2008 PERFORMANCE 2

OUTLOOK 15

APPENDIX

2008 PERFORMANCE

Key figures

In millions of euros	2007	2008	2008/2007 Published % change	2008/2007 % change excl. currency impact
Revenue	11 801	13 103	+11.0%	+12.6%
of which Gas and Services	9 999	11 028	+10.3%	+12.1%
Operating Income recurring	1 794	1 949	+8.6%	+10.3%
Net profit (Group share)	1 123	1 220	+8.6%	+10.8%
Net profit per share *(in euros)**	4.26	4.70	+10.3%	-
Dividend per share *(in euros)**	2.04	2.25	+10.3%	-
Net cash from operating activities	2 102	2 293	+9.1%	-
Return on capital employed – ROCE after tax **	12.3%	12.1%	-	-
Gearing	72%	78%	-	-

** adjusted for bonus share issues and share splits.*
*** Return on capital employed after tax: (Net profit after tax before minority interests – financial income (expense) after taxes) / weighted average for the year of (shareholders' equity + minority interests + net indebtedness)*

2008 Group sales increased by +11%, to 13.1 billion euros, driven by solid growth, consolidation of the Lurgi engineering activities for a full year, and a positive effect of natural gas prices. Gas and Services sales reached 11.0 billion euros, up +10.3%, boosted by strong underlying demand, pricing power and a significant contribution from the 19 start-ups.

The Group Recurring Operating income was 1.9 billion euros, up + 8.6%. Net profit (Group share) reached 1.2 billion euros, up by +8.6%, or +10.8% excluding the impact of currencies.

Net cash from operating activties increased to 2.3 billion euros, up +9.1%, covering total capital expenditure of 2.1 billion euros. The increase in the dividend and the negative exchange rate impact at the end of the year have led to an increase in net debt to 5.5 billion euros representing a gearing of 78%. The Return on Capital Employed after taxes remained above 12%, at 12.1%, against 12.3% in 2007.

In light of the Group's solid performance in 2008 and the confidence in the long-term prospects of the Group, the Board of Directors has proposed the payment of a dividend of 2.25 euros per share, an increase of +10.3%, adjusted for the one for 10 bonus share issued in June 2008.

1. 2008 Highlights

In a market environment which was favorable for most of the year, Air Liquide demonstrated its capacity to accelerate growth in line with its ALMA programme, while delivering a ROCE of 12.1%. While the outlook for our customer markets deteriorated in the final months of the year, the long term nature of the contracts, the diversity and the balance of the customer sectors and products coupled with the geographical reach have helped to contain the negative effects on the Group.

Priority has been given to investing in the fields of energy, environment, emerging economies, health and high-tech, which have been identified as the key growth drivers for the Group.

1.1. The key **Growth** highlights of the year were:

- **Energy and the environment:**
  - A significant hydrogen production unit was started up in Antwerp and integrated into the Northern European pipeline network. As a result, hydrogen sales now account for nearly 1.2 billion euros of revenue, well ahead of our ambitious 1 billion euros target announced in early 2007. During the year, the construction of two other major hydrogen production units in Rotterdam and Houston were decided upon, following the signature of contracts with oil companies. Once these production units are up and running, they will be integrated into the Northern European and Gulf Coast pipeline networks.
  - Another major cogeneration unit started up in October for a customer in the Rotterdam industrial basin.
  - Coal-to-Chemical gasification projects have been signed and are being developed in China, in which Air Liquide is either selling significant quantities of oxygen or is supplying the ASU for in-house production.
  - Air Liquide will coordinate the Horizon Hydrogen Energy, H2E, research project, which aims to develop a sustainable and competitive hydrogen energy business in Europe. The total research and development budget of the H2E project is 200 million euros over the next seven years.
  - Joint research programmes for the development of clean combustion technologies (using large quantities of oxygen) and carbon capture and storage have been entered into in Sweden and Australia, on top of the existing projects with Total in France and the Department of Energy in the United States of America.

- **Emerging economies:**
  - The successful completion of five projects in the Middle East (Kuwait, Qatar, Saudi Arabia, Egypt and Oman) has been combined with the acquisition of Pure Helium, a strong distributor in the region demonstrating the dynamic effects of the ALMA focus on growth objectives.
  - Start-up of five projects in China. In all, 10 of the 19 start-ups were in emerging economies.
  - Several small Industrial Merchant acquisitions have also been made in Russia, to boost the Group's presence in this country, after the successful start-up of the country's first-ever outsourced ASU for Severstal.
  - Minority interests were bought out in two of the Group's Asian joint ventures. As a result, the Group now has full control over its Chinese engineering activities as well as its Singaporean pipeline network.

- **Health:**
  - The launch of the world's first xenon-based anaesthetic, LENOXe™, met with enthusiasm in the medical world in Germany and France, and is now being launched in Italy and Portugal – the low level of secondary effects is positioning the product as particularly interesting for old or chronically ill patients.
  - After Celki in China in 2007, a first step was made in the Indian healthcare market, with the acquisition of Electrocare Systems, a respiratory equipment manufacturer.

- **High-tech:**
  - Major contracts have been signed with photovoltaic industry leaders in China, Greece, Germany, USA, Philippines and Malaysia, confirming Air Liquide's leadership position in this fast growing industry.
  - The acquisition of the Chemical Management division of Edwards complements Air Liquide's electronics position in the high purity fluid equipment and installations sector.
  - Two major agreements were signed for the supply of ultra-high purity gases with leading flat panel manufacturers in Taiwan.
  - The opening of a third Electronics Material Center (EMC) in Japan, will strengthen the supply chain to better accompany customer development in Asia.
  - Thanks to its advanced cryogenic technologies, Air Liquide contributed to the world's longest and most powerful superconductor power transmission cable in the USA. This cable can transport three to five times more energy than a traditional cable.

In the fourth quarter of 2008, the portfolio of investment opportunities was more than 4 billion euros. However, several projects were pushed back in the last few weeks of the year. Industrial investment decisions increased in 2008 to a record level of 2.2 billion euros, confirming the Group's capacity to grow over the next few years. Industrial capital expenditures reached 1.9 billion euros, up from 1.4 billion euros in 2007 and 1.1 billion euros in 2006. In total, 19 production units were started-up in 2008, of which 10 were in emerging economies.

1.2. The deployment of **Goal** and **Capital**, as part of the ALMA programme, was a highlight of the year:

The **Goal** projects were focused on three major themes:

- Energy consumption reduction – with, as examples, the implementation of improved production process control and load optimization systems in production units;
- Logistics optimization and automation – with the continued implementation of telemetry on storage tanks on customer sites and the ongoing rationalization of filling centres in Europe;
- Mutualization and renegotiation of major procurement contracts in IT systems, consumables, telecommunications, leases and industrial transport;

These centrally-led projects were relayed and complemented by more than 1,000 local initiatives. They have generated 230 million euros of efficiency in 2008.

The **Capital** projects consist of:

- Design-to-Cost and standardization of main production units resulting in a 15% to 20% reduction of investment costs for a significant share of future projects;
- Implementation of framework agreements for asset procurement, such as production and storage components, with negotiated price reductions of up to 15%;
- Reallocation and rotation improvement of assets, such as trucks, tanks and cylinders, with the creation of a dedicated European logistics platform in Germany;
- Optimization of the working capital requirement based on billing and collection processes in more than 50 entities representing 85% of the revenue of the Group, with the objective of maintaining the level of the working capital requirement in a growth context, achieved in 2008.

2. 2008 Income Statement

2.1. Revenue

In millions of euros	**2007**	**2008**	**2008/2007 published change**
Gas and Services	9,999	11,028	+ 10.3%
Engineering and Construction	831	1,081	+ 30.0%
Other activities	971	994	+ 2.4%
TOTAL REVENUE	**11,801**	**13,103**	**+ 11.0%**

Unless stated otherwise, all the changes in revenue outlined below are on a comparable basis (excluding the impact of currency, natural gas and, at the Group level, the Lurgi acquisition).

Group revenue totaled 13,103 million euros in 2008, up +11.0% on an as published basis. Excluding the currency impact, revenue rose by +12.6%.

2.1.1. Gas and Services

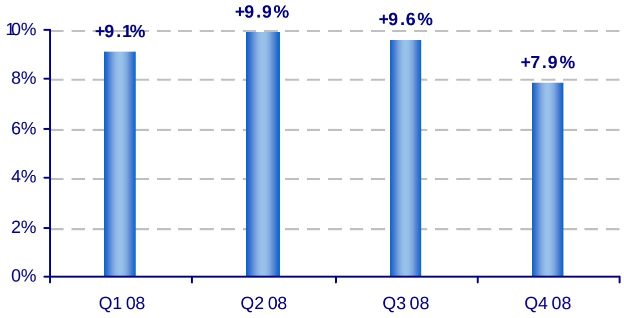
Gas and Services revenue increased by +**9.1%** on a comparable basis to reach **11,028 million euros**.

The year 2008 can be broken down into two separate periods. The first period corresponds to the first three quarters of the year. The second period, corresponding to the last quarter, was characterised by the onset of the marked worldwide economic slowdown which impacted certain Air Liquide customers.

Over the first three quarters, overall growth reached +9.6%.

Thanks to its intrinsic strengths, the Group reported +7.9% growth in the last quarter of 2008.

In 2008, while strengthening its leadership in mature economies, the Group actively pursued its development in emerging economies. Sales rose by +92% in Eastern Europe, +23% in China and +61% in the Middle East.



Quarterly Gas and Services Revenue growth

Out of the 19 new projects started-up in 2008, 10 are located in emerging markets (Russia, Bulgaria, China, Middle East…).

Revenue *In millions of euros*	**2007**	**2008**	**2008/2007 published change**	**2008/2007 comparable change***
Europe	5,452	6,105	+12.0%	+9.9%
Americas	2,517	2,660	+5.7%	+6.6%
Asia-Pacific	1,851	2,066	+11.6%	+9.1%
Middle East and Africa	179	197	+10.4%	+22.4%
Gas and Services	**9,999**	**11,028**	**+10.3%**	**+9.1%**
Industrial Merchant	4,439	4,609	+3.9%	+5.8%
Large Industries	3,024	3,675	+21.5%	+14.8%
Healthcare	1,592	1,700	+6.8%	+7.5%
Electronics	944	1,044	+10.6%	+9.4%
Gas and Services	**9,999**	**11,028**	**+10.3%**	**+9.1%**

* *Comparable: excluding currency and natural gas impacts.*

Europe

Sales amounted to **6,105 million euros,** up +**9.9%** compared to fiscal 2007, benefiting mainly from the strong growth in sales in Large Industries.

• **Industrial Merchant** reported **+1.4%** growth, due to the sale of the Metrology activities, modest volume growth and significant pricing action in all countries to offset the rise in production costs. The economic slowdown observed as from the start of the year in Southern Europe gradually spread northward, resulting in a decline in volumes across the whole of Europe in the last quarter of 2008. The manufacturing and automotive sectors suffered the most, as certain customers sharply reduced their production in December 2008. The other end-markets of Air Liquide's Industrial Merchant activity such as food-pharmaceuticals, technology-research and craftsmen-distribution were only slightly exposed to the economic slowdown and did not reduce gas consumption.

In this difficult context, sales remained high in Western Europe, with solid resistance from cylinders, particularly in Germany. It should be noted that a part of revenue stems from the leasing of cylinders and tanks and was only slightly affected by the temporary decline in consumption of certain customers.

Sales growth was particularly buoyant in Eastern European countries. Russia reported significant growth due to the acquisition of a local distributor in St Petersburg.

Rare gas sales increased significantly across Europe.

The diversity of its customer base in a wide variety of sectors, the 2008 price increases and the solid business model enabled the Group to limit the downside in a difficult economic context, especially at the end of the year. The roll-out of Industrial Merchant activities in Eastern Europe was backed up by the solid performance achieved in the relevant countries.

- **Large Industries** revenue rose sharply by +**25.6%,** mainly due to the ramp-up of Severstal (air gas in Russia) and the start-up of two major production units: a cogeneration unit in Rotterdam and an hydrogen unit in Antwerp. The business segment also benefited from the takeover of EVC (tri-generation units: steam, electricity and refrigeration) in Germany.

The main Large Industries customers in the chemicals and steel sectors were impacted in the last quarter of 2008 by the economic slowdown relating to the fall in automotive and construction demand, whereas the refineries maintained a steady level of activity throughout 2008. Certain European chemicals and steel manufacturers halted their production on certain sites for several weeks to reduce their stocks. In Germany, activity remained strong in 2008, the industrial basins being less affected by site closures.

- **Healthcare** rose by +**7.7%**, driven by the very significant growth in the homecare and hygiene sectors and the contribution from acquisitions in Germany and the United Kingdom in 2007.

Homecare rose significantly by +12.3% across Europe, particularly due to the steady development of sleep apnea treatment, ventilation and sleep testing, in addition to the regular extension to new treatments, such as diabetes, cancer, and so on.

The medical gases business continued to grow (up +3.9%), particularly in Northern Europe. Pricing pressures continued due to the tender process. Overall sales of the therapeutic gases Kinox™, Kalinox™ and LENOXe™ had an impact on revenue, albeit somewhat limited.

The hygiene business continued its growth momentum in Europe (up +9.4%), and more particularly in France and Germany.

- **Electronics** sales decreased by **-4.5%** due to the sector decline in activity.

Americas

Gas and Services revenue in the Americas totaled **2,660 million euros**, up +**6.6%**, primarily driven by Industrial Merchant and Healthcare, while Large Industries did not benefit from major start-ups in 2008.

The USA benefited from the acquisition of Scott Specialty Gases at the end of 2007, with positive effect in the Industrial Merchant, Healthcare and Electronics business lines.

• **Industrial Merchant** activity posted +**9.9%** growth. It benefited from positive pricing across the region, sustained volumes despite a slight slowdown in the closing weeks of the year, and the acquisition of Scott Specialty Gases in the United States in mid-2007. Significant growth was reported in South America (up +14.3%), particularly in Argentina and Brazil. In Canada, business remained steady, particularly in the fourth quarter, due to the high demand for carbon dioxide and nitrogen in the oil industry.

• **Large Industries** activity was impacted by the hurricanes Gustav and Ike (in the second half of 2008), the absence of new production units and fourth quarter customer stoppages of US chemical and Canadian steel producers, who supply the automotive industry. Take-or-pay guaranteed volumes helped maintain the amount of revenue over the entire year (up **+0.3%**).

• **Healthcare** revenue rose by +**13.2%**, driven by strong prices and growth in medical gases in the United States and the significant increase in homecare activity in South America. Performance in Canada improved slightly, mainly due to the starting of the new homecare contract in British Columbia in the fourth quarter.

• **Electronics** posted **+16.0%** growth, due to acquisitions, including the Edwards Chemical Management Division in 2008.

Asia-Pacific

With revenue of **2,066 million euros,** Asia-Pacific reported +**9.1%** growth, driven by emerging economies (China, South-East Asia) **up +20.6%**. Nevertheless, the slowdown in the Electronics sector impacted the economic environment in Japan, where sales remained stable in 2008.

• **Industrial Merchant** activity rose by **+7.4%**. The highest growth was posted in China (+30%) due to the commissioning of a new liquefaction unit in Hangzhou and the step-up in investments over recent years. Extensive growth was also reported in South-East Asia while growth continued in Australia at +9.5% in 2008. Only sales volumes in Japan declined slightly due to the economic environment. In the fourth quarter, business slowed down in Japan and South-East Asia but continued at the same pace in Australia and China.

• **Large Industries** revenue increased by **+11.6%** in Asia-Pacific, despite a slowdown in the last quarter of 2008. The highest growth was recorded in China, due to the launch of several air separation units (ASUs). The buyout of the minority interest in Island Pipeline Gases in Singapore, South-East Asia, contributed to growth in the region. Japan reported double-digit growth, helped mechanically by rising electricity costs that where passed through into sales prices.

• Despite the sector's difficult environment, **Electronics** reported **+12.3%** growth in the region, driven by substantial Equipment & Installation (E&I) sales in Singapore and Taiwan, particularly in the second half of the year. Excluding E&I sales, gas sales growth totaled +.5.3%.

After a period of sharp growth in production capacity, the Electronics sector (DRAM and Flash memories, flat panels) is suffering from overcapacity and falling prices even though the demand for flat panels and "intelligent memories" remains high.

Following the sharp growth of carrier gases in the first half of the year, sales remained stable in the second half despite the absence of new projects and the decline in volumes as revenue was safeguarded by the contract structure. Specialty gases held their own until June before demand dropped slightly in the third quarter and more significantly in the fourth quarter, in line with dwindling customer production.

The growth in the photovoltaic industry is still strong.

Africa and Middle East

Africa and Middle East revenue totaled **197 million euros**, up **+22.4%**, thanks to five start-ups during the year.

In 2008, the Group confirmed its desire to develop its activity in the Middle East, which itself posted +61% growth. It commissioned several ASUs in Qatar and Kuwait, launched new industrial gas production units in Oman and Egypt and concluded the acquisition of the gas distribution company Pure Helium, present in most Gulf countries.

2.1.2 Engineering and Construction

Engineering and Construction revenue totaled **1,081 million** euros, up +30.0%, due to the full-year consolidation of Lurgi which was acquired in July 2007. Some of the Lurgi teams have already been assigned to internal projects for the development of the hydrogen activities. Engineering benefited from a more buoyant context due to emerging economies, which are rapidly becoming industrialized. In 2008, third-party customer and internal Group order intake totaled 1.4 billion euros equivalent to one year of capacity utilization.

Orders in hand totaled 5.2 billion euros at the year-end.

2.1.3. Other Activities

Revenue *In millions of euros*	**2007**	**2008**	**2008/2007 published change**	**2008/2007 comparable change***
Welding-cutting	598	614	+ 2.7%	+ 3.1%
Specialty chemicals and Diving	374	381	+ 1.8%	+ 3.4%
Total	**972**	**994**	**+ 2.4%**	**+3.2%**

* *Comparable: excluding currency.*

Welding-Cutting revenue rose by **+3.1%** in 2008. After a good first half, a slowdown was observed in the third quarter followed by a decline in sales in the last quarter. The decrease in the demand for consumables and equipment was due to a major reduction in customer inventories in a difficult economic climate.

Specialty Chemicals (with Seppic) and **Diving** (with Aqua Lung), was up **+3.4%.** The Chemicals sector suffered from supply shortages at the beginning of the year, more than compensated by strong activity at the end of the year. In Diving, the modest growth of consumer products was offset by the boost in sales of professional high-tech equipment designed for military use, amongst others.

2.2. Operating Income Recurring

Group Operating Income Recurring amounted to **1,949 million euros** in 2008, up **+8.6%**. The operating margin (operating income recurring as a percentage of revenue), at **14.9%,** was impacted by the pass-through effect of higher natural gas prices and by the mix effect of the traditionally lower margin engineering activities. Excluding the mechanical effect of the higher natural gas pass-through, Group margins were stable at 15.2%.

2.2.1. Gas and Services

Gas and Services **recurring operating income** increased by**+7.6%.** Excluding the effect of the higher natural gas pass-through, margins were stable at 18.1%, resulting from an acceleration in growth, pricing actions and efficiency gains.

At the beginning of 2008, the Group launched its ALMA Group programme with the ambition of providing the organizational structure to build the Group's capacity to respond to the opportunities in the market. The ambition of the Goal programme is to achieve 600 million euros of cost reduction over three years from 2008 to 2010. The first step was achieved in 2008 with **211 million euros of cost savings**.

OIR and margin by region

	OIR (millions euros)	Margin* (%)
Europe	1 130	18.9%
Americas	442	17.4%
Asia-Pacific	327	16.0%
Middle-East and Africa	50	25.5%
Total	**1 949**	**18.1%**

** excluding natural gas impact*

In **Europe,** operating income recurring at 1,130 million euros, was up **+7.1%**. Excluding the effect of increased natural gas pass-through, the operating margin fell by half a point, due to the lag time between effective price increases in Industrial Merchant and cost inflation. Added to this, the mix effect of an increasing share of hydrogen production and cogeneration is continuing to change the structure of Large Industries margins.

Operating income recurring for the **Americas** reached 442 million euros, up **+5.9%**. The operating margin increased +80 basis points, excluding the natural gas effect, thanks to Goal efficiency gains in the region.

In **Asia-Pacific,** operating income recurring was 326 million euros, a **+11.8%** increase. Excluding the natural gas effect, the margin increased +20 basis points, thanks to productivity gains resulting from the synergies generated from a more integrated organization.

Operating income recurring in **Middle-East and Africa** amounts to 50 million euros, up **+9.0%** compared to 2007.

2.2.2. Engineering and Construction

Engineering and Construction operating income recurring, including interest income, reached 52 million euros, representing 4.8% of revenue. 2008 is the first year of the full consolidation of Lurgi and should be seen as a base from which to improve, as the new engineering organization becomes more focussed on the Group's core businesses.

2.2.3. Other Activities

The Other Activities operating income recurring totalled 122 million euros, up +3.6%.

R&D and corporate costs amounted to 174 million euros.

2.3. Net earnings

Other "non-recurring" operating Income of 30 million euros is attributable to various restructuring costs, mainly in Europe, and to provisions for depreciation of customer receivables of 21 million euros. This provision for depreciation of customer receivables includes a provision of 11 million euros related to the American LyondellBasell subsidiary, a customer of Air Liquide in the United States, which has been placed under Chapter 11.

Net financial costs and the other financial income and expenses totalled 270 million euros, versus 234 million euros in 2007. The increase in financial costs reflects mainly the increase in the volume of debt over the year, as the average cost of debt was 4.6% compared to 4.5% in 2007. The increase in other financial costs is mainly due to a perimeter effect.

Profit from associates was 25 million euros, down -7.1% from 2007, due to exchange rate impacts. Excluding this effect, profit from associates would have been up nearly +5.6%.

The **effective tax rate** amounted to 24.4%, versus 26.5% in 2007 benefiting partly from a reduction of tax in Germany, Italy and Canada.

Minority interests totaled 52 million euros, up +10.4% against the 47 million euros in 2007. This is explained by the first-time full consolidation of EVC in Germany.

Overall, the **net profit (Group share)** reached **1,220 million euros** in 2008, up +8.6%, or **+10.8%** excluding the exchange rate impact.

Net profit per share totaled 4.70 euros, up **+10.3%** (+12.5% excluding currency impact). The average number of shares outstanding used for the calculation of net profit per share as of December 31, 2008 was 259,634,357.

Evolution of the number of shares

(adjusted for the share split on June 13, 2007 and the one for 10 bonus share issued on June 23, 2008)

	2007	2008
Average number of shares outstanding *	**263 743 077**	**259 634 357**

** used for the Earning Per Share calculation.*

Number of shares 31/12/2007	**238 844 710**
Bonus shares	24 220 146
Stock options**	773 842
Cancellation of treasury shares**	(2 916 350)
Number of shares 31/12/2008	**260 922 348**

*** Flow in historical number of shares*

3. 2008 Cash Flow and Balance Sheet

In millions of euros	2007	2008
Funds provided by operations before changes in working capital	**2,054**	**2,207**
Changes in working capital	94	128
Others	(46)	(42)
Net cash from operating activities	**2,102**	**2,293**
Distributions	(530)	(590)
Purchase of tangible, intangible and financial assets	(2,668)	(2,151)
Other items	200	58
Net before financing	**(896)**	**(390)**
Increase in capital stock	91	45
Purchase of treasury shares	(534)	(168)
Other	126	(311)
Change in net indebtedness	**(1,213)**	**(824)**
Net indebtedness at end of period	(4,660)	(5,484)
Debt to equity ratio at end of period	**72%**	**78%**

3.1. Funds from operations

Funds from Operations before changes in working capital requirements rose by +7.4% in 2008. After changes in working capital, the net cash from operations rose by +9.1% to 2.3 billion euros.

3.2. Changes in working capital

Working capital decreased by 128 million euros in 2008, thanks to the implementation of strict cash management, as part of the Capital project, and this, despite the growth in activity. As a result, the ratio of working capital (excluding tax) to revenue decreased to 6.9%, relative to 8.9% at the end of 2007.

3.3. Capital expenditure

Total investments reached 2.1 billion euros in 2008. This included 1.9 billion euros of industrial investments, a strong increase compared to 1.4 billion in 2007. The remaining 0.2 billion euros was spent on modest acquisitions in Russia and the Middle East in Industrial Merchant, in India, Tunisia and Europe in Healthcare and the purchase of minority interests in joint-ventures in China and Singapore.

Industrial and financial capital expenditure 2004 to 2008

In millions of euros	2004 *	2005	2006	2007	2008
Industrial capital expenditure	901	975	1 128	1 359	1 908
Financial capital expenditure	123	76	72	1 308	242

** Excluding the acquisition of the assets of Messer*

3.3.1. Industrial capital expenditure

As a result of the doubling of investment decisions as between 2005 and 2008, industrial capital expenditure is now increasing, reaching **1.9 billion euros** in 2008 versus 1.4 billion euros in 2007 and on average of 1 billion euros per annum between 2004 and 2006.

The geographical breakdown of industrial capital expenditure has changed somewhat in 2008. The share of Europe and USA has decreased and capital expenditure has increased in the Middle East and Asia-Pacific. Total capital expenditure in China alone was 283 million euros, or 14% of the total.

Industrial capital expenditure by geography

In %	2007	2008
Europe	48%	40%
Americas	23%	22%
Asia-Pacific	25%	33%
Middle-East and Africa	4%	5%

3.3.2. Acquisitions

After a particularly active 2007 in terms of acquisitions, 2008 was more focused on integrating the companies acquired and leveraging the new entities to accelerate growth. During the year total financial investments amounted to **242 million euros**, after 1,308 million euros last year. These payments reflected the buying out of minority interests in two Asian joint ventures, namely the Chinese engineering activities with Hangzhou Oxygen Plant Group Co, Ltd and the Singaporean pipeline network. As a result, Air Liquide now has complete control over its engineering business and plant production capacity in China. Other small acquisitions included a couple of industrial merchant entities around the St Petersbourg area in Russia, a respiratory equipment manufacturer in India, providing the healthcare activities with its first foothold on the sub-continent, and Pure Helium, a specialized industrial gas distributor in the Texas Gulf Coast which will enable the Group to leverage its five new start-ups in the region.

3.4. Dividend

At the annual General Shareholders' Meeting on May 7, 2009, a dividend of 2.25 euros per share will be proposed to shareholders for fiscal year 2008. This represents a pay-out ratio of 48%.

The record date has been fixed for May 13 and the payment date for May18, 2009.

3.5. L'Air Liquide S.A. parent Company figures

L'Air Liquide S.A. net earnings reached 695 million euros, compared to 574 million euros in 2007.

3.6. Share buy-back programme

Early 2008, in line with the Group's financing strategy, Air Liquide continued its share buy-backs. From September share buy-backs were discontinued to optimize cash management and secure short-term financing needs.

In 2008, the Company bought back 1,881,326* shares, at an average price of 86.2* euros, for a total cost of 162.2 million euros. This represents 0.7% of the capital of the Group. Including shares acquired as part of the liquidity contract (initiated in January 2007), the total cost was 168.2 million euros.

At the same time, during the year, were issued 773,842 new shares for stock option subscriptions and 24,220,146 bonus shares.

** Adjusted for bonus share in June 2008.*

3.7. Net indebtedness

Net Indebtedness increased during 2008 by +824 million euros to 5,484 million euros at December 31, 2008. This is explained by the factors mentioned above as well as a significant increase in the yen relative to the euro at December 31, 2008. Excluding currency and perimeter effects, net indebtedness increased by 513 million euros.

3.8. Net indebtedness/equity

The Net Debt to Equity ratio amounts to 78% at December 31, 2008, reflecting the significant level of investments realised during the year.

3.9. ROCE

The Return on Capital Employed (ROCE) after tax remains above 12%, at 12.1%, down from 12.3% in 2007. The small decline is entirely due to the impact of exchange rates changes.

3.10. Effect of acquisitions

Acquisitions done in 2008 were middle-sized companies and had no significant impact on the balance sheet.

OUTLOOK

During the last quarter of 2008, the economic slowdown led to a brutal decline for certain customers, in particular in automotive, steel, chemicals, electronics and welding sectors. The Group registered significant falls in demand in specific segments such as oxygen for flat steel or ESGs (Electronic Specialty Gases) for Electronics. Nevertheless, other sectors have been resilient, such as refining, where hydrogen demand is stable, or healthcare.

Accordingly, in the fourth quarter 2008, Gas & Services revenue increased +7.9% on a comparable basis, demonstrating the Group's capacity to withstand the current context. The revenue decline linked to the volume falls in the cyclical sectors, estimated at -4%, was more than compensated for, firstly by the +6% growth achieved by the combination of the defensive sectors and price increases implemented throughout the year, and, secondly, by the contribution of around +6% from start-ups of new units and small acquisitions.

Today, as a result of its strategy, Air Liquide has **structural advantages**: its market mix, the enlarged products/applications portfolio and the nature of its long-term contracts with a significant fixed portion covering investments and fixed costs. **Consequently, 80% of the Group's revenue today comes either from long-term defensive markets or from products that are mostly unaffected by cyclical factors.**

Added to this, the increasing number of start-ups and ramp-ups which should contribute **1 billion euros of supplementary sales** over the period 2009 to 2010, the balance and diversity of the geography of the Group's activities and the momentum created by its Goal and Capital projects, as part of the Group's ALMA programme, represent **considerable strengths today.**

The Group reacted rapidly to the new economic environment. From the month of October 2008, immediate measures were taken to protect revenues, to reduce costs and to secure financing. The positive impact of these actions can be seen in the fourth quarter performance.

The **priorities within the Alma programme were realigned for 2009** to secure and finance short-term and medium-term growth in revenue and net profit. **Capital expenditure, of about 1.6 billion euros** will be limited to the capacity to generate cash after the payment of the dividend. This level remains sufficient to cover the projects that have been approved in previous years and to continue to make further investment decisions. The Goal efficiency target will be raised to more than 250 million euros in 2009, through **additional savings of 50 to 100 million euros**. Cash management will be strictly monitored and actions aimed at optimizing working capital requirements have been accelerated. The ROCE objective of 11 to 12% has been maintained.

Due to low visibility in the global economic environment, the Group is working within two possible scenarios:

- A prolonged crisis based on mature economy GDP decline of -1% to -2% and emerging economy GDP growth of +2% to +3%, resulting in a decline in cyclical sector activity of -30%;
- A partial recovery in the second half based on zero GDP growth in mature economies and +4% GDP growth in emerging economies, resulting in a decline in cyclical sector activity of -10%.

As a result, cyclical sector revenues are expected to decline -5 to -2%, defensive sectors, including pricing, should increase by +2 % to +3% and the contribution from the start-ups and acquisitions should be between +3 % and +4 %.

The trends at the beginning of 2009 indicate a positive exchange rate effect of +3%, and a negative effect of the decline in natural gas prices of -3%. The two halves of the year are expected to be contrasted, as the impact of the slowdown will be more pronounced in the first half of the year. On the basis of these scenarios, its fundamentals and the dedication of its teams, **the Group aims for growth in its revenue and net profit in 2009.**

The Group has made investment commitments totalling around 7 billion euros over the past three years, setting a solid growth foundation for the years ahead. Additionally, the portfolio of investment opportunities remains high at between 3 and 4 billion euros. Total investment decisions over the period 2006 to 2009 should thus contribute around **2.5 billion euros of supplementary revenue by 2013**. These investments have been directed primarily towards markets identified as promising and long-term, which will enable Air Liquide, **once the effects of the economic slowdown have been absorbed, to pursue its growth rate in line with its medium-term objectives.**

Appendix

Consolidated Income Statement
For the year ended December 31

In millions of euros	2007	2008	Change 08/07
Revenue	**11 801.2**	**13 103.1**	**11.0%**
Purchase	(4 547.9)	(5 547.1)	
Personnel expenses	(2 037.8)	(2 176.8)	
Other income and expenses	(2 485.5)	(2 437.4)	
Operating income recurring before depreciation and amortization	**2 730.0**	**2 941.8**	**7.8%**
Depreciation and amortization expense	(935.9)	(992.8)	
Operating income recurring	**1 794.1**	**1 949.0**	**8.6%**
Other non-recurring operating expenses	(5.3)	(30.2)	
Operating income	**1 788.8**	**1 918.8**	**7.3%**
Net finance costs	(179.4)	(214.4)	
Other net financial expenses	(54.3)	(55.9)	
Income taxes	(411.8)	(401.5)	
Share of profit of associates	26.7	24.8	
Profit for the period	**1 170.0**	**1 271.8**	**8.7%**
Minority interests	46.9	51.8	
Net profit (Group share)	**1 123.1**	**1 220.0**	**8.6%**
Basic earnings per share (in euros)	**4.26**	**4.70**	**10.3%**
Diluted earnings per share (in euros)	**4.22**	**4.67**	**10.7%**

Consolidated balance sheet (summary)
For the year ended December 31

In millions of euros	December 31, 2007	December 31, 2008
ASSETS		
Goodwill	3 642.7	3 956.2
Intangible assets and property, plant and equipment	9 098.2	10 236.1
Other non-current assets	718.5	712.2
TOTAL NON-CURRENT ASSETS	**13 459.4**	**14 904.5**
Inventories and work-in-progress	795.9	818.3
Trade receivables and other current assets	3 240.0	3 388.3
Cash and cash equivalents including fair value of derivatives (assets)	796.4	1 493.6
TOTAL CURRENT ASSETS	**4 832.3**	**5 700.2**
TOTAL ASSETS	**18 291.7**	**20 604.7**

In millions of euros	December 31, 2007	December 31, 2008
EQUITY AND LIABILITIES		
Shareholders' equity	**6 328.3**	**6 856.8**
Minority interests	**148.1**	**148.8**
TOTAL EQUITY	**6 476.4**	**7 005.6**
Provisions, pensions and other employee benefits & deferred tax liabilities	2 755.6	2 636.5
Non-current borrowings	4 992.7	6 205.2
Other non-current liabilities	163.0	193.4
TOTAL NON-CURRENT LIABILITIES	**7 911.3**	**9 035.1**
Provisions, pensions and other employee benefits	168.9	244.8
Trade payables & other current liabilities	3 304.9	3 553.9
Current borrowings including fair value of derivatives (liabilities)	430.2	765.3
TOTAL CURRENT LIABILITIES	**3 904.0**	**4 564.0**
TOTAL EQUITY AND LIABILITIES	**18 291.7**	**20 604,7**

Consolidated statement of cash flows
For the year ended December 31

In millions of euros	2007	2008
Operating activities		
Net profit (Group share)	**1 123.1**	**1 220.0**
Minority interests	**46.9**	**51.8**
Adjustments:		
- Depreciation and amortization	935.9	992.8
- Changes in deferred taxes	(0.2)	3.8
- Increase (decrease) in provisions	15.9	(36.6)
- Share of profit of associates (less dividends received)	(6.0)	(10.7)
- Profit / loss on disposal of assets	(61.2)	(14.4)
Cash flow from operating activities before changes in working capital	**2 054.4**	**2 206.7**
Changes in working capital	93.6	127.9
Other	(45.9)	(41.7)
Net cash from operating activities	**2 102.1**	**2 292.9**
Investing activities		
Purchase of property, plant and equipment and intangible assets	(1 359.3)	(1 908.3)
Acquisition of subsidiaries and financial assets	(1 308.2)	(242.3)
Proceeds from sale of property, plant and equipment and intangible assets	193.7	50.5
Proceeds from sale of financial assets	6.1	7.5
Net cash used in investing activities	**(2 467.7)**	**(2 092.6)**
Financing activities		
Dividends paid		
- L'Air Liquide S.A.	(496.9)	(550.8)
- Minority interests	(33.3)	(39.0)
Proceeds from issues of share capital	91.4	44.5
Purchase of treasury shares	(533.9)	(168.2)
Increase (decrease) of borrowings	1 111.3	1 042.0
Net cash used in financing activities	**138.6**	**328.5**
Effect of exchange rate changes and change in scope of consolidation	59.9	(41.2)
Net increase (decrease) in cash and cash equivalents	**(167.1)**	**487.6**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**821.0**	**653.9**
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	**653.9**	**1 141.5**

Net Indebtedness calculation

In millions of euros	2007	2008
Non-current borrowings (long-term debt)	(4 992.7)	(6 205.2)
Current borrowings (short-term debt)	(371.5)	(611.4)
TOTAL GROSS INDEBTEDNESS	**(5 364.2)**	**(6 816.6)**
Total cash and cash equivalents	**726.9**	**1 262.9**
Derivative instruments (assets) - fair value hedge of borrowings		116.2
Derivative instruments (liabilities) - fair value hedge of borrowings	(22.9)	(46.9)
TOTAL NET INDEBTEDNESS AT THE END OF THE PERIOD	**(4 660.2)**	**(5 484.4)**

Statement of changes in net indebtedness

In millions of euros	2007	2008
NET INDEBTEDNESS AT THE BEGINNING OF THE PERIOD	**(3 446.6)**	**(4 660.2)**
Net cash from operating activities	2 102.1	2 292.9
Net cash used in investing activities	(2 467.7)	(2 092.6)
Net cash used in financing activities excluding increase (decrease) of borrowings	(972.7)	(713.5)
Total net cash-flow	**(1 338.3)**	**(513.2)**
Effect of exchange rate changes, change in scope of consolidation and others	124.7	(311.0)
Change in net indebtedness	**(1 213.6)**	**(824.2)**
NET INDEBTEDNESS AT THE END OF THE PERIOD	**(4 660.2)**	**(5 484.4)**

Revenue and Operating Income Recurring breakdown
In millions of euros

Revenue	2007	2008
Gas and Services	9 998.5	11 027.6
Engineering and Construction	831.1	1 080.8
Other activities	971.6	994.7
Total Revenue	**11 801.3**	**13 103.1**

Operating Income Recurring	2007	2008
Gas and Services	1 811.2	1 948.7
Engineering and Construction	43.6	52.4
Other activities	117.6	121.9
Reconciliation	(178.3)	(174.0)
Total Operating Income Recurring	**1 794.1**	**1 949.0**

Gas and Services revenue and operating income recurring by geographic breakdown
In millions of euros

2008	Europe	Americas	Asia-Pacific	Middle-East and Africa	Total
Revenue	6 105.1	2 659.7	2 065.8	197.0	11 027.6
Operating Income Recurring	1 130.3	441.7	326.4	50.3	1 948.7

2007	Europe	Americas	Asia-Pacific	Middle-East and Africa	Total
Revenue	5 451.8	2 516.9	1 851.3	178.5	9 998.5
Operating Income Recurring	1 055.9	417.3	291.8	46.2	1 811.2