

Paris, 27 February 2006

**Press release**

**2005 CONSOLIDATED EARNINGS**

**Good performance in 2005**

**Net earnings: €933 million, +19.7% (+10.9% on a comparable basis\*)**

**Proposed dividend: €3.85 per share, +10.0%**

**Bonus share distribution: 1 for 10**

The Supervisory Board of Air Liquide, chaired by Alain Joly, met on 24 February 2006, and reviewed the financial statements for 2005 presented by Benoît Potier, Chairman of the Management Board.

Consolidated 2005 **sales** amounted to **€10,435 million**, an increase of **+10.7%**. **Operating income recurring** was €1,518 million, an increase of **+10.4%**. Our **margins** continued to progress from 14.6% in 2004 to **14.8%** in 2005, excluding natural gas effect.

**Net earnings** in 2005 reached **€933 million**, up **+19.7%**. On a comparable basis\*, and consistent with our previous guidance, growth in Net earnings was **+10.9%** (€900 million in 2005 versus €812 million in 2004). **Net earnings per share** (€8.66) rose by **+19.8%**.

**Benoît Potier, Chairman of the Management Board, said:**

**« Air Liquide recorded another good performance in 2005. The Group has strengthened its position with the acquired Messer activities, now fully and successfully integrated ahead of schedule. All of our activities and geographic markets are growing. We have also increased our penetration of high growth markets, such as homecare and hydrogen.**

**This performance, together with strong financial discipline, has enabled us to reduce debt levels significantly and to achieve an ROCE consistent with our target of 12%. The Management Board is therefore proposing a dividend of €3.85 per share.**

**Our innovative product offer, combined with the efficiency of our technology, has enabled us over the last two years, to achieve numerous commercial successes in Large Industries, to increase our performance in Healthcare and Electronics and to anticipate the new needs of Industrial Customers. We have thus continued developing industrial and medical gases markets worldwide.**

**For 2006, the momentum initiated should continue, enabling us to target growth in comparable net earnings close to that of 2005 ».**

*\* in order to compare 2004 results with those of 2005, items that we consider to be exceptional and significant linked with the realization of disposal gains and restructuring provisions (listed on page 3) are deducted.*

A **dividend of 3.85 € per share**, representing an increase of **+10.0%**, will be proposed at the next General Shareholders' Meeting on 10 May. Subject to approval at the AGM, the Management Board, in agreement with the Supervisory Board, has decided that **1 bonus share for every 10 shares held** will be distributed on 12 June, 2006.

The Supervisory Board has also approved resolutions proposing **the new statutes** of the company which, as announced on 9 December 2005, include the proposal for the establishment of a **Board of Directors**.

It is proposed that the present members of the Supervisory Board be nominated to the **Board of Directors** for the remainder of their mandates. In addition, that Béatrice Majnoni d'Intignano, whose mandate will shortly expire, be reappointed. It is also proposed that Paul Skinner, Chairman of Rio Tinto and Benoît Potier, present Chairman of the Management Board, be appointed to the Board of Directors.

### **2005 key figures**

*The Group has applied IFRS since 1<sup>st</sup> January 2005. All financial information in this press release has been established in accordance with IFRS, including 2004 figures which have been restated to allow for comparison.*

*Since industrial and medical gases are not exported, the impact of currency fluctuations on sales and results is limited to the accounting consolidation in euros of the financial statements of our foreign subsidiaries. Fluctuations in natural gas prices are passed on to our customers through indexed pricing clauses.*

<b>In millions of euros</b>	2004	2005	05/04	05/04 excl. currency	05/04 comparable*
Total sales	9,428	<b>10,435</b>	<b>+10.7%</b>	<b>+10.2%</b>	<b>+6.2%</b>
<i>Of which Gas &amp; Services sales</i>	<i>8,275</i>	<i><b>9,148</b></i>	<i><b>+10.5%</b></i>	<i><b>+10.0%</b></i>	<i><b>+5.5%</b></i>
Operating income recurring	1,375	<b>1,518</b>	<b>+10.4%</b>	<b>+9.9%</b>	
Operating income	1,224	<b>1,473</b>	<b>+20.3%</b>	<b>+19.7%</b>	
Net earnings (Group share)	780	<b>933</b>	<b>+19.7%</b>	<b>+18.8%</b>	
<i>Net earnings (Group share) on a comparable basis **</i>			<b>+10.9%</b>		
Funds from operations	1,692	<b>1,805</b>	<b>+6.7%</b>	<b>+6.1%</b>	
Net earnings per share*** (in €)	7.23	<b>8.66</b>	<b>+19.8%</b>		
Dividend per share (in €)	3.50	<b>3.85</b>	<b>+10.0%</b>		
Return on Capital Employed (ROCE) after tax	11.9%	<b>11.7%</b>			

\* *excluding currency, natural gas, acquired Messer activities, deconsolidation of US liquid chemicals*

\*\* *in order to compare 2004 results with those of 2005, items that we consider to be exceptional and significant linked with the realization of disposal gains and restructuring provisions (listed on page 3) are deducted.*

\*\*\* *shares outstanding at 31 December 2005 for EPS calculation : 107,747,742*

### **Group results**

**Sales** rose in all geographic markets and business lines, to reach **10,435 million euros**, an increase of **+10.7%** for 2005. Growth was particularly robust in Large Industries (hydrogen), new territories (emerging Asia), and in Healthcare. Excluding currency and natural gas effects, growth was **+8.0%**, including a perimeter contribution of **+1.8%** notably from the full year consolidation of the activities acquired from Messer. On a comparable basis, growth is **+6.2%**.

**Sales for Gas & Services activities** in 2005 were 9,148 million euros, an increase of +10.5% (+5.5% on a comparable basis) over 2004.

**Operating income recurring** was 1,518 million euros, up +10.4%. **Group margin** (operating income recurring over sales) progressed, rising from 14.6% in 2004 to **14.8%** in 2005 excluding natural gas effect.

This margin improvement is the result of profitable volume growth, supplemented by Messer synergies of around 60 million euros in 2005. Significant cost increases, particularly energy (oil and electricity), were almost entirely offset by pricing, and productivity efforts (circa 92 million euros).

Excluding significant non-recurring items identified in the table below, **other non-recurring operating expenses** are positive, reflecting in particular capital gains on disposals realized as part of our active portfolio management.

**Net finance costs and other net financial expenses** (212 million euros) rose slightly by 13 million euros (+6.6%), due essentially to a full year cost of financing the acquisition of Messer activities.

**Contributions from companies accounted for by the equity method** were stable compared with 2004, at 37 million euros.

The **effective tax rate** is 29.4% for 2005. Note: 2004 levels were exceptionally low, impacted by tax optimization.

**Minority interests** as a proportion of net earnings amounted to 74 million euros.

In total, **net earnings** (Group share), reached **933 million euros** in 2005, an increase of **+19.7%**.

**Net earnings**, once adjusted for items that we consider significant and exceptional, amount to 812 million euros in 2004 and 900 million euros in 2005, an increase of +10.9%.

In millions of euros, after tax	2004	2005	05/04
Net earnings	780	933	+19.7%
Disposals			
Messer divestments / Séchilienne-Sidec	<32>	<81>	
Industrial Customers European restructurings			
Germany (Messer acq.) / Other EU countries	64	48	
Comparable Net earnings	812	900	+10.9%

**Net earnings per share** amounted to 8.66 euros, an increase of +19.8%, in line with reported net earnings growth. The **number of shares** outstanding at 31 December 2005, for EPS calculation, was 107,747,742.

In 2005, the Group bought back 411,699 shares at an average price of 145.16 euros for a total of 60 million euros.

### **Financial position and balance sheet**

**Funds from operations** before changes in working capital requirement reached 1,805 million euros, up +6.7%, including the cash impact linked with German restructuring after the acquisition of Messer activities. Excluding this impact, the increase was +8.9%.

The reduction in **working capital requirement** of 5 million euros, despite a significant increase in sales, reflects focused management efforts within operational entities.

**Capital expenditure** was 1,051 million euros, of which 975 million euros was allocated to industrial investments. Financial investments, particularly the buy-out of minority interests in SOAEO, amounted to 76 million euros.

Note that **proceeds from disposals** resulting from active portfolio management amounted to 281 million euros.

At 31 December 2005, **net debt** was 3,740 million euros, a decrease of 273 million euros versus 31 December 2004.

**Gearing ratio** was therefore 60.2% at 31 December 2005, in line with our targets, demonstrating the Group's very solid financial structure.

**ROCE** after tax was 11.7%, in line with our medium term target.

### **Analysis by geographic zone (Gas and Services)**

In **Asia-Pacific**, operating income recurring amounted to 239 million euros, a rise of nearly +8.0%. The zone benefited from strong growth in emerging geographies and a solid performance in Japan. Industrial Customers and Large Industries registered double digit profit growth.

In **Europe**, operating income recurring of 928 million euros experienced similar growth to Asia, despite more modest levels of activity, thanks to perimeter impact and synergies linked with acquired Messer activities. In Healthcare, strong growth in activities drove a significant improvement in profits, despite a regulated price environment.

The **Americas** zone saw very strong performance in terms of operating income recurring, with record growth of nearly +19%, despite additional costs caused by the hurricanes and by a steep rise in energy costs. This growth was also driven by the perimeter impact and synergies of the Messer acquisition in the US. The momentum of Electronics activities in the US and Industrial Customers in Canada also contributed to this performance, as did sales growth in South America.

### **2006 outlook**

In 2005, several key elements illustrate the Group's growth strategy:

- successful full integration of acquired Messer activities
- development of Large Industries, particularly hydrogen
- Air Liquide's growing presence in new territories
- Healthcare performance
- development of technology and innovation, enabling Air Liquide to expand today's markets and lay the foundations for those of tomorrow.

On this basis, the Group is well positioned to continue, in 2006, the momentum achieved over the past two years.

## Financial calendar 2006

First quarter 2006 sales	Wednesday 26 April 2006
Annual General Meeting	Wednesday 10 May 2006
First half 2006 sales	Wednesday 26 July 2006
First half 2006 earnings	Monday 4 September 2006
Third quarter 2006 sales	Thursday 26 October 2006

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Present in more than 70 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 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 nearly 36,000 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 2005 totaled 10,435 million euros, with sales outside France accounting for almost 80%. Air Liquide is listed on the Paris stock exchange and is a component of the CAC 40 and Eurostoxx 50 indices (ISIN code FR 0000120073).

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**Appendices : 2005 Results (in million of euros)**

**1. Consolidated Income Statement**

	December 2004	<b>December 2005</b>	Variation 05/04
<b>Sales (*)</b>	<b>9,428.4</b>	<b>10,434.8</b>	<b>10.7%</b>
Purchases (including changes in inventories)	(3,366.0)	(3,945.5)	
Personnel expenses	(1,729.6)	(1,856.4)	
Other net operating expenses	(2,103.6)	(2,218.0)	
Depreciation and amortization	(854.6)	(897.3)	
<b>Operating Income Recurring (*)</b>	<b>1,374.6</b>	<b>1,517.6</b>	<b>10.4%</b>
Other non-recurring operating expenses	(150.5)	(44.8)	
<b>Operating Income</b>	<b>1,224.1</b>	<b>1,472.8</b>	<b>20.3%</b>
Net finance costs	(149.3)	(163.1)	
Other net financial expenses	(49.7)	(49.1)	
Income taxes	(249.5)	(370.7)	
Share of profit of associates	36.5	36.5	
<b>Profit from continuing operations</b>	<b>812.1</b>	<b>926.4</b>	<b>14.1%</b>
<b>Profit from discontinued operations</b>	<b>32.3</b>	<b>80.6</b>	
<b>Profit for the period</b>	<b>844.4</b>	<b>1,007.0</b>	<b>19.3%</b>
- Attributable to Minority interests	64.3	73.6	
- Attributable to Equity holders of the parent	<b>780.1</b>	<b>933.4</b>	<b>19.7%</b>
<b>Basic earnings per share (in euros) (**)</b>	<b>7.23</b>	<b>8.66</b>	<b>19.8 %</b>

(\*) : for geographic information see section 4.

(\*\*) : calculated on the adjusted weighted number of shares outstanding during the period (excluding treasury shares).

## 2. Consolidated Balance-Sheet (summarized)

	December 2004 (***)	December 2005
<b>ASSETS</b>		
Goodwill	2,431.2	2,646.1
Fixed assets	7,971.1	8,554.5
Other non-current assets	862.5	872.1
<b>Total non-current assets</b>	<b>11,264.8</b>	<b>12,072.7</b>
Inventories	652.0	653.8
Trade receivables and other current assets	2,648.7	2,897.6
Cash on banks and current financial assets	855.5	664.3
<b>Total current assets</b>	<b>4,156.2</b>	<b>4,215.7</b>
<b>Total Assets</b>	<b>15,421.0</b>	<b>16,288.4</b>
<b>LIABILITIES AND EQUITY</b>		
Capital and reserves	4,916.3	5,930.5
Minority interests	316.2	278.2
<b>Total equity</b>	<b>5,232.5</b>	<b>6,208.7</b>
Provisions, employee benefit commitments & deferred tax liabilities	2,811.1	2,798.2
Non-current borrowings	4,496.8	3,978.4
Other non-current liabilities	170.1	167.3
<b>Total non-current liabilities</b>	<b>7,478.0</b>	<b>6,943.9</b>
Provisions and employee benefit commitments	104.2	155.4
Trade payables and other current liabilities	2,192.5	2,483.8
Financial debt and other current financial liabilities	413.8	496.6
<b>Total current liabilities</b>	<b>2,710.5</b>	<b>3,135.8</b>
<b>Total liabilities and equity</b>	<b>15,421.0</b>	<b>16,288.4</b>
<b>Net indebtedness at the end of period</b>	<b>(4,012.5)</b>	<b>(3,739.8)</b>

(\*\*\*) including IAS 32/39 impacts

### **3. Consolidated Statement of Cash Flows**

	December 2004	December 2005
Profit for the year attributable to equity holders of the parent	780.1	933.4
Minority interests	64.3	73.6
Depreciation and amortization	854.6	897.3
Deferred taxes	(90.1)	47.9
Increase (decrease) in provisions	100.9	(15.3)
Equity income less dividends received	(5.4)	(17.2)
Profit/ Loss on disposal of fixed assets	(12.7)	(114.9)
<b><i>Cash flow from operating activities before changes in working capital</i></b>	<b>1,691.7</b>	<b>1,804.8</b>
Changes in working capital	(243.7)	5.2
Other	3.8	(89.9)
<b>Net cash from operating activities</b>	<b>1,451.8</b>	<b>1,720.1</b>
Purchases of property, plant and equipment and intangible assets	(901.0)	(975.2)
Purchase of financial assets	(2,858.5)	(76.2)
Proceeds from sale of property, plant and equipment, intangible and financial assets	53.6	118.0
Proceeds from sale of divested activities	699.0	162.8
<b>Net cash from investing activities</b>	<b>(3,006.9)</b>	<b>(770.6)</b>
Dividends paid		
-L'Air Liquide S.A.	(336.1)	(391.1)
-Minority interests	(153.4)	(84.8)
Proceeds from issues of share capital	13.3	78.4
Purchase of treasury shares	(44.4)	(59.8)
Increase (decrease) in borrowings	2,366.7	(635.0)
<b>Net cash from financing activities</b>	<b>1,846.1</b>	<b>(1,092.3)</b>
Effect of exchange rate changes and cash and cash equivalents of newly consolidated companies	37.9	1.8
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>328.9</b>	<b>(141.0)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>384.5</b>	<b>700.4</b>
<b>Cash and cash equivalents at end of period</b>	<b>713.4 <sup>(****)</sup></b>	<b>559.4</b>

<sup>(\*\*\*\*)</sup> : The impact of IAS 32/39 implementation on cash and cash equivalents at the beginning of the period is (13,0) million of euros.

### Net indebtedness calculation

	December 2004	December 2005
Non-current borrowings (long-term debt)	(4,496.8)	(3,978.4)
Current borrowings (short-term debt) : bank overdrafts included	(331.3)	(417.7)
<b>Total gross indebtedness</b>	<b>(4,828.1)</b>	<b>(4,396.1)</b>
<b>Total cash and cash equivalents</b>	<b>771.9</b>	<b>598.2</b>
Derivative instruments (fair value hedge)	43.7	58.1
<b>Total net indebtedness</b>	<b>(4,012.5)</b>	<b>(3,739.8)</b>

### Statement of changes in net indebtedness

<b>Net indebtedness at beginning of period</b>	<b>(1,787.2)</b>	<b>(4,012.5)</b>
<b>Net cash from operating activities</b>	1,451.8	1,720.1
<b>Net cash from investing activities</b>	(3,006.9)	(770.6)
<b>Net cash from financing activities excluding increase (decrease) in borrowings</b>	(520.6)	(457.3)
<b>Effect of exchange rate changes and net indebtedness of newly consolidated companies</b>	25.8	(177.3)
<b>Change in net indebtedness</b>	<b>(2,049.9)</b>	<b>314.9</b>
<b>IAS 32 and IAS 39 impact</b>	(175.4)	(42.2)
<b>Net indebtedness at end of period</b>	<b>(4,012.5)</b>	<b>(3,739.8)</b>

#### 4. Sales and Operating Income Recurring in geographic zones

##### 2005: 31 December

<b>Sales</b>	<b>France</b>	<b>Europe (ex France)</b>	<b>Americas</b>	<b>Asia- Pacific</b>	<b>Africa</b>	<b>Total</b>
Gas & Services	1,696.1	3,128.0	2,547.4	1,613.4	162.8	<b>9,147.7</b>
AL Welding Group	171.2	341.1				<b>512.3</b>
Other activities	249.5	42.4	57.5	6.7		<b>356.1</b>
<b>Sub-total without Engineering</b>	<b>2,116.8</b>	<b>3,511.5</b>	<b>2,604.9</b>	<b>1,620.1</b>	<b>162.8</b>	<b>10,016.1</b>
Engineering	146.6	49.0	67.9	131.4	23.8	<b>418.7</b>
<b>Total</b>	<b>2,263.4</b>	<b>3,560.5</b>	<b>2,672.8</b>	<b>1,751.5</b>	<b>186.6</b>	<b>10,434.8</b>
<b>Operating Income Recurring</b>	<b>France</b>	<b>Europe (ex France)</b>	<b>Americas</b>	<b>Asia- Pacific</b>	<b>Africa</b>	<b>Total</b>
Gas & Services	310.1	617.7	360.0	238.6	40.8	<b>1,567.2</b>
Other	41.6	45.7	6.2	12.1		<b>105.6</b>
R&D centers / Corporate					(155.2)	<b>(155.2)</b>
<b>Total</b>	<b>351.7</b>	<b>663.4</b>	<b>366.2</b>	<b>250.7</b>	<b>40.8</b>	<b>(155.2)</b>

##### 2004: 31 December

<b>Sales</b>	<b>France</b>	<b>Europe (ex France)</b>	<b>Americas</b>	<b>Asia- Pacific</b>	<b>Africa</b>	<b>Total</b>
Gas & Services	1,619.6	2,753.9	2,237.7	1,512.1	151.9	<b>8,275.2</b>
AL Welding Group	163.2	319.8				<b>483.0</b>
Other activities	232.3	43.5	57.8	6.6		<b>340.2</b>
<b>Sub-total without Engineering</b>	<b>2,015.1</b>	<b>3,117.2</b>	<b>2,295.5</b>	<b>1,518.7</b>	<b>151.9</b>	<b>9,098.4</b>
Engineering	101.3	44.4	25.0	123.2	36.1	<b>330.0</b>
<b>Total</b>	<b>2,116.4</b>	<b>3,161.6</b>	<b>2,320.5</b>	<b>1,641.9</b>	<b>188.0</b>	<b>9,428.4</b>
<b>Operating Income Recurring</b>	<b>France</b>	<b>Europe (ex France)</b>	<b>Americas</b>	<b>Asia- Pacific</b>	<b>Africa</b>	<b>Total</b>
Gas & Services	304.9	557.6	303.2	221.1	36.0	<b>1,422.8</b>
Other	48.0	41.5	6.3	5.1		<b>100.9</b>
R&D centers / Corporate					(149.1)	<b>(149.1)</b>
<b>Total</b>	<b>352.9</b>	<b>599.1</b>	<b>309.5</b>	<b>226.2</b>	<b>36.0</b>	<b>(149.1)</b>

*Nota :*

- Sales are based upon the location of operations, except for the Engineering activity, which is based upon the customer location.
- Air Liquide Welding Group produces and distributes welding and cutting consumables and equipments; other activities mainly include chemicals and diving.