AIR LIQUIDE

information

Paris, 6 September 2004

Press release

CONSOLIDATED EARNINGS AT 30 JUNE 2004

Further growth in activity and earnings in the first half of 2004
Net earnings per share: +10.3% (+12.8% excluding foreign exchange)

The Supervisory Board of Air Liquide, chaired by Alain Joly, met on 3 September 2004 and reviewed financial statements for the first half of 2004, presented by Benoît Potier, Chairman of the Management Board.

As of 30 June 2004, Air Liquide recorded growth of **+9.8% in sales** (excluding foreign exchange and natural gas) and **+9.7% in net earnings** (+12.2% excluding foreign exchange) to reach **359.9 million euros**. **EPS of 3,33 euros** grew by **+10.3%** (+12.8% excluding foreign exchange). **Funds from operations** for the period improved strongly by **+10.2%** excluding foreign exchange to **818.1 million euros**.

Commenting on results for the first half of 2004, **Benoît Potier, Chairman of the Management Board of Air Liquide,** said :

"The first half of 2004 saw further growth in our sales and earnings. The Group benefited from the recovery in North America and from the dynamic environment in Asia. In Europe our key drivers ensured continuous growth.

Margins improved in North America and Asia. In Europe, despite a significant rise in energy costs, margins were maintained at high levels thanks to our on-going efficiencies. These margins include the cost of implementing an integrated IT system across Europe which is at the heart of our main productivity initiatives.

The acquisition of Messer assets, completed in May 2004 and entirely debt financed, is moving ahead as planned. Consolidated figures for the two months have made a small contribution to net earnings in the first half. The divestment process is progressing in line with our expectations. This acquisition strengthens the Group's core business, which is traditionally a strong cash flow generator.

By the end of this year, the divestments required by the competition authorities and our strong cash flow should enable us to reduce our debt, which will progressively decrease thereafter. We therefore maintain a very good credit rating.

Based on these positive trends, we confirm our expectation of higher growth in sales and reported net earnings in 2004 than in 2003. Beyond 2004, the Group anticipates reinforced growth levels due to the commercial successes we have achieved and the integration of the Messer activities we have acquired".

Key figures : First Half 2004

In addition to published figures, the financial information presented here excludes the impact of foreign exchange and natural gas. Since industrial and medical gases are not exported, the impact of exchange rate fluctuations on activities is limited to the 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	H1 2003	H1 2004	H1 04/03	H1 04/03 Excl. forex
Total sales	**4,202.0**	**4,470.0**	*+6.4%*	**+9.8*%**
of which Gas and Services sales	**3,684.2**	**3,919.2**	*+6.4%*	***+10.1*%***
Operating profit (EBITDA)	**987.9**	**1,040.2**	*+5.3%*	**+8.0%**
Operating income (EBIT)	**581.4**	**609.6**	*+4.8%*	**+7.2%**
Net earnings	**328.2**	**359.9**	*+9.7%*	**+12.2%**
Net earnings per share** (in €)	**3.02**	**3.33**	*+10.3%*	**+12.8%**
Funds from operations	**761.0**	**818.1**	*+7.5%*	**+10.2%**

* *Sales figures have been adjusted to exclude the impact of foreign exchange and natural gas*
** *Average number of shares for the first half of 2004 for EPS calculation: 108,023,244*

Sales

Consolidated sales for the first half of 2004 reached 4,470.0 million euros, up +6.4%. Excluding the impact of foreign exchange and the increase in natural gas prices, the increase was **+9.8%** of which +2.7% comes from the consolidation of Messer. The second quarter was notable for sustained levels of activity compared with the first quarter.

Gas and Services sales amounted to 3,919.2 million euros, an increase of **+10.1%** excluding the impact of foreign exchange and natural gas. Acquired Messer activities, consolidated as of 6 May 2004, accounted for +3.0% of this growth.

Group results

Operating income was 609.6 million euros, up +4.8% and +7.2% excluding foreign exchange.

The **ratio of EBITDA** (operating profit before depreciation and amortization) **to sales** reached 23.2% excluding the impact of natural gas pricing and Messer.

On the same basis, the **ratio of EBIT** (operating income) **to sales** was maintained at 13.8% for the Group. Thanks to the productivity program initiated three years ago, this ratio is stable compared with the same period last year, despite a rising cost environment, stemming partly from significant increases in energy prices.
By geographic zone, efforts made in the American and Asian zones contributed to a significant rise in margins, particularly in the US and Japan. In Europe, margins were slightly impacted by the rise in energy costs whose effect, particularly in Industrial Customers, is passed through with a lag effect, and by the implementation of the European ERP IT system. Margins however remain at historically high levels.

The efficiency part of our **OPAL productivity program,** continued throughout the first half and generated 44 million euros of additional cost savings to the end of June. This result, which includes synergies achieved by Japan Air Gases in the first half, does not yet reflect all the expected benefits from the recently implemented OPAL program. Our new European IT system (ERP) is part of this program and will deliver its full efficiencies in the coming years.

Net financial expenses rose by 4 million euros (+7.5%) in the first half. This results partly from a significant decrease in financial expenses excluding the Messer acquisition (-12.5%), and partly from an increase of +10.8 million euros directly linked with the acquisition of Messer activities in May 2004.

Other net expenses amounted to 10.0 million euros in the first half of 2004, compared with 28.6 million euros in the same period of last year, when provisions were made for the depreciation of certain intangible assets.

The **effective tax rate** is 34.5% at 30 June 2004 against 33.4% in the first half of 2003. This increase is principally the result of an exceptional untaxed profit recorded last year following the integration of Japan Air Gases.

Minority interests were 32.3 million euros, up by +9.9% due to improved results from Japan Air Gases, of which we own 55%.

Total **Group consolidated net earnings** increased to 359.9 million euros at 30 June 2004, an improvement of +9.7% as reported and +12.2% excluding foreign exchange.

Net earnings per share amounted to 3.33 euros, up by +10.3% and +12.8% excluding foreign exchange. This rise incorporates the positive impact of share buybacks undertaken during the first half, amounting to 77,500 shares. The average number of shares for the calculation of EPS at 30 June 2004 was 108,023,244 shares.

****

Funds from operations were 818.1 million euros, an increase of +7.5% (+10.2% excluding foreign exchange). This improvement relates to the evolution of earnings and the increase of the depreciation charge (+5.9% and +9.2% excluding foreign exchange) principally linked with Messer. The impact of this acquisition on cash flow in the first half was 28.2 million euros. In total for the first half, funds generated from operations represented 18.3% of sales.

Capital expenditure for industrial projects was stable at 331.0 million euros. Financial investments amounted to 2,801.5 million euros of which 2 684 million euros reflects the price of Messer acquisition, before the disposal of activities to be sold during 2004.

Working capital requirements increased by +286.1 million euros over the half-year. For the most part, this change stems from the lag in tax payments, especially in France, and from discontinued securitization in Canada and welding. Working capital requirements from operations are stable as a percentage of sales.

Including Messer acquisition, **net debt** was 4,762.4 million euros before anticipated divestments. Gearing was 85%, against 38.3% at 30 June 2003, and will fall during the second half as proceeds from divestments are received.
Excluding Messer, net debt was 2,033.5 million euros in the first half, in line with our forecasts. This includes the payment of the 2003 dividend made in June 2004.

Messer acquisition

During the first half, Messer's activities, which were consolidated for two months, made a positive contribution to net earnings of +2.5 million euros. The opening balance sheet includes debt resulting from the acquisition, and the revaluation of net assets. The value of goodwill allocation will be determined after divestments and with the adoption of IAS accounting standards.
The integration of Messer assets acquired in May is moving ahead, as planned.

In Germany, the divestment process is in progress. The integration of activities is in line with plans and includes actions aimed at maintaining the quality of our customer relationships and at bringing teams together through our efficiency and development objectives.

In the US, on 29 June 2004, Air Liquide signed an agreement with Matheson Tri-Gas (the American subsidiary of Nippon Sanso) for the disposal of the liquid gas activities to be divested. In keeping with its strategy in the US, the Group has decided to divest its traditional cylinder activities with annual sales estimated at more than 80 million euros. Sales related to these activities were therefore not consolidated in the first half.

Analysis by geographic zone and business line

The **Americas** recorded a very strong increase in operating income. This is the result of dynamic sales growth linked with a significant increase in margin ratios for Industrial Clients and Large Industries. The renewal of important contracts in Electronics, the numerous commercial successes and the integration of Messer activities are all positive factors for the next 18 months.

In **Europe (including France)**, operating income rose slightly. Growth in sales and efficiency efforts offset the rise in costs (particularly energy costs and the implementation of the European ERP, which will be a source of future efficiencies).
The integration of Messer and metrology activities had a slightly negative mix effect on margins for the first half. Synergies expected from the integration of these activities will underpin future margin growth. Healthcare is seeing promising development of new services in France, Italy and Germany.

In **Asia-Pacific**, as in the Americas, operating income rose considerably, with good performance in Electronics, thanks in particular to efficiency efforts and new TFT/LCD contracts in Japan, Korea and Taiwan. Industrial Customers performance in Japan also improved, driven by rapid progress in JAG's synergy program. In the first half, investment decisions rose sharply in Asia, consistent with our development strategy in this region.

Outlook

Beyond 2004, our development in Asia, in particular in Electronics; the integration of Messer activities; and commercial successes already achieved, notably through the signing of long term contracts; will enable the Group to reinforce its growth.

Financial agenda for second half of 2004 and 2005

Third quarter 2004 sales	Thursday 28 October 2004
Full year 2004 sales	Wednesday 26 January 2005
Full year 2004 results	Monday 28 February 2005
First quarter 2005 sales	Thursday 21 April 2005
AGM	Wednesday 11 May 2005
First half 2005 sales	Tuesday 26 July 2005
First half 2005 results	Tuesday 6 September 2005
Third quarter 2005 sales	Wednesday 26 October 2005

****

Present in 65 countries, ***Air Liquide*** *provides industrial and medical gases and related services. The Group offers* ***innovative solutions*** *based on constantly enhanced* ***technologies****. These solutions, which are consistent 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 35,000 employees. The Group has successfully developed a long-term relationship with its shareholders built on* ***trust*** *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, with sales outside France accounting for almost 80%. Air Liquide is listed on the Euronext Paris stock exchange and is a component of the CAC 40 and Eurostoxx 50 indices (ISIN code FR 0000120073).*

For more information, please contact:

Investor Relations
Matthieu Baumgartner ☎ ***+ 33 (0)1 40 62 55 19***
Caroline Morand ☎ ***+ 33 (0)1 40 62 55 41***

Corporate Communication
Dominique Maire ☎ ***+ 33 (0)1 40 62 53***
Joëlle Ambon ☎ ***+ 33(0)1 40 62 51 31***

www.airliquide.com

Appendices: First Half 2004 Results – (in millions of euros)

1. *Statement of earnings*

	June 2003	**June 2004**	Variation 04/03 %
Net sales (*)	4,202.0	**4,470.0**	**6.4%**
Cost of products sold, operating expenses and innovation costs	(3,214.1)	**(3,429.8)**	**6.7%**
Depreciation and amortization	(406.5)	**(430.6)**	**5.9%**
Operating income (*)	581.4	**609.6**	**4.8%**
Financial income (expense), net	(53.5)	**(57.5)**	
Equity in earnings of companies accounted for by the equity method	24.9	**27.9**	
Other income (expense), net	(28.6)	**(10.0)**	
Earnings before income taxes	524.2	**570.0**	**8.7%**
Current income taxes	(164.4)	**(164.5)**	
Deferred income taxes	(2.2)	**(22.3)**	
Earnings before minority interests	357.6	**383.2**	**7.2%**
Earnings of divested activities		**9.0**	
Minority interests	29.4	**32.3**	
Net earnings	*328.2*	***359.9***	***9.7%***
Net earnings per share (in euro) (**)	*3.02*	***3.33***	***10.3%***

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

2. Balance sheet (summarized)

	December 2003	**June 2004**
ASSETS		
Fixed assets	6,978.9	**9,759.0**
Other non-current assets	524.6	**594.5**
Total long-term assets	7,503.5	**10,353.5**
Inventories	655.5	**763.7**
Trade receivables and other assets	2,407.6	**2,514.1**
Short term loans, marketable securities and cash	438.2	**441.8**
Net assets of divested operations		**503.0**
Total assets	11,004.8	**14,576.1**

	December 2003	**June 2004**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity	5,079.2	**5,154.8**
Minority interests	460.0	**446.0**
Provisions and deferred income taxes	1,104.0	**1,633.2**
Long-term debt	1,985.3	**3,361.1**
Total capital employed	8,628.5	**10,595.1**
Trade payables and other liabilities	2,193.2	**2,137.9**
Loans maturing within one year	183.1	**1,843.1**
Total liabilities and shareholders' equity	11,004.8	**14,576.1**

3. Statement of changes in financial position

	June 2003	**June 2004**
Net earnings	328.2	**359.9**
Minority interests	29.4	**32.3**
Depreciation and amortization	406.5	**430.6**
Deferred income taxes	2.2	**22.3**
Increase (decrease) in provisions	(2.4)	**(21.5)**
Equity in earnings of companies accounted for by the equity method, less dividends received	(2.9)	**(5.5)**
Funds provided by operations	761.0	**818.1***
***Of which 8.8 was provided by divested operations:**		
Distributions :		
- L'Air Liquide S.A.	(414.2)	**(336.1)**
- Minority interests	(18.2)	**(44.1)**
Acquisitions of fixed assets	(338.1)	**(331.0)**
Investments	(28.7)	**(2,801.5)**
Sales of fixed assets and investments	5.1	**14.2**
Other non-current assets and sundry	7.6	**3.3**
Change in working capital	(14.3)	**(286.1)**
Net before financing	(39.8)	**(2,963.2)**
Proceeds from issues of capital stock	9.3	**4.4**
Purchase / sale of treasury shares	(64.8)	**(10.8)**
Effects of exchange rate changes	72.7	**(21.9)**
Net indebtedness of newly consolidated companies	(19.9)	**(40.7)**
Change in net indebtedness	(42.5)	**(3,032.2)**
Net indebtedness at beginning of year	(2,022.3)	**(1,730.2)**
Net indebtedness at end of year	(2,064.8)	**(4,762.4)**
Net indebtedness analysis :		
Short-term loans, marketable securities and cash	398.1	**441.8**
Long-term debt and loans maturing within one year	(2,462.9)	**(5,204.2)**
Net indebtedness	(2,064.8)	**(4,762.4)**

4. Geographic information

2004 : as of June 30

Sales	France	Europe (excl. France)	Americas	Asia Pacific	Africa	Total
Gas & Services	802.3	1,267.1	1,089.3	686.6	73.9	**3,919.2**
AL Welding group	85.0	160.4				**245.4**
Other activities	119.6	25.6	34.0	3.8		**183.0**
Sub-total without Engineering	**1,006.9**	**1,453.1**	**1,123.3**	**690.4**	**73.9**	**4,347.6**
Engineering	21.9	14.2	7.2	32.3	46.8	**122.4**
Total	**1,028.8**	**1,467.3**	**1,130.5**	**722.7**	**120.7**	**4,470.0**

Operating income	France	Europe (excl. France)	Americas	Asia Pacific	Africa		Total
Gas & Services	141.6	241.9	149.5	93.7	15.6		**642.3**
Other	22.7	21.4	3.7	(0.3)			**47.5**
R&D centers / corporate						(80.2)	**(80.2)**
Total	**164.3**	**263.3**	**153.2**	**93.4**	**15.6**	**(80.2)**	**609.6**

2003 : as of June 30

Sales	France	Europe (excl. France)	Americas	Asia Pacific	Africa	Total
Gas & Services	773.4	1,112.5	1,088.3	640.6	69.4	**3,684.2**
AL Welding group	78.3	140.1				**218.4**
Other activities	118.0	21.3	35.5	3.8		**178.6**
Sub-total without Engineering	**969.7**	**1,273.9**	**1,123.8**	**644.4**	**69.4**	**4,081.2**
Engineering	16.1	17.7	5.7	61.2	20.1	**120.8**
Total	**985.8**	**1,291.6**	**1,129.5**	**705.6**	**89.5**	**4,202.0**

Operating income	France	Europe (excl. France)	Americas	Asia Pacific	Africa		Total
Gas & Services	148.8	233.5	133.9	79.9	14.1		**610.2**
Other	22.4	17.8	3.9	1.4			**45.5**
R&D centers / corporate						(74.3)	**(74.3)**
Total	**171.2**	**251.3**	**137.8**	**81.3**	**14.1**	**(74.3)**	**581.4**

Notes :
- Net sales are based upon the location of operations, except for the Engineering activity, which is based upon the customer location;
- AL Welding Group produc es and distributes Welding and Cutting materials ; other activities include chemical and diving activities