

Letter to Shareholders

September 2005

Solid performance

First half 2005

Sales

5,041 million euros
+12.4%

Net earnings

436 million euros
+13.1%

excluding Messer restructuring costs in 2004



Ladies and Gentlemen, Dear Shareholders,

Your Group posted a solid performance over the first half of the year.

Over the first six months of 2005, sales increased in all business lines and geographic zones, reflecting the good level of activity in markets in which Air Liquide has positioned itself. The sharp cost increases incurred over the same period were entirely offset by productivity and commercial efforts. Hence, the Group was able to fully leverage the synergies obtained from acquired Messer activities, and improve its margins, while maintaining strong financial discipline.

Business development over the last few months has strengthened our presence in emerging countries and allowed us to enter new geographical locations, stretching from Eastern Europe to China, which together constitute a particularly promising area to the east. The recent contract with steelmaker Severstal in Russia is a perfect illustration of such development.

In the second half of the year, assuming a similar economic environment, our activities should continue to grow in traditional markets, but likely at a lesser pace, given the smaller quantities of gas consumed, in the steel sector

in particular, and a slight drop in demand for cylinder gas in developed countries.

Our chosen growth markets, however, such as hydrogen and healthcare, along with emerging countries, are expanding and are the focus of a significant part of our investments to ensure future growth.

Overall, our first half results combined with the continued pursuit of growth and productivity gains enable us, excluding significant exceptional items, to increase our 2005 target growth in net earnings to reach double digit.

Finally, looking ahead, please come and meet the Air Liquide teams on our stand at the Actionaria shareholders' fair to be held in Paris on November 18-19.

Thank you for your continuing loyalty to the Group.

Sincerely,

Benoît Potier
Chairman of the Management Board

First half of the year in line with our objectives

Sales growth of +12.4%, including +6.2% from acquired Messer activities.

Acquired **Messer** activities:

- Synergies achieved ahead of schedule;
- Business development in line with our expectations;

Increased costs offset by productivity efforts and pricing initiatives; and **improvement in margins** thanks to synergies from the acquired Messer activities.

High level of funds provided by operations.



The laboratories and analyses activity (Germany)

2005 half-year results

In millions of euros	1 st half 2005	1 st half 2005/2004	1 st half 2005/2004 ⁽¹⁾
Group sales	5,041	+ 12.4%	+ 12.4%
<i>of which Gas and Services sales</i>	4,421	+ 12.8%	
Operating profit (EBITDA)	1,190	+ 12.6%	
Operating income recurring	751	+ 15.3%	+ 15.3%
Operating income	774	+ 32.7%	+ 18.9%
Net earnings (Group share)	436	+ 26.5%	+ 13.1%
Funds provided by operations	882	+ 8.5%	+ 10.2%
Net earnings per share⁽²⁾ (in €)	4.04	+ 26.6%	+ 13.2%

(1) excluding Messer restructuring costs in 2004

(2) average number of shares outstanding at June 30, 2005, for net EPS calculation: 107 770 070.

Net debt was 4,326 million euros

at June 30, 2005, taking account the dividends paid in the first half (441 million euros including minorities). Regular debt reduction remains our objective.

At the end of 2004 and in 2005, Air Liquide disposed of certain activities and the corresponding funds have been received. The Group also decided to sell its holding in Séchillienne-Sidec, which will contribute to debt reduction in the second half.

Analysis by geographic zone

In a contrasting economic environment, Europe progressed,

reflecting our growth strategy for healthcare and hydrogen, the successful integration of acquired Messer activities in Germany and the results of our OPAL productivity program.

Solid performance

Consolidated sales for the first half of 2005 reached 5,041 million euros, an increase of +12.4% compared with the first half of 2004.



Japan Air Gases, a successful integration (Japan)

On a comparable basis (excluding foreign exchange, natural gas, estimates of acquired Messer activities, Asian consolidation and the deconsolidation of US liquid chemicals), growth for the first half was +6.2%.

Contributions from the OPAL efficiency program, combined with the effect of pricing action taken, totally offset significant increases in costs.

Group consolidated net earnings was 436 million euros at June 30, 2005, an increase of +26.5%. Excluding the exceptional impact in 2004 of restructuring costs for acquired Messer activities, Group consolidated net earnings rose by +13.1%.

Net earnings per share was 4.04 euros, in line with growth in net earnings.



Air Separation Unit in Antwerp (Belgium)

... Breaking news ...

Public offering concerning SOAEO shares

On September 20, **Air Liquide** announced a prospective simplified public offering concerning **SOAEO shares** of which Air Liquide already possesses **86.8% of the capital and 92.3% of the voting rights**.

Principally, Air Liquide will propose that SOAEO's shareholders **exchange their shares for Air Liquide shares at a proposed parity of 1 Air Liquide share for 1 SOAEO share**. This offer represents a premium of some 25% compared to the 12-month average of the SOAEO share price. An **extended offering period** is also under study.

As a subsidiary measure, SOAEO shareholders may also choose to sell their shares for a cash purchase offer at the price of €145 per share. In the event that Air Liquide holds at least 95% of the voting rights of SOAEO following the offer, Air Liquide intends to submit a **public repurchase offer**. If necessary, this would be followed by a mandatory purchase of the shares still held by the public

at the same price of **€145 per share** conditional on agreement of the AMF. After this offer, SOAEO securities will no longer be publicly listed.

Benoît Potier, Chairman of the Management Board of Air Liquide, declared: «The far-reaching economic redistribution of the region, particularly the rapid emergence of the Chinese economy, means that we must better regroup our forces through the integration of SOAEO's operations... For Air Liquide, simplifying the organization allows us to better meet the requirements of international customers, as well as to accompany their development thanks to worldwide teams. The transaction is part of the Group's strategy to invest 1 billion euros over five years in Asia in order to pursue its development in this region.»

The Americas saw sustained growth

for all activities and benefited from synergies derived from the Messer integration. The deconsolidation of sales from Electronic liquid chemicals had no impact on profits.

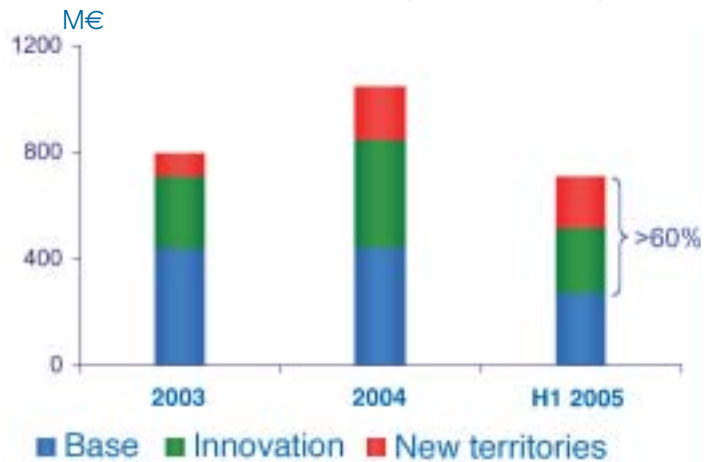


Bayport unit (United States)

The Asia-Pacific zone also registered strong growth,

driven by sales momentum in China and in emerging markets, as well as good cost management.

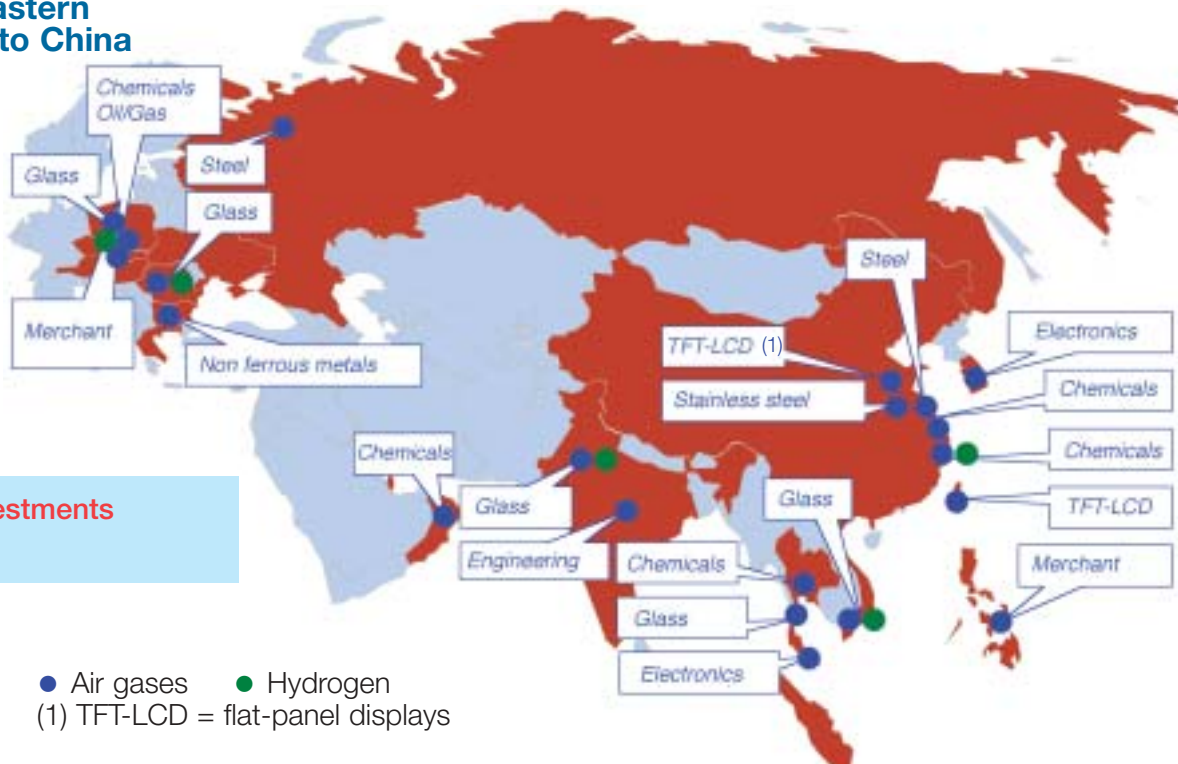
Investing in growth drivers Investment decisions (Gas & Services)



Investments in new territories in the first half of 2005 alone accounted for the whole of such investments in 2004. The 19 large project decisions in the first half of 2005 were as follows: 10 in new territories, 6 in innovation and 3 in base activities.

The map below illustrates the Group's expansion in many new countries, which together stretch from Eastern Europe to China.

From Eastern Europe to China



Total investments
> €400M

Email alerts: have you subscribed yet?

To receive real-time news flashes on the Group's various events and information, subscribe to the email alert via our website www.airliquide.com.

Actionaria Fair on novembre 18 & 19

Come and take part in Actionaria, the annual French shareholders' fair (at the *Palais des Congrès* in Paris). This is a great opportunity for us to help you discover the diversity of the Group's activities, products and services. Shareholder Services team members will also be present to answer all your questions about Air Liquide shares. **We hope to see many of you at our stand, E16, level 2 in the Maillot hall.**

Shareholder's notebook

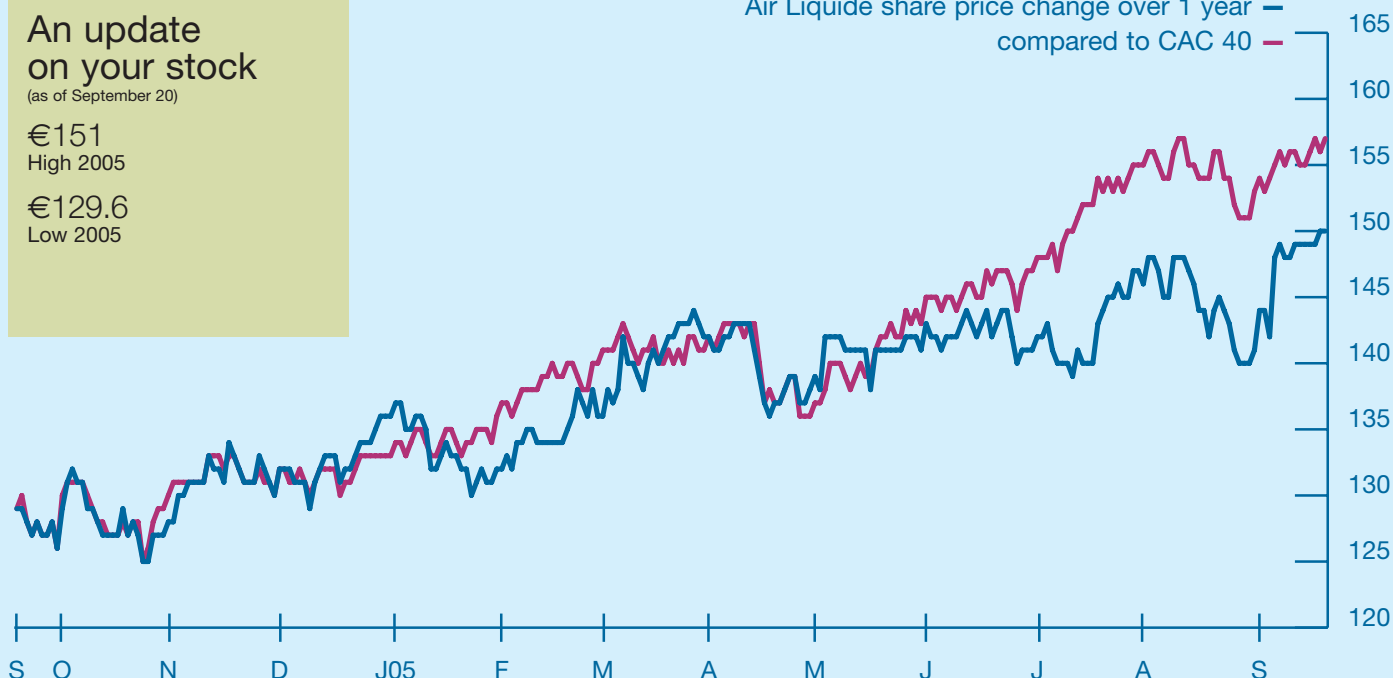
An update on your stock

(as of September 20)

€151
High 2005

€129.6
Low 2005

Air Liquide share price change over 1 year —
compared to CAC 40 —



Shareholders' Communication Committee 200 invitations to be won!

We are very pleased to welcome four new members to our Communication Committee: Messrs. Troussel, Steidle, Tessereau and Lhotellier. A **new year of work and reflection** begins for our Committee, whose next meeting with Benoît Potier will be held as early as October.

We are giving you the chance to attend the meeting organized with **Jean-Louis Etienne, medical doctor and explorer, taking place on November 7, at the Palais de la découverte** on the theme: "Clipperton, sentinel of the ocean - biodiversity and new energies". If you are interested in participating, please get in contact with Shareholder Services. We recently worked with Jean-Louis Etienne, when he led an expedition to Clipperton Island, by supplying the gases and equipment needed by his scientific mission.

Calendar 2005:

- October 4
Clermont-Ferrand:
Information meeting organized by the FFCI
- October 26
Third quarter sales
- November 18-19
Actionaria Fair
(Palais des Congrès, Paris)



Clipperton Island

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