



## *information*

Paris, August 29<sup>th</sup>, 2002

### Press release

<p><b>CONSOLIDATED EARNINGS FOR THE 1<sup>ST</sup> HALF OF 2002</b> <b>EARNINGS PER SHARE MAINTAINED: €3.27</b> <b>AND IMPROVED PROFIT MARGIN</b></p>
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The Supervisory Board of the Air Liquide Group, chaired by Alain Joly, met on August 28<sup>th</sup>, 2002. During the meeting, Benoît Potier, Chairman of the Management Board, presented the accounts for the 1<sup>st</sup> half of 2002 and made the following statement:

***“As of June 30, 2002, earnings per share were 3.27 euros. This is the same level reached during a strong 1<sup>st</sup> half in 2001, and represents an increase of +1.5% at constant exchange rates. The sales and earnings achieved during the first six-month period of 2002 are in line with our expectations.*”**

***2002 began much as 2001 ended, with a general business slowdown. Positive signs of recovery have started to emerge in our principal markets in the 2<sup>nd</sup> quarter of 2002. This was primarily evident in Large Industries and Electronics, where new contracts have been signed. Efficiency gains offset the subdued business climate and enabled earnings (EBITDA) at constant exchange rates to remain steady compared to the 1<sup>st</sup> half of 2001. The Group’s net earnings were 324.2 million euros (+0.3% at constant exchange rates) due in part to reduced financial charges.***

***For the first six months, the Group generated operational cash flow of 757 million euros (representing 19% of sales), enabling net debt to be reduced to 2,406 million euros (debt-to-equity ratio of 45.5%) after capital expenditures and the dividend distribution. Our key ratios showed improvement and our balance sheet remains strong.***

***These results illustrate the Group’s ability to face economic slowdowns while developing high-growth sectors through targeted investment. The level of sales and earnings recorded during the 1<sup>st</sup> half of the year allows us to remain reasonably confident for the full year 2002. The gradual recovery of our markets should enable us to grow net earnings in 2002, at constant exchange rates.”***

As of June 30, 2002	Euros (in millions)		2002/2001	2002/2001
	H1 2001	H1 2002	%	% excl. forex
Total Sales	4,312.8	3,935.7	-8.7%	-7.1%
Of which Gas and Services sales	3,779.8	3,450.1	-8.7%	-6.8%
<b>Earnings before depreciation and amortization (EBITDA)</b>	<b>1,009.9</b>	<b>986.2</b>	<b>-2.3%</b>	<b>0.0%</b>
Operating income	595.5	573.0	-3.8%	-1.3%
<b>Net earnings</b>	<b>328.6</b>	<b>324.2</b>	<b>-1.3%</b>	<b>+0.3%</b>
Cash flow	813.2	757.1	-6.9%	-5.0%
<b>Earnings per share* (in euros)</b>	<b>3.27**</b>	<b>3.27</b>	<b>0.0%</b>	<b>+1.5%</b>

\* average number of shares during the 1<sup>st</sup> half of 2002: 99,251,543

\*\* adjusted following the allocation of bonus shares

## 1 - Consolidated earnings for H1 2002

**Sales** for the 1<sup>st</sup> half of 2002 were 3,936 million euros. This represents a slight decrease of -3.4% from a strong 1<sup>st</sup> half in 2001, based on comparable data. Second quarter sales were up +3% compared to the 1<sup>st</sup> quarter of 2002. (Please refer to the 1<sup>st</sup> half sales press release of July 30, 2002 for more information)

**Earnings before depreciation and amortization (EBITDA)** were 986 million euros, signifying a nominal decrease of -2.3% but remained stable at constant exchange rates. The **EBITDA margin**, an indicator of management performance, was 25.1% and, excluding the impact of natural gas prices on sales, increased by +0.6 points compared to the 1<sup>st</sup> half of 2001.

The **efficiency program** is broadly on target in a tougher business environment. Savings of 46 million euros were realized as of June 30. These savings have contributed toward an improved EBITDA margin.

**Operating income** was 573 million euros, down -3.8% (-1.3% at constant exchange rates). Depreciation was steady at 413.2 million euros:

- Operating income for businesses in **France** was down primarily due to the level of business in Electronics and the impact of the sale of the LPG business in Industrial Customers in 2001.
- In **Europe (excluding France)**, operating income showed satisfactory improvement. Large Industries and Healthcare, mainly in Southern Europe, led this growth.
- In the **Americas**, operating income improved in part as a result of the reorganization of the Industrial Customers business in the United States, which was completed in late 2001. In South America, strict management and the continued business performance of Industrial Customers and Large Industries compensated to some extent for the currency depreciations.
- In **Asia**, compared with a very strong 1<sup>st</sup> half in 2001, the good performance of the Industrial Customers business, particularly in Australia, was not enough to entirely compensate for the slowdown in Electronics in Japan and Taiwan.

The reduction of **interest expenses** is primarily due to the impact of decreases in US dollar interest rates. Equity in earnings of **companies accounted for by the equity method** rose +12% to 25.6 million euros.

Other **income and expenses** were -18.7 million euros compared to -13.3 million in the 1<sup>st</sup> half of 2001, as a result of lower levels of gains on asset disposals in 2002. The **average effective tax rate** for the 1<sup>st</sup> half was 34.3%.

Overall, **net earnings**, after deducting minority interests, were 324.2 million euros compared with 328.6 million for the 1<sup>st</sup> half of 2001. This represents a slight decrease of -1.3% but an increase of +0.3% at constant exchange rates.

Taking into account the share buyback program, **earnings per share** were 3.27 euros; the same as the figure recorded for the 1<sup>st</sup> half of 2001 and up +1.5% at constant exchange rates. This includes

the adjustment in the number of shares following the allocation on June 17, 2002 of one bonus share for every eight shares held. During the 1<sup>st</sup> half, 255,614 shares were bought back for an amount of 39.6 million euros. The average number of shares in circulation during the 1<sup>st</sup> half was 99,251,543.

**Cash flow** was 757.1 million euros (-5% at constant exchange rates compared to the 1<sup>st</sup> half of 2001). This was a result of reduced deferred taxes and the stabilization of depreciation due to lower levels of investment since the start of 2000.

**Capital expenditures** remained on target, amounting to 413.4 million euros as of June 30. This level of capital expenditures demonstrates strict control of current investments without compromising mid- and long-term growth opportunities.

**Net debt**, which amounted to 2,583.5 million euros as of December 31, 2001, was reduced by 177.2 million euros, 151.9 of which was due to exchange impact on foreign currency debt. Net debt as of June 30, 2002 was 2,406.3 million euros, resulting in a debt-to-equity ratio of 45.5%.

**Foreign exchange** had an impact of -1.6% on net earnings during the 1<sup>st</sup> half. The average Euro/US Dollar exchange rate for this period was 1 Euro = 0.90 US Dollar. As of June 30, 2002, 1 Euro = 1 US Dollar, reflecting a -11.6% decrease in the value of the US Dollar since December 31, 2001. A variation of +/- 1% in the value of the US Dollar will have a conversion impact on net earnings of approximately 1 million euros.

## **2 - Highlights**

### **Large Industries:**

As planned, 7 projects were started-up during the 1<sup>st</sup> half; two projects are due to start-up in the 2<sup>nd</sup> half.

Major business developments:

- Hydrogen contract to supply Exxon Mobil in Normandy approximately 50,000 m<sup>3</sup>/h. Start-up scheduled for 2004.
- Construction of the 15<sup>th</sup> oxygen plant for Sasol in South Africa to supply the Secunda petrochemical site. Capacity: 3,550 tons per day (tpd).
- Hydrogen contract to supply the BASF site in Antwerp, Belgium. This plant, scheduled for start-up in late 2003, will be the Group's largest hydrogen plant in the world, with a capacity of 100,000 m<sup>3</sup>/h.

Overall, the steel industry showed slight improvement, although it is difficult to anticipate mid-term developments. The chemical sector has yet to provide evidence of a clear recovery. Growth continues, however, in petrochemicals and refining, particularly in the area of fuel desulfurization.

### **Industrial Customers:**

Business was generally stable. The Group introduced efficiency measures and continued its geographic expansion. The acquisition of certain assets of the Messer Griesheim Group has provided a base in Egypt and reinforced our presence in South Africa, Brazil, Argentina, and more recently Canada. A partnership with a specialist in hydrogen production through electrolysis, will allow us to launch a new range of on-site hydrogen production units. The disposal of certain distribution businesses in the United States in 2001 helped improve margins in this business in the 1<sup>st</sup> half of 2002. Price conditions also remained favorable. A number of successful business developments were realized, including: the sale of large quantities of liquid oxygen to Petrocanada in Ontario and a contract for on-site nitrogen and compressed air for Degussa, the German chemical group.

### **Healthcare:**

The hospital and hygiene sectors performed well due in large part to a number of new product releases. Kinox, for example, was granted marketing authorization in France. Kinox is a mixture of medical nitric oxide and nitrogen used to treat pulmonary arterial hypertension. In homecare, in a context of increasing medicalization and stricter regulatory requirements, the Group is continuing its

efforts to integrate industrial and distribution functions. Overall, the mid-term business outlook is good in terms of internal and external growth.

### **Electronics:**

There continues to be a number of positive signs, including:

- Recovery of specialty gas sales since the end of the 1<sup>st</sup> quarter
- Stability of carrier gases and services
- Improving equipment order book
- Several successful business developments recently in Europe and Asia

### **3 - Financial calendar**

- Third Quarter Sales 2002..... Wednesday, October 30, 2002
- Full Year Sales 2002 .....Thursday, January 30, 2003
- Full Year Earnings 2002 .....Wednesday, February 26, 2003
- First Quarter Sales 2003 ..... Tuesday, April 29, 2003
- Annual General Shareholders' Meeting.....Thursday, May 15, 2003

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***Air Liquide** is a global provider of industrial and medical gases and related services. By staying at the vanguard of technological leadership, Air Liquide provides customers all over the world with new products, services and solutions. Founded in 1902, Air Liquide has 130 subsidiaries in more than 65 countries and employs around 30,800 people. Sales in 2001 totaled 8,328 million euros, with revenue outside of France accounting for 77%. Air Liquide is listed on the Paris Stock Exchange and is a component of the CAC 40 and the EuroStoxx 50 indexes (Euroclear 12007).*

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The H1 2002 Earnings presentation is available online at:

[www.airliquide.com](http://www.airliquide.com)

<b>(I) HALF-YEAR 2002 STATEMENT OF EARNINGS</b>
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*In millions of euros*

	2001	H1 2001	H1 2002
Net sales	8,328.3	4,312.8	3,935.7
Cost of products sold, operating expenses and innovation costs	(6,325.5)	(3,302.9)	(2,949.5)
Depreciation and amortization	(825.2)	(414.4)	(413.2)
<b>Operating income</b>	<b>1,177.6</b>	<b>595.5</b>	<b>573.0</b>
Financial income (expense), net	(154.1)	(78.8)	(64.7)
Equity in earnings of companies accounted for by the equity method	44.9	22.8	25.6
Other income (expense), net	(1.2)	(13.3)	(18.7)
<b>Earnings before income taxes</b>	<b>1,067.2</b>	<b>526.2</b>	<b>515.2</b>
Current income taxes	(264.2)	(124.4)	(150.4)
Deferred income taxes	(50.0)	(42.9)	(17.8)
<b>Earnings before minority interests</b>	<b>753.0</b>	<b>358.9</b>	<b>347.0</b>
Minority interests	51.1	30.3	22.8
<b>Net earnings</b>	<b>701.9</b>	<b>328.6</b>	<b>324.2</b>
			<i>in euros</i>
<b>Net earnings per share</b>	<b>7.88</b>	<b>3.27</b>	<b>3.27</b>

<b>(II) HALF-YEAR 2002</b> <b>SUMMARIZED BALANCE SHEET</b>
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	<i>In millions of euros</i>	
<b>ASSETS</b>	<b>December 31, 2001</b>	<b>June 30, 2002</b>
Fixed assets	7,898.1	7,491.5
Other non-current assets	654.8	559.9
<b>Total long-term assets</b>	<b>8,552.9</b>	<b>8,051.4</b>
Inventories	633.6	642.0
Trade receivables and other assets	2,268.1	2,232.9
Short term loans, marketable securities and cash	599.9	356.9
<b>Total assets</b>	<b>12,054.5</b>	<b>11,283.2</b>

	<b>December 31, 2001</b>		<b>June 30, 2002</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Shareholders' equity	5,353.3		4,970.3	
Minority interests	323.0		313.7	
Provisions and deferred income taxes	1,316.2		1,295.0	
Long-term debt	2,753.4		2,668.1	
<b>Total capital employed</b>	<b>9,745.9</b>		<b>9,247.1</b>	
Trade payables and other liabilities	1,878.6		1,941.0	
Loans maturing within one year	430.0		95.1	
<b>Total liabilities and shareholders' equity</b>	<b>12,054.5</b>		<b>11,283.2</b>	

<b>(III) HALF-YEAR 2002</b> <b>STATEMENT OF CHANGES IN FINANCIAL POSITION</b>
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*In million of euros*

	2001	H1 2001	H2 2002
Net earnings	701.9	328.6	<b>324.2</b>
Minority interests	51.1	30.3	<b>22.8</b>
Depreciation and amortization	825.2	414.4	<b>413.2</b>
Deferred income taxes	50.0	42.9	<b>17.8</b>
Increase (decrease) in provisions	10.6	6.5	<b>(18.2)</b>
Equity in earnings of companies accounted for by the equity method, less dividends received	<u>(11.4)</u>	<u>(9.5)</u>	<u>(2.7)</u>
<b>FUNDS PROVIDED BY OPERATIONS</b>	<u>1,627.4</u>	<u>813.2</u>	<u>757.1</u>
Distributions:			
- L'AIR LIQUIDE shareholders	(317.9)	(317.9)	<b>(366.1)</b>
- Minority interests	(37.4)	(28.7)	<b>(19.4)</b>
Acquisitions of fixed assets	(769.8)	(387.4)	<b>(302.7)</b>
Investments	(332.4)	(142.7)	<b>(110.7)</b>
Sales of fixed assets and investments	146.7	104.4	<b>42.6</b>
Other non-current assets and sundry (*)	(119.0)	(101.3)	<b>0.3</b>
Change in working capital	<u>(139.4)</u>	<u>(150.5)</u>	<u>67.5</u>
<b>NET BEFORE FINANCING</b>	<u>58.2</u>	<u>(210.9)</u>	<u>68.6</u>
Proceeds from issues of capital stock	47.7	0.9	<b>2.2</b>
Purchase of treasury shares	(289.9)	(129.8)	<b>(39.6)</b>
Effect of exchange rate changes	(79.5)	(104.9)	<b>151.9</b>
Net indebtedness of newly consolidated companies	<u>(39.7)</u>	<u>(50.5)</u>	<u>(5.9)</u>
<b>CHANGE IN NET INDEBTEDNESS</b>	<u>(303.2)</u>	<u>(495.2)</u>	<u>177.2</u>
Net indebtedness at beginning of year	(2,280.3)	(2,280.3)	<b>(2,583.5)</b>
Net indebtedness at end of the period	<u>(2,583.5)</u>	<u>(2,775.5)</u>	<u>(2,406.3)</u>

	Dec 31, 2001	June 30, 2001	June 30, 2002
<b>NET INDEBTEDNESS ANALYSIS</b>			
Short-term loans, marketable securities and cash	599.9	293.7	<b>356.9</b>
Long-term and Short-term debt	<u>(3,183.4)</u>	<u>(3,069.2)</u>	<u>(2,763.2)</u>
<b>NET INDEBTEDNESS AT END OF THE PERIOD</b>	<u>(2,583.5)</u>	<u>(2,775.5)</u>	<u>(2,406.3)</u>

(\*) For H1 2001, the amount mainly corresponds to payments to insurance companies in connection with the externalization of the Spanish pensions schemes.

<b>(IV) HALF-YEAR 2002 GEOGRAPHIC INFORMATION</b>
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<b>H1 2002</b> <i>- in millions of euros -</i>	<b>France</b>	<b>Europe</b> (excl. France)	<b>Americas</b>	<b>Asia - Pacific</b>	<b>Africa</b>	<b>TOTAL</b>
<b>NET SALES</b>						
GAS AND SERVICES	718.1	1,048.8	1,144.3	479.4	59.5	3,450.1
AL WELDING	88.8	144.5	0.0	0.0	0.0	233.3
OTHER ACTIVITIES	110.7	21.6	43.0	4.3		179.6
Sub-total without Engineering	917.6	1,214.9	1,187.3	483.7	59.5	3,863.0
ENGINEERING	19.6	11.5	21.1	11.4	9.1	72.7
<b>TOTAL</b>	<b>937.2</b>	<b>1,226.4</b>	<b>1,208.4</b>	<b>495.1</b>	<b>68.6</b>	<b>3,935.7</b>

**OPERATING INCOME**

GAS AND SERVICES	145.5	223.2	162.9	60.5	10.9	603.0
OTHER	22.0	18.5	3.1	(0.5)	0.0	43.1
R&D center / corporate					(73.1)	(73.1)
<b>TOTAL</b>	<b>167.5</b>	<b>241.7</b>	<b>166.0</b>	<b>60.0</b>	<b>10.9</b>	<b>(73.1)</b>

<b>H1 2001</b> <i>- in millions of euros -</i>	<b>France</b>	<b>Europe</b> (excl. France)	<b>Americas</b>	<b>Asia - Pacific</b>	<b>Africa</b>	<b>TOTAL</b>
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**NET SALES**

GAS AND SERVICES	767.5	1,026.8	1,375.1	560.3	50.1	3,779.8
AL WELDING	90.1	140.6	0.0	0.0	0.0	230.7
OTHER ACTIVITIES	106.9	20.9	49.7	5.0	0.0	182.5
Sub-total without Engineering	964.5	1,188.3	1,424.8	565.3	50.1	0.0 4,193.0
ENGINEERING	19.0	17.4	22.6	55.7	5.1	119.8
<b>TOTAL</b>	<b>983.5</b>	<b>1,205.7</b>	<b>1,447.4</b>	<b>621.0</b>	<b>55.2</b>	<b>0.0 4,312.8</b>

**OPERATING INCOME**

GAS AND SERVICES	160.6	212.7	161.0	75.3	12.2	621.8
OTHER	25.7	17.8	3.1	1.3	0.0	47.9
R&D center / corporate					(74.2)	(74.2)
<b>TOTAL</b>	<b>186.3</b>	<b>230.5</b>	<b>164.1</b>	<b>76.6</b>	<b>12.2</b>	<b>(74.2)</b>

Note: Net sales are based upon the location of operations, except for the Engineering activity, which is based upon customer location.