

### Interest rate risk

The interest rate risk is mainly linked to the fluctuation of future cash flows on debt when the rate is variable, such as Euribor or Libor. The Group's objective is to reduce the impact of interest rate fluctuations on its interest expenses and, guided by the principle of prudence, to finance long-term assets with shareholders' equity and fixed-rate long-term debt. Since most of Air Liquide's activities are based on long-term contracts (10 to 20 years), a policy promoting interest rate risk hedging ensures control over financing costs when deciding on long-term investments.

Group policy is to maintain, over a medium to long-term period, a majority of total debt at fixed rates, mainly by using firm or option hedges. This approach enables the Group to limit the impact of interest rate fluctuations on financial expenses.

*Note 25.1 to the consolidated financial statements describes the sensitivity of the Group's financial expenses to interest rate fluctuations and the interest rate repricing schedule for fixed-rate debt and interest rate hedging instruments.*

### Financial counterparty and liquidity risk

Financial counterparty risk primarily relates to outstanding amounts on short-term investments and derivative instruments for hedging, and to credit facilities contracted with each bank. To ensure its development and independence, the Group must have sufficient and permanent sources of liquidity, meaning adequate financing resources available at any time and at the lowest cost from banks and financial markets. In this area, the Group adopts a prudent approach to counterparties and their diversification, applying a strict limit on individual outstandings.

*Note 25.1 to the consolidated financial statements describes financial counterparty and liquidity risk for the year ended 31 December 2015. Notes 17.1 and 17.2 to the consolidated financial statements provide a breakdown of trade and other operating receivables and allowances for doubtful receivables.*

### Tax risks

The Group is exposed to tax risk in certain countries, due to changes in applicable regulations, which may have an impact on its activities or its results. Its Tax Department and operational Finance Departments monitor these changes carefully to ensure the Group complies with these regulations.

## **Digital Risks**

The Group's activities, expertise and, more generally, its relations with all the players in its social and economic environment depend on increasingly dematerialized and digitalized operations. These operations depend on interdependent information systems and communication networks on both a human level and in functional and technical terms.

This digital dependency accentuates the risks of data confidentiality, data processing integrity and information systems availability that may have financial, operational or corporate image impacts for the Group.

A long-term operational program aims to continue to strengthen the Group's prevention and monitoring mechanisms in a context of ever-changing cyber-threats and digital risks. This program will enable the application of the digital security policy described in the Chairman's Report in priority fields and activities in the Reference Document.

## **Human Resource Management Risks**

The long-term performance of the Air Liquide Group is driven, in particular, by the quality of its employees, their expertise and their motivation.

The Group may be faced with difficulties in finding and sustaining the required skills at the right time and in the right place, in particular in emerging markets where the Group is expanding its activities.

The Group ensures the building of a performance-focused, motivating and involved professional environment, through a human resources policy aiming to identify, attract, retain and develop competent employees from all walks of life. The objectives of this policy are set out in the Chairman's Report in the Reference Document.

Moreover, considering the changing international climate and its presence in a large number of countries, the Group (its employees, sites and assets) may be exposed locally to a higher security risk, for which additional measures are being taken.

## **Legal Risks**

The Group has a worldwide presence. Its companies operating industrial and medical gas production facilities must comply with the rules and regulations in force locally, particularly in the technical field, and monitor any changes.

In Healthcare in particular, the regulatory environment constantly evolves and specific regulatory constraints exist which relate notably to public markets, to the marketing of products which may be subject to drug regulatory control, and the protection of private information on each patient. In this domain, the evolution of the regulatory environment is monitored with particular vigilance and adapted reinforced means implemented.

More generally the Group is faced with the risks relating to contracts and competition law, as well as anticorruption issues. These risks are specifically monitored as indicated in the Report from the Chairman of the Board of Directors on the internal control and risk management procedures instituted by the Company in the Reference Document.

To the Group's knowledge, there have been no governmental, judicial or arbitration proceedings, including any such proceedings which are pending or threatened of which we are aware which may have, or have had in the past 12 months, significant impacts on the financial situation or profitability of the Company and/or Group.

*Liabilities and contingent liabilities related to disputes are described in notes 23 and 31 to the consolidated financial statements.*

## **Insurance Management**

The Group has adequate insurance coverage, underwritten by first-rate insurers, for civil liability, property damage and business interruption.

## **Property damage and business interruption**

Group property and business interruption are covered by property and casualty insurance policies underwritten in each country in which the Group operates. Almost all of these policies are integrated into an international program.

These policies, which are generally of the “All Risks” form, cover fire, lightning, water damage, explosions, vandalism, impact, machinery breakdown, theft and, depending on the country and in limited amounts, natural disasters.

Business interruption is insured for most production sites under these same policies.

The coverage period for business interruption is 12 to 18 months.

Deductible amounts are correlated to the size of the sites.

Insurers conduct regular visits at the main industrial sites for risk prevention purposes.

### **Civil liability**

In terms of civil liability, the Group maintains two separate covers, one for the North American zone and another for the rest of the world. The North American zone is covered by insurance underwritten in the United States. For the other zones, the Group has subscribed an umbrella policy, underwritten in France, which covers both the Company and its subsidiaries outside of the United States and Canada, beyond any local coverage provided for the subsidiaries.

These two policies cover liability of the Group companies for any damage they might cause to a third party in the course of doing business (operational risk) or arising from their products (product risk). Furthermore, with certain limitations, these policies cover “pollution” risk and product recall costs.

The coverage amounts underwritten exceed 500 million euros. Both policies are built on several overlapping insurance lines and each line has been underwritten for a given amount with several insurers sharing the risk. Beyond the first line, the upper lines pick up the excess risk from the lower lines.

The policy underwritten by the Company in France serves as an umbrella for subsidiaries outside of North America. Under this umbrella, each foreign subsidiary has its own policy covering damages to third parties incurred through its activities or products. The amount insured for each subsidiary in its policy depends on the amount of its revenue. The coverage under the Group’s umbrella policy is supplemental to any local amounts.

The main exclusions are deliberate acts, war, nuclear incidents and repair of defective products.

### **Captive reinsurance**

A portion of risks of damage and operating losses is kept by the Group via a captive reinsurance company located in Luxembourg, which also participates, since 1 July 2015, in the coverage of the Group’s civil liabilities excluding the North American zone.

This company covers losses of up to a maximum of 5 million euros per loss over and above the deductibles to a maximum of 19.5 million euros per year. Beyond these amounts, risks are transferred to insurers. Their management is entrusted to a captive manager approved by the Luxembourg Insurance Commission.

This captive reinsurance company is fully consolidated. Its balance sheet as of 31 December 2015 totaled 60 million euros.

## **SPECIAL RISKS FOR U.S. HOLDERS**

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### **Currency exchange rate fluctuations may negatively affect the dollar value of Air Liquide shares**

The market price in dollars of Air Liquide common stock is subject to changes in the comparative value of the Euro and the dollar. Fluctuations in the value of the Euro (the currency in which Air Liquide common stock is traded in France on the Euronext Paris stock exchange) versus the United States dollar affect the price in United States dollars received by a shareholder in the United States upon the resale of Air Liquide common stock, as well as the value of dividends received by a shareholder in the United States which are converted from Euros to United States dollars. At times, the value of the Euro has fluctuated significantly against the United States dollar, and it is not possible to predict the future value of the Euro against the dollar. Please see Exhibit B of the Description of Material Terms of the Air Liquide Group Employee Share Purchase Plan 2016 Offering for more information on the effects of changes in the Euro-U.S. Dollar exchange rate.

### **Judgments of U.S. Courts May Not Be Enforceable Against Air Liquide**

Judgments of U.S. courts, including those predicated on the civil liability provisions of the federal securities laws of the United States, may not be enforceable in French courts. As a result, shareholders who obtain a judgment against Air Liquide in the United States may not be able to enforce such judgment against Air Liquide in France. In addition, it may also be difficult for investors to serve process within the United States upon members of Air Liquide's Board of Directors, none of whom reside in the United States, or to enforce judgments in the United States against them or Air Liquide's assets, the majority of which are located outside the United States.

### **Restrictions on the Sale of Common Stock May Expose Employees to Significant Market Volatility and Foreign Exchange Currency Rate Risk**

Employees should be prepared to hold common stock acquired under the plan for a period of at least five years. Under the provisions of the plan, employees may not generally sell or otherwise dispose of common stock acquired under the plan for five years. Earlier sale is permitted in limited circumstances set forth in the plan, including death, or termination of employment. The restrictions on the sale of common stock during the holding period may expose an employee to significant market volatility and foreign exchange currency rate risk. A default in payment for the purchase of shares under the U.S. Plan will also result in a sale of common stock prior to the expiration of the five year holding period.

### **Rights of Shareholders Under French Law May Differ Materially From the Rights of Shareholders Under U.S. Law**

Principles of law relating to matters such as the validity of corporate procedures, the fiduciary duties of Air Liquide management and directors and the rights of Air Liquide shareholders to bring claims against Air Liquide differ from those that would apply if Air Liquide were incorporated in a jurisdiction within the United States. As a result, the rights of Air Liquide shareholders may differ materially from those of a shareholder of a U.S. corporation.

### **Federal Income Tax Risk**

The U.S. Plan is intended to qualify for special tax benefits under Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"), and Air Liquide has consulted with its legal advisors with respect to such qualification. However, Air Liquide has not obtained a ruling from the U.S. Internal Revenue Service that the U.S. Plan meets the requirements of Section 423 of the Code. Whether the U.S. Plan meets the requirements of Section 423 of the Code depends on all of the facts and circumstances. There can be no assurances that the U.S. Internal Revenue Service will agree that the U.S. Plan meets the requirements of Section 423 of the Code, in which event participants in the U.S. Plan would be subject to income tax on the date shares are purchased under the U.S. Plan on the difference, if any, between the fair market value of a share of Air Liquide common stock and the amount paid by a U.S. Employee for such shares.

### **Risk of Increase in Tax Rates**

Federal tax rates in effect on the date that you sell shares may be substantially higher than on the date you purchase shares. State and local tax rates may also increase. Please See Exhibit A of the Description of Material Terms of the Air Liquide Group Employee Share Purchase Plan 2016 Offering for more information on the current tax rates.

### **FATCA Reporting**

You may be required to file a report of Specified Foreign Financial Assets on IRS Form 8938 as part of your annual US tax return listing certain non-US assets owned by the employee that exceed certain reporting thresholds. The report is required under the Foreign Account Tax Compliance Act known as "FATCA." Shares of the Company are included among the non-US assets that may need to be reported. There are substantial penalties for failure to file a timely Form 8938. Please See Exhibit A of the Description of Material Terms of the Air Liquide Group Employee Share Purchase Plan 2016 Offering for more information on the FATCA filing requirement.

### **Risks Relating to the Acquisition of Airgas**

On November 17, 2015, the Air Liquide Group announced the signing of a merger agreement under which Air Liquide will acquire the American company Airgas. For additional information regarding this acquisition, please see the joint press releases issued by Air Liquide and Airgas that are attached to these Risk Factors and the Air Liquide Reference Document 2015 available on Air Liquide's website ([www.airliquide.com](http://www.airliquide.com)).



**Notice Concerning Forward Looking Statements**

The materials being provided to you in connection with the U.S. Plan contain “forward-looking statements.” Words such as “anticipate,” “estimate,” “expects,” “projects,” “intends,” “plans,” “believes,” “will,” and words and terms of similar substance used in connection with any discussion of future operating or financial performance of Air Liquide, identify forwardlooking statements. All forward-looking statements are management’s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The risks discussed above, among others, could cause actual results to differ materially from those described in, or otherwise projected or implied by, the forward-looking statements. You are cautioned not to place undue reliance on the forwardlooking statements, which speak only as of the date of the materials being provided to you in connection with the U.S. Plan. Air Liquide is not under any obligation, and expressly disclaims any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to Air Liquide, or any person acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained or referred to above.



## AIR LIQUIDE ANNOUNCES AGREEMENT TO ACQUIRE AIRGAS

- Air Liquide to acquire U.S.-based Airgas for U.S. \$143 per share in cash, or a total enterprise value of \$13.4 billion
- Game-changing combination that strengthens Air Liquide's global leadership with #1 position in North America, complementing its #1 positions in Europe, Africa / Middle East and Asia-Pacific, and provides new opportunities to Airgas customers
- Air Liquide ideally positioned for future growth with a stronger presence in the U.S., the largest industrial gases market in the world
- The transaction is expected to be accretive from year one
- Combined company to deliver greater value, service and innovation to customers in North America and around the world

**Paris, France, and Radnor (Pennsylvania), USA – 17 November 2015** — Air Liquide (Euronext Paris: AI), world leader in gases, technologies and services for Industry and Health, and Airgas (NYSE: ARG), one of the leading suppliers of industrial gases and associated products and services in the U.S., today announced an agreement under which Air Liquide will acquire Airgas. Airgas shareholders will receive \$143 per share in cash for all outstanding shares of Airgas, representing a total enterprise value of \$13.4 billion (12.5 billion at current exchange rates<sup>1</sup>) on a fully diluted basis and including the assumption of Airgas debt.

The transaction represents a premium of +50.6% to Airgas' one month average share price, prior to the announcement of the transaction, and of +20.3% over Airgas' 52-week high share price<sup>1</sup>.

In the transaction, Airgas will become a wholly-owned subsidiary of Air Liquide.

**Benoît Potier, Chairman and CEO of Air Liquide, said:**

"This combination offers significant benefits for all of our stakeholders due to the highly complementary nature of the two businesses. It also advances Air Liquide's vision to lead the industry and deliver long-term performance while acting responsibly. This acquisition increases our geographic reach in the resilient U.S. market, and offers continuous growth opportunities. Airgas is the industry leader in U.S. packaged gases with a customer-centric organization and we are confident in our ability to successfully combine operations. Airgas is a unique partner, and together we will continue to advance our strategy based on profitable growth and innovation over the long-term."

He added, "We have the highest respect for Airgas, its organization, its employees and its stakeholders, as well as for what they have achieved over more than 30 years. We look forward to working with their teams as we move to complete the transaction and combine both businesses."

**Peter McCausland, Executive Chairman of Airgas, said:**

"This transaction is compelling for our shareholders, arising from the persistent execution of our business strategy for more than three decades. Air Liquide's long-term vision and strong heritage in the U.S. make it the right fit for our valued customers, and the combination creates significant opportunities for the talented employees of both companies. Airgas customers and employees will benefit from Air Liquide's unrivalled global footprint and strength in technology, innovation and operational efficiency, while Airgas is ready to bring the entrepreneurial culture and packaged gas excellence that have driven our success to date. We are excited about the prospects of integrating these two businesses to create the largest industrial gas company in the world. We look forward to working closely with Air Liquide to complete the transaction and achieve a smooth transition."

<sup>1</sup> Calculated as of Monday November 16, 2015

## Strategic Rationale

Combining Air Liquide and Airgas will bring together two highly complementary businesses to deliver greater value, service and innovation to customers in North America and around the world. In the U.S., Airgas' leadership in the packaged gases business and associated products and services and Air Liquide's strong footprint in complementary activities will increase the scope and competitiveness of the combined companies' product offering.

This acquisition gives Air Liquide a greater presence in the U.S. market, the largest for industrial gases worldwide, and will ideally position Air Liquide for future growth. In addition, there is potential for further growth using Airgas' footprint to accelerate the deployment of Air Liquide's technologies.

The combination builds on Air Liquide's longstanding track record of successfully operating in the U.S. and will benefit from Airgas' unmatched national presence and its more than 1 million customers in the U.S., as well as from its leading customer-facing platform including e-commerce and telesales capabilities. The combined entity will be able to better serve customers with the most advanced multi-distribution networks in the U.S. and more competitive product offerings thanks to an integrated upstream-downstream model.

The acquisition will reinforce Air Liquide's global leadership position, increasing Gas & Services sales by around + 30%. Upon completion of the acquisition, the combined company will be the leader in North America, complementing number one positions in Europe, Africa/Middle East and Asia-Pacific. It will also be number one in Industrial Merchant and Large Industries, and co-number one in Electronics, worldwide.

The combined company will continue to implement an innovation strategy that combines scientific expertise, industry-leading technology and customer insight to bring new products and services to market. It will also improve existing offerings and open new markets, in particular by leveraging digital technologies. In addition, this combination will create new opportunities for employees as part of a leading global organization that is ideally positioned for growth.

## Financial Benefits

Air Liquide's acquisition of Airgas represents significant value for shareholders of both companies. Upon completion, Airgas shareholders will receive immediate and substantial cash value for their shares.

Air Liquide's management has a proven track record of executing and integrating acquisitions. The transaction is expected to be accretive from year one. Air Liquide plans to realize more than \$300 million of pre-tax cost, efficiency and volume synergies; the majority within two to three years. The company's objective is to maintain its S&P 'A-/A' credit rating. Air Liquide has committed bridge financing for the transaction and intends to refinance through a capital increase in the range of 3 billion to 4 billion, and a combination of U.S. dollar and Euro long-term bonds.

## Timing and Conditions

The transaction is subject to Airgas shareholders' approval, receipt of necessary antitrust and other regulatory approvals and other customary conditions and provisions. The two parties wish to proceed swiftly.

## Board Approvals and Process

The transaction has been unanimously approved by each of Airgas' and Air Liquide's boards of directors, including Executive Chairman of Airgas Peter McCausland who is a significant shareholder, and an ad hoc committee of the Air Liquide board was established to participate in the process that led to the agreement between Airgas and Air Liquide.

Barclays Bank Plc and BNP Paribas are acting as financial advisors to Air Liquide, and also as underwriters of the bridge financing. Cleary Gottlieb Steen & Hamilton LLP and Bredin Prat are acting as legal advisors to Air Liquide.

Goldman Sachs and Bank of America Merrill Lynch are acting as financial advisors to Airgas and Wachtell, Lipton, Rosen & Katz is acting as legal advisor to Airgas.

**On Wednesday, 18 November 2015**  
**Investor Calls at 8:30am CET and at 5:30pm EST**  
**Press Conference at 10:00am CET at Pavillon Gabriel, 75008 Paris**

## Investor Calls Details

### **Investor call 1, at 8:30 am Paris time (London 7:30 am, New York 2:30 am)**

(UK) +44 (0)20 3427 1910 and 4056934#

(FR) +33 (0)1 70 48 01 66 and 4056934#

(US) +1-212-444-0412 and 4056934#

### **Investor call 2, at 5:30 pm New York time (Paris 11:30 pm, London 10:30 pm)**

#### **Dial-In:**

(US Toll) +1-212-999-6659

(US Toll Free) +1-866-966-5335

#### **Replay – available for 7 days:**

(US Toll Free) +1-866-595-5357 and 6648317#

## Press Conference Details

**10:00 -10:45 CET** at Pavillon Gabriel - 5 Avenue Gabriel, 75008 Paris.

Held by Benoît Potier, Chairman and CEO of Air Liquide, and Fabienne Lecorvaisier, CFO.

It will be possible to *listen* to the press conference by dialing: (FR) +33 (0)1 76 77 22 30 and 9174705# or (UK) +44 (0)20 3427 1916 and 9174705# ([listen only](#))

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**About Air Liquide**

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

For more information, please visit [www.airliquide.com](http://www.airliquide.com).

**About Airgas**

Airgas, Inc. (NYSE: ARG), through its subsidiaries, is one of the nation's leading suppliers of industrial, medical and specialty gases, and hardgoods, such as welding equipment and related products. Airgas is a leading U.S. producer of atmospheric gases with 16 air separation plants, a leading producer of carbon dioxide, dry ice, and nitrous oxide, one of the largest U.S. suppliers of safety products, and a leading U.S. supplier of refrigerants, ammonia products, and process chemicals. Approximately 17,000 associates work in more than 1,100 locations, including branches, retail stores, gas fill plants, specialty gas labs, production facilities and distribution centers. Airgas also markets its products and services through e-Business, catalog and telesales channels. Its national scale and strong local presence offer a competitive edge to its diversified customer base.

Airgas revenues amounted to \$5.3 billion in 2015 (fiscal year ending March 31, 2015).

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### **Additional Information and Where to Find it**

Airgas intends to file with the SEC a proxy statement in connection with the contemplated transactions. The definitive proxy statement will be sent or given to Airgas stockholders and will contain important information about the contemplated transactions. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT CAREFULLY AND IN ITS ENTIRETY WHEN IT BECOMES AVAILABLE. Investors and security holders may obtain a free copy of the proxy statement (when it is available) and other documents filed with the SEC at the SEC’s website at [www.sec.gov](http://www.sec.gov).

### **Certain Information Concerning Participants**

Airgas and its directors and executive officers may be deemed to be participants in the solicitation of proxies from Airgas investors and security holders in connection with the contemplated transactions. Information about Airgas’ directors and executive officers is set forth in its proxy statement for its 2015 Annual Meeting of Stockholders and its most recent annual report on Form 10-K. These documents may be obtained for free at the SEC’s website at [www.sec.gov](http://www.sec.gov). Additional information regarding the interests of participants in the solicitation of proxies in connection with the contemplated transactions will be included in the proxy statement that Airgas intends to file with the SEC.



# Airgas

## UPDATE: AIR LIQUIDE'S ACQUISITION OF AIRGAS ON TRACK

- *A special meeting of Airgas' shareholders has been scheduled for February 23, 2016*
- *Customary regulatory reviews proceeding as expected*
- *The parties continue to expect to complete the merger in the second or third quarter of 2016*
- *Previously committed bridge financing successfully syndicated amongst large group of international banks*

**Paris, France & Radnor (Pennsylvania), USA – 26 January 2016** — Air Liquide (Euronext Paris: AI), world leader in gases, technologies and services for Industry and Health, and Airgas (NYSE: ARG), the leading supplier of packaged gases and associated products and services in the United States, announce the date of the special meeting of Airgas' shareholders to approve Air Liquide's pending acquisition of Airgas. This special meeting is scheduled to take place on February 23, 2016.

The transaction, which was unanimously approved by each of Air Liquide's and Airgas' Boards of Directors prior to its announcement, is expected to close following approval by Airgas shareholders, receipt of necessary antitrust and other regulatory approvals, as well as additional customary closing conditions. Both companies are pleased with the progress made to date and the pending transaction is progressing as expected.

- On January 22, 2016, Airgas filed its definitive proxy statement relating to the special meeting of its shareholders to obtain approval of the acquisition (a simple majority of the outstanding shares of Airgas is required). The special meeting is scheduled to take place on February 23, 2016.
- Both Air Liquide and Airgas are actively engaged with the US Federal Trade Commission (the "FTC") in connection with the proposed acquisition of Airgas. The parties are cooperating fully with the FTC's investigation, including by providing information requested in the FTC's "second request."
- Assuming timely receipt of the required regulatory clearances and satisfaction of other closing conditions, the parties continue to expect to complete the merger in the second or third calendar quarter of 2016.
- The bridge financing, initially underwritten by Barclays Bank PLC and BNP Paribas, has been syndicated among a large group of international banks, who have longstanding working relationships with Air Liquide. The loan agreement was signed on December 17, 2015.

Airgas files annual, quarterly and current reports, proxy statements and other information, including the principal documents relating to this transaction, with the SEC. Such filings are available to the public free of charge from the SEC website at <http://www.sec.gov/edgar/searchedgar/webusers.htm>.

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### **About Air Liquide**

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

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## About Airgas

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## Additional Information and Where to Find it

In connection with the proposed acquisition of Airgas by Air Liquide, Airgas has filed with the SEC and mailed or otherwise provided to its stockholders a definitive proxy statement regarding the proposed transaction. BEFORE MAKING ANY VOTING DECISION, AIRGAS STOCKHOLDERS ARE URGED TO CAREFULLY READ THE DEFINITIVE PROXY STATEMENT IN ITS ENTIRETY AND ANY OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTION OR INCORPORATED BY REFERENCE THEREIN BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION AND THE PARTIES TO THE PROPOSED TRANSACTION. Investors and security holders may obtain a free copy of the proxy statement and other documents that Airgas files with the SEC (when available) from the SEC's website at [www.sec.gov](http://www.sec.gov) and Airgas' website at <http://investor.shareholder.com/arg/>. In addition, the proxy statement and other documents filed by Airgas with the SEC (when available) may be obtained from Airgas free of charge by directing a request to Joseph Marczely, Manager, Investor Relations, Airgas, Inc., 259 N. Radnor-Chester Road, Radnor, PA 19087-5283, Phone: 610-263-8277.

## Certain Information Concerning Participants

Airgas and its directors, executive officers and employees may be deemed, under SEC rules, to be participants in the solicitation of proxies from Airgas stockholders with respect to the proposed acquisition of Airgas. Security holders may obtain information regarding the names, affiliations and interests of such individuals in Airgas' Annual Report on Form 10-K for the fiscal year ended March 31, 2015 and proxy statement for its 2015 annual meeting of stockholders. Additional information regarding the interests of such individuals in the proposed acquisition of Airgas is in the proxy statement relating to such acquisition. These documents may be obtained free of charge from the SEC's website at [www.sec.gov](http://www.sec.gov) and Airgas' website at <http://investor.shareholder.com/arg/>.



## AIRGAS SHAREHOLDERS APPROVE AIR LIQUIDE'S ACQUISITION OF AIRGAS

**Paris, France & Radnor (Pennsylvania), USA – 23 February 2016** — Airgas (NYSE: ARG) shareholders, during a special shareholder meeting held earlier today, voted to approve the previously announced acquisition of Airgas, one of the leading suppliers of industrial gases and associated products and services in the United States, by Air Liquide (Euronext Paris: AI), world leader in gases, technologies and services for Industry and Health. 75.9% of the total outstanding shares of Airgas common stock and 99.5% of the total shares voted were in favor of the transaction. The affirmative vote of a simple majority of outstanding Airgas shares was required to approve the merger.

Once the acquisition is completed, the combined entity will be the largest industrial gas company in the world with leadership in North America complementing its number one positions in Europe, Africa/Middle East and Asia-Pacific. Bringing together two highly complementary businesses will deliver greater value, service and innovation to customers around the world.

**Peter McCausland, Executive Chairman of Airgas**, said: "I thank our shareholders for their trust and support. The transaction with Air Liquide is very compelling and we are excited to move forward with the process to create the largest industrial gas company in the world. The combined company will improve existing offerings and open new markets, benefiting both companies' customers and employees. We look forward to continuing to work closely with Air Liquide to complete the transaction and achieve a smooth transition."

**Benoît Potier, Chairman and CEO of Air Liquide**, said: "This approval is a significant milestone as we move closer to completing our acquisition of Airgas. The transaction will deliver substantial benefits to both companies' stakeholders and will further solidify our ambition to be the leader in our industry, delivering long-term performance and acting responsibly. We look forward to a successful future with Airgas."

Assuming timely receipt of the necessary antitrust and other regulatory approvals, and satisfaction of all closing conditions, the parties continue to expect to complete the merger in the second or third calendar quarter of 2016.

Airgas files annual, quarterly and current reports, proxy statements and other information, including the principal documents relating to this transaction, with the SEC. Such filings are available to the public free of charge from the SEC website at <http://www.sec.gov/edgar/searchedgar/webusers.htm>.

More information about Air Liquide announcing agreement to acquire Airgas can be found here: <https://www.airliquide.com/investors/cautionary-note-regarding-forward-looking-statements>.

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