AIR LIQUIDE

information

Paris, February 27, 2004

CONSOLIDATED EARNINGS 2003

Further growth in net earnings in 2003
Net earnings per share: 7.36 euros, or +4.0% (+8.3% in constant currencies)

Proposed dividend: 3.20 euros per share
Bonus share distribution: 1 for 10

The Supervisory Board of Air Liquide, chaired by Alain Joly, met on 26 February 2004 and reviewed financial statements for 2003, presented by Benoît Potier, Chairman of the Management Board.

In 2003, Air Liquide once again delivered net earnings growth to reach 726 million euros (+7.4% in constant currencies) and of 8.3% in EPS in constant currencies, to reach 7.36 euros.

Benoît Potier, Chairman of the Management Board, commented:

"In 2003, the Group once again recorded an increase in net earnings – a performance achieved despite an uncertain economic environment and the unfavorable impact of exchange rates.

Air Liquide advanced in all business lines in Asia and the Americas, particularly in the second half of the year, as well as in Europe. This positive evolution was due in particular to the significant development of hydrogen use in refineries, homecare and high-purity gases for semi-conductors.

Over and above growth in activities, the increase in earnings also reflects the successful cost reduction program undertaken over the past three years. The Group strengthened its financial structure, reducing debt and improving profitability in capital employed in its four main business lines. Our solid financial structure gives us confidence for the future and in our growth initiatives.

We are working on the proposed acquisition of Messer's operations in Germany, the United Kingdom and the United States, a development consistent with our strategy, and one that will strengthen our global presence. In 2004, we are also launching a new three-year action plan combining accelerated time to market for our products and services, sharing of best practices, and constant improvements in efficiency, thanks to the Group's men and women and our technological assets.

The extent to which we grow in the coming year will be linked to the strength of economic recovery and the impact of exchange rate conversion. Nevertheless, based on our performance in the second half of 2003, our goal for 2004 is to achieve higher growth in activities and reported net earnings."

A **dividend of 3.20** euros per share excluding tax credit, will be proposed at the next General Shareholders' Meeting, representing **a distribution rate of 45 %** for the year. Once accounts are approved by the AGM, the Management Board, in agreement with the Supervisory Board, has decided **to distribute** on June 14, **1 bonus share for every 10** shares held, as of January 1 2004.

Key 2003 figures

Besides comparing published figures, financial information is presented here in constant currencies and excluding natural gas effects and consolidation of Japan Air Gases (JAG) where applicable. Since most industrial and medical gases are not exported, all operational activities in our subsidiaries (sales, costs, purchasing and debt) are accounted for in local currency. As a result, the impact of currency fluctuations on sales and results is limited to the effect of accounting consolidation in euros for the financial statements of our foreign subsidiaries. Fluctuations in natural gas prices are passed on to our customers by means of indexed pricing clauses.

Millions of euros	2002	**2003**	2003/02	**2003/02 (excl. forex)**	**2003/02 (excl. forex, JAG)**
Total sales	7,900.4	**8,393.6**	+6.2%	**+9.6%***	**+5.0%***
of which Gas and Services sales	*6,887.0*	*7,388.5*	*+7.3%*	*10.8%**	*+5.4%**
Operating income before depreciation/amortization (EBITDA)	1,974.8	2,004.7	+1.5%	+7.2%	
Operating income after depreciation/amortization (EBIT)	1,161.6	**1,196.0**	+3.0%	**+7.8%**	**+5.2%**
Net earnings	703.2	**725.6**	+3.2%	**+7.4%**	**+7.0%**
Cash flow	1 514.1	**1,542.2**	+1.9%	**+8.1%**	
Net earnings per share (in euros)**	7.08	**7.36**	**+4.0%**	+8.3%	
Dividend per share (in euros)	3.20	**3.20**			
ROCE after taxes	10.8%	**11.6%**			

* *Sales figures have been adjusted to exclude currency and natural gas effects.*
** *The average number of shares used to calculate EPS in 2003 was 98,537,498.*
The number of shares outstanding at December 31, 2003, was 99,912,917.

Sales

Consolidated sales for 2003 reached 8,394 million euros, up +6.2% on 2002, with Gas and Services sales showing a marked improvement in the second half.

At constant exchange rates and excluding fluctuations in natural gas prices, full year sales grew +9.6%, of which +5% was activity-related and +4.6% linked to the consolidation of JAG.

Gas and Services sales, accounting for nearly 90% of activities, were up +10.8% in 2003 (at constant exchange rates and excluding fluctuations in natural gas prices), of which +5.4% activity-related and +5.4% linked to the consolidation of JAG.

Group results

Operating income before depreciation/amortization (EBITDA) increased by +7.2% (excluding currency effect), of which 2.8% was linked to the consolidation of JAG. Growth was achieved while maintaining good margin levels recorded in 2002.

The EBITDA to sales ratio for Gas and Services rose by +0.4 percentage points, excluding the impact of natural gas prices and consolidation of JAG, whose margin structure differs from that of the Group. For the Group, taking into account strong growth in engineering – a business with traditionally lower margins – the ratio, on the same basis, remained stable at 25.0%.

Operating income (EBIT) amounted to 1,196 million euros, in line with growth in sales (excluding natural gas price effect and consolidation of JAG).

The EBIT/sales ratio grew by +0.5 percentage points for Gas and Services excluding the impact of natural gas prices and consolidation of JAG. For the Group overall, it reached 14.9% on the same basis, an increase of +0.2 percentage points over 2002.

Performance at the operating income level was driven in particular by the combined effect of a reduction in costs and accelerated growth in the second half.

Our **efficiency program**, launched three years ago, achieved its goal of generating 300 million euros in cumulative savings. In 2003, savings totaled approximately 120 million euros, including JAG. Overall for the 2001–2003 period, the program doubled the pace of savings compared with the 1998–2000 period.

Net financial expenses declined by –16.7% for the second consecutive year, to 106 million euros in 2003. This decrease was attributable mainly to a reduced volume of debt, lower interest rates in Europe, and the impact of the foreign exchange rate on debt expressed in US dollars.

Earnings of companies accounted for by the equity method amounted to 50 million euros, a decline of –11.5%, owing to an exceptional asset disposal by Séchilienne-Sidec in 2002.

Other **net expenses** totaled 50 million euros, a figure comparable to that recorded in 2002. For the most part they related to provisions for risk of depreciation of intangible assets or deferred charges linked to the development of new operations.

The effective average **tax rate** was 29.6%, a rate similar to that for 2002, thanks to continued tax optimization especially in Italy.

Minority interests increased, by +18.6% to 56 million euros, given the consolidation and integration of Japan Air Gases since January 1, 2003.

Group **consolidated net earnings** rose to 726 million euros, a +3.2% increase despite unfavorable currency effects. Excluding foreign exchange, growth was +7.4%.

Net earnings per share reached 7.36 euros, an increase of +4.0% (+8.3% excluding foreign exchange), given the share buyback program carried out in 2003.

In 2003, the Group bought back 1,185,641 shares at an average price of 127.2 euros, for a total of 150.8 million euros. Air Liquide intends to continue its share buyback policy at a moderate pace in 2004.

Financial position and balance sheet

Cash flow amounted to 1,542 million euros, an increase of +8.1% excluding foreign exchange. This evolution is consistent with the rise in EBITDA. Over the year, it represented about 18% of sales.

Capital expenditure reached 822 million euros. Industrial investment increased by 114 million euros while financial investments declined following the 2002 acquisition of certain Messer assets and a buy-out of Air Liquide Japan minority shareholders.

Working capital requirements remained stable, demonstrating efficiency savings notably in Healthcare. Controlling working capital requirements remains a permanent objective for the Group.

Net debt amounted to 1,730 million euros as of December 31, 2003, a decrease of 292 million euros. Debt reduction resulted primarily from operations; a favorable exchange rate, taking into account the percentage of dollar debt, was compensated by the buyback of shares.

Net gearing was 31%, compared to 37% in 2002. The Group therefore has a very solid financial structure to finance the proposed acquisition of Messer's businesses in Germany, the United Kingdom and the United States.

Return on capital employed (ROCE) after tax was 11.6% as of December 31, 2003, compared to 10.8% in 2002. This marked improvement occurred in each of the Group's main business lines, while the Group maintained long-term capital expenditure that will ensure future growth.

Analysis by geographic zone

In 2003, all geographic zones saw an increase in EBIT (excluding foreign exchange).

In **France,** performance in Healthcare and Large Industries produced overall growth in Gas and Services EBIT. Performance in gas related activities was weaker.

In **Europe (excluding France),** the dynamic performance of our Industrial Customers business line and the ramp-up of Large Industries projects produced growth in EBIT.

In the **Americas,** after slightly lower first-half results, EBIT benefited from the business recovery in the second half to achieve growth for the full year, fuelled by Large Industries and Industrial Customers.

In **Asia-Pacific**, EBIT for all activities showed very strong growth when foreign exchange and consolidation of JAG are excluded.

Analysis by business line

Large Industries saw solid improvement in margins in 2003, thanks to a greater number of large contracts, especially in Asia and in Europe, to efficiency efforts, and to the recovery evident in the second half of the year.

Electronics recorded steady margins over the year with better performance in the second half of 2003. Analysis of these margins shows the contribution of efficiencies in Japan (through Japan Air Gases) and a positive contribution from volume growth in Asia (Japan, China, Taiwan).

In **Industrial Customers**, margins were stable, sustained by the growth of liquid gas volumes and services in Europe and Asia. Trends by geographic zone were more varied over the year, with Europe showing the best performance.

Healthcare improved its margin ratio in 2003, with solid performance in the second half. Medical gases and hygiene services to hospitals in Europe and Homecare in France showed the strongest performance.

2004 Outlook

2003 saw a clear rebound in activity during the second half. The first few months of 2004 show a number of positive factors, such as the dynamism of Electronics activity, the start-up of new units in the Large Industries business, growth in services, an improved outlook in Healthcare, and geographic positioning enabling us to take advantage of the recovery in our Industrial Customers markets in Asia and the Americas.

In addition, the Group should achieve **accelerated organic growth** through the development of more targeted marketing operations and the rising importance of our growth vectors (hydrogen, Healthcare, Asia, Electronics, services), along with expansion in emerging countries (China, Eastern Europe).

In 2004, we will launch a new **three-year action plan** to strengthen sales growth and improve operating income. The program is based on three key goals: accelerated time to market for our products and services; sharing best practices; and constant improvements in efficiency. This program should generate approximately 400 million euros in improved performance throughout all operations by 2007.

We are also working on the **proposed acquisition of Messer's operations** in Germany, the United Kingdom and the United States. The acquisition represents an exceptional business opportunity for us thanks to the geographic complementarity and quality of the businesses, and the skilled teams involved.

Dividends

At the **General Shareholders' Meeting** on May 12, 2004, the Management Board, with the approval of the Supervisory Board, will propose a dividend of 3.20 euros per share for financial year 2003.

This represents a **distribution rate** of 45% over the year.

Once accounts are approved by the AGM, the Management Board, in agreement with the Supervisory Board, has decided to **distribute** on June 14 2004 **1 bonus share for every 10** shares held, as of January 1 2004.

Corporate Financial statements

For **L'Air Liquide S.A.**, net earnings before exceptional items reached 328 million euros, compared to 324 million euros in 2002.

Financial calendar 2004

The Annual General Shareholders' Meeting will be held at Palais des Congrès, in Paris, on May 12, 2004, at 3 p.m.

2004 1st quarter sales	Wednesday, April 28
AGM	Wednesday, May 12
Dividend distribution	Tuesday, May 18
2004 1st half sales	Tuesday, July 27
2004 1st half earnings	Monday, September 6
2004 3rd quarter sales	Thursday, October 28

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Present in 65 countries, ***Air Liquide*** *is the* ***world leader*** *in industrial and medical gases and related services. The Group offers* ***innovative solutions*** *based on constantly enhanced* ***technologies****.* ***These solutions, which are in line with Air Liquide's commitment to sustainable development,*** *help to protect life and enable our customers to manufacture many indispensable everyday products. Founded in 1902, Air Liquide has more than 31,900 employees. The Group has successfully developed a long-term relationship with its shareholders built on confidence and* ***transparency*** *and guided by the principles of* ***corporate governance****. Since the publication of its first consolidated financial statements in 1971, Air Liquide has posted* ***strong and steady earnings growth****. Sales in 2003 totaled 8,394 million euros, of which sales outside France accounted almost 80%. Air Liquide is listed on the Euronext Paris stock exchange and is a component of the CAC 40 and EuroStoxx 50 indexes (ISIN code FR 0000120073).*

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Appendix : Full Year 2003 Results – (in million euros)

1. Statement of earnings

	December 2002	**December 2003**	Variation 03/02
Net sales (*)	7,900.4	**8,393.6**	**6.2%**
Cost of products sold, operating expenses and innovation costs	(5,925.6)	**(6,388.9)**	**7.8%**
Depreciation and amortization	(813.2)	**(808.7)**	**(0.6%)**
Operating income (*)	1,161.6	**1,196.0**	**3.0%**
Financial income (expense), net	(127.2)	**(106.0)**	
Equity in earnings of companies accounted for by the equity method	56.0	**49.5**	
Other income (expense), net	(49.6)	**(50.4)**	
Earnings before income taxes	1,040.8	**1,089.1**	**4.6%**
Current income taxes	(343.8)	**(362.6)**	
Deferred income taxes	53.6	**55.3**	
Earnings before minority interests	750.6	**781.8**	**4.2%**
Minority interests	47.4	**56.2**	
Net earnings	*703.2*	***725.6***	***3.2%***
Net earnings per share (in EUR) (**)	*7.08*	***7.36***	***4.0%***

(*) : for geographic information see the following pages
(**) : calculated on the adjusted weighted number of shares outstanding during the year (excluding treasury shares)

2. Balance sheet (summarized)

	December 2002	December 2003
ASSETS		
Fixed assets	7,259.7	**6,978.9**
Other non-current assets	574.3	**524.6**
Total long-term assets	7,834.0	**7,503.5**
Inventories	563.0	**655.5**
Trade receivables and other assets	2,208.4	**2,407.6**
Short term loans, marketable securities and cash	353.6	**438.2**
Total assets	10,959.0	**11,004.8**

	December 2002	December 2003
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity	5,219.3	**5,079.2**
Minority interests	232.8	**460.0**
Provisions and deferred income taxes	1,170.9	**1,104.0**
Long-term debt	2,289.2	**1,985.3**
Total capital employed	8,912.2	**8,628.5**
Trade payables and other liabilities	1,960.1	**2,193.2**
Short-term debt (including loans maturing within one year)	86.7	**183.1**
Total liabilities and shareholders' equity	10,959.0	**11,004.8**

3. *Statement of changes in financial position*

	December 2002	**December 2003**
Net earnings	703.2	**725.6**
Minority interests	47.4	**56.2**
Depreciation and amortization	813.2	**808.7**
Deferred income taxes	(53.6)	**(55.3)**
Increase (decrease) in provisions	18.4	**(0.9)**
Equity in earnings of companies accounted for by the equity method, less dividends received	(14.5)	**7.9**
Funds provided by operations	1,514.1	**1,542.2**
Distributions :		
- L'Air Liquide S.A.	(366.1)	**(414.2)**
- Minority interests	(29.6)	**(44.7)**
Acquisitions of fixed assets	(632.8)	**(746.8)**
Investments	(306.9)	**(74.9)**
Sales of fixed assets and investments	59.0	**40.2**
Other non-current assets and sundry	5.5	**5.4**
Change in working capital	182.8	**(15.6)**
Net before financing	426.0	**291.6**
Proceeds from issues of capital stock	3.4	**12.1**
Purchase of treasury shares	(91.5)	**(150.8)**
Effect of exchange rate changes	194.4	**151.5**
Net indebtedness of newly consolidated companies	28.9	**(12.3)**
Change in net indebtedness	561.2	**292.1**
Net indebtedness at beginning of year	(2,583.5)	**(2,022.3)**
Net indebtedness at end of year	(2,022.3)	**(1,730.2)**
Net indebtedness analysis :		
Short-term loans, marketable securities and cash	353.6	**438.2**
Long-term debt and loans maturing within one year	(2,375.9)	**(2,168.4)**
Net indebtedness at end of year	(2,022.3)	**(1,730.2)**

4. Geographic information

2003 : as of December 31

Sales	**France**	**Europe (excl France)**	**Americas**	**Asia-Pacific**	**Africa**	**Total**
Gas & Services	1,544.8	2,232.3	2,131.4	1,336.3	143.7	**7,388.5**
AL Welding Group	148.7	274.5				**423.2**
Other activities	222.9	38.9	60.4	6.6		**328.8**
Sub-total without Engineering	1,916.4	2,545.7	2,191.8	1,342.9	143.7	**8,140.5**
Engineering	63.9	34.3	12.8	103.8	38.3	**253.1**
Total	1,980.3	2,580.0	2,204.6	1,446.7	182.0	**8,393.6**

Operating income	**France**	**Europe (excl France)**	**Americas**	**Asia-Pacific**	**Africa**		**Total**
Gas & Services	313.9	466.0	278.3	166.5	31.4		**1,256.1**
Other	48.2	29.2	4.3	4.1			**85.8**
R&D centers / corporate						(145.9)	**(145.9)**
Total	362.1	495.2	282.6	170.6	31.4	(145.9)	**1,196.0**

2002 : as of December 31

Sales	**France**	**Europe (excl France)**	**Americas**	**Asia-Pacific**	**Africa**	**Total**
Gas & Services	1,465.2	2,113.5	2,226.4	962.2	119.7	**6,887.0**
AL Welding Group	176.2	283.9				**460.1**
Other activities	222.8	38.4	75.0	7.2		**343.4**
Sub-total without Engineering	1,864.2	2,435.8	2,301.4	969.4	119.7	**7,690.5**
Engineering	66.6	34.7	41.3	46.6	20.7	**209.9**
Total	1,930.8	2,470.5	2,342.7	1,016.0	140.4	**7,900.4**

Operating income	**France**	**Europe (excl France)**	**Americas**	**Asia-Pacific**	**Africa**		**Total**
Gas & Services	303.0	449.3	308.9	121.6	22.6		**1,205.4**
Other	56.3	31.6	1.7	5.8			**95.4**
R&D centers / corporate						(139.2)	**(139.2)**
Total	359.3	480.9	310.6	127.4	22.6	(139.2)	**1,161.6**

Notes :

- *Sales are based upon the location of operations, except for the Engineering activity, which is based upon the customer location;*
- *AL Welding group produces and distributes welding and cutting materials ; other activities include mainly chemicals and diving activities.*