

Return to growth in Q1 Solid operating performance

In millions of euros	Q1 2009	Q1 2010	Q1 10/09 published change	Q1 10/09 comparable change*	Q1 10/08 comparable change*
Gas and Services	2,548	2,760	+8.3%	+ 8.3%	+2.0%
Engineering and Construction	247	185	-24.9%	-25.3%	-4.2%
Other activities	202	207	+2.2%	+ 2.4%	-18.5%
Total revenue	2,997	3,152	+ 5.2%	+ 5.1%	≈

* Comparable: excluding impact of currency and natural gas

In line with expectations, the first quarter of 2010 was marked by a return to growth compared to 2009 and 2008 and a solid operating performance.

Group revenue totaled **3,152 million euros**, up +5.2% in terms of published figures and **+5.1%** on a comparable basis, with a slightly positive currency impact offsetting the minor decline in natural gas prices. The **+8.3% increase in Gas and Services** revenue primarily reflects **the turnaround in the Large Industries and Electronics activities**.

The recovery of volumes has continued, but remains **moderate in the mature economies**, particularly in Industrial Merchant. **Sustained growth in Healthcare**, the contribution from **Large Industries start-ups** and **strong demand in emerging economies** resulted in a return to growth in all regions and all Gas and Services business lines. The **investment cycle**, from the portfolio of opportunities, and industrial decisions to capex, **regained favorable momentum**. Finally, the **highest level of activity over the past 15 months was recorded in March**.

Cost and cash discipline within the ALMA program was maintained in the first quarter of 2010. The **operating margin** was therefore **slightly above the 2009 average**. **Net debt remained stable** compared to December 31, 2009 and down by 100 million euros excluding currency impact.

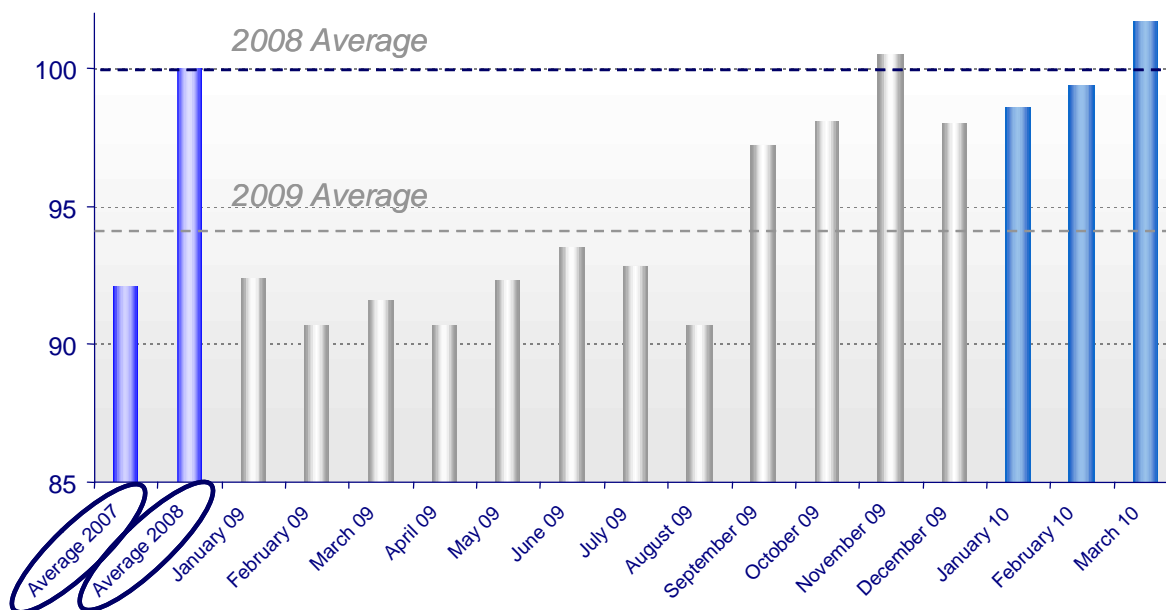
1. Revenue analysis

All growth figures in the text hereafter are on a comparable basis and exclude currency and natural gas impacts.

1.1 Gas and Services

In the first quarter of 2010, **Gas and Services revenue** stood at **2,760 million euros, up +8.3%** compared to the first quarter of 2009 and up +2.0% compared to the same period in 2008. This performance was marked by a moderate +5% turnaround in the mature economies and a very significant +28% increase in the emerging economies, partly due to start-ups. In sequential terms, the quarter was stable compared to the high level of the fourth quarter of 2009.

Gas and Services monthly activity indicator, 2008 average base 100 *



* Comparable revenue adjusted for the number of days/month

GAS AND SERVICES REVENUE BY ACTIVITY

Revenue <i>In millions of euros</i>	Q1 2009	Q1 2010	Q1 10/Q1 09 change	
			<i>published</i>	<i>comparable*</i>
Industrial Merchant	1,071	1,106	+3.2%	+1.7%
Large Industries	836	936	+12.0%	+13.7%
Healthcare	435	466	+7.1%	+6.1%
Electronics	206	252	+22.5%	+25.2%
Gas and Services	2,548	2,760	+8.3%	+8.3%

* comparable: excluding impact of currency and natural gas

The first quarter of 2010 was marked by a return to growth in all activities. The contribution of **start-ups and acquisitions totaled +2.2%** over the quarter. The trend in the **Industrial Merchant** activity became positive again, at +1.7%, due to significant growth in the emerging economies, a return to growth in Japan and Canada and small declines in the United States, France and Germany. The recovery of bulk

volumes was attenuated by sluggish performance in the later-cycle cylinder activity. Pricing effects in certain countries offset each other and had no impact on total revenues. The +13.7% growth in **Large Industries** was visible in all regions, backed by numerous start-ups in the last two quarters. **Healthcare** rose by +6.1% due to steady growth in all activities. The significant growth reported by **Electronics** reflected the sustained turnaround in specialty gases and, to a lesser extent, the upturn in Equipment and Installation sales compared to a particularly low level in the first quarter of 2009.

GAS AND SERVICES REVENUE BY GEOGRAPHICAL AREA

Revenue <i>In millions of euros</i>	Q1 2009	Q1 2010	Q1 10/Q1 09 change	
			<i>published</i>	<i>comparable*</i>
Europe	1,471	1,497	+ 1.8%	+ 3.8%
Americas	579	643	+ 11.2%	+ 8.5%
Asia-Pacific	447	558	+ 24.8%	+ 21.9%
Middle East and Africa	51	62	+ 20.7%	+ 14.2%
Gas and Services	2,548	2,760	+ 8.3%	+ 8.3%

* *comparable: excluding impact of currency and natural gas*

Europe

In the first quarter of 2010, revenue totaled **1,497 million euros, up +3.8%**, attributable to the continued turnaround in all markets, which nevertheless remained gradual in the mature economies, and the steady growth in Healthcare demand.

Industrial Merchant reported a slight **-1.8%** decline, with performance varying from country to country. Emerging economies increased by +30% due to the steady growth in demand and new facilities. Mature economies decreased by -2.5%, marked by activity that remained low in Germany and the automotive sector. The upturn in bulk volumes, compared to the first quarter of 2009, was offset by the further decline in cylinder volumes, which had fallen more slowly in 2009. Average prices declined slightly.

In **Large Industries**, hydrogen and oxygen volumes increased compared to the first quarter of 2009 but were relatively stable in terms of sequential change. The turnaround in the demand for oxygen continued in the steel sector, largely offsetting several definitive site closures in the chemicals industry. Sales rose by **+6.8%** compared to the first quarter 2009, despite the absence of start-ups during the period.

Healthcare increased by **+5.0%** this quarter, due to the steady growth in Homecare, and includes the consolidation of DinnoSanté, specialized in diabetic treatments, acquired at the start of the year. However, demand for medical gases remained stable due to the absence of any major seasonal flu virus this winter. Hygiene continued to report growth, due to recovering demand from industrial customers.

Electronics sales rose sharply by **+28.6%**, denoting a clear turnaround due to recovering demand for specialty gases in the semi-conductors industry, and new Equipment and Installation sales.

Americas

Revenue in the **Americas** totaled **643 million euros, up +8.5%**. All sectors of activity contributed to this performance, thus reflecting an earlier turnaround than in Europe. Activity in South America achieved high growth, benefiting from the impact of start-ups in Large Industries during the quarter. In the United States, sales climbed sharply due to the excellent contribution of Large Industries and the broad stability of Industrial Merchant. Canada once again reported growth.

Industrial Merchant activity stabilized at **+0.2%**, due to offsetting impacts in the region. Bulk volumes rose compared to the first quarter of 2009 in Canada and Latin America. In the United States, volumes declined slightly, but price increases helped to offset the impact. For cylinders, the situation is more mixed, with volumes increasing significantly in Latin America, remaining stable in Canada and declining in the United States.

Large Industries revenue rose by **+17.1%**, due to the significant increase in hydrogen volumes resulting from the ramp-up of two units, one in Argentina and another major one in the United States. Oxygen also contributed to the increase, with a new air separation unit in Brazil, and a more general recovery of demand in the steel industry, particularly in Canada.

Electronics reported sales growth of **+15.3%**, in line with the return of demand in the sector.

Healthcare reported a **+16.4%** increase, backed by the strong growth in medical gases, equipment sales and homecare in Latin America.

Asia-Pacific

In the first quarter of 2010, revenue in **Asia-Pacific** totaled **558 million euros, up +21.9%**, partly due to the very sharp turnaround in the Electronics sector, leading to recovery in Japan, and a doubling of revenue in China arising from strong demand and major start-ups in the last quarters.

The rise in **Industrial Merchant** activity totaled **+10.6%**, marked by an industrial turnaround across the region and a significant increase in China, due to energized demand and new filling facilities.

Large Industries reported growth of **+46.6%** for the period, reflecting a return to sales growth in Japan and the significant contribution of start-ups and ramp-ups of numerous units for the Chinese steel industry.

A spectacular turnaround was recorded in **Electronics**, with a **+27.1%** increase in revenue, thus regaining the 2008 first quarter level. This result is attributable to the steady performance of carrier gas sales, and continued sharp turnaround in specialty gases and, to a lesser extent, equipment and installation sales. Semi-conductor and flat screen demand remained steady after the year-end festivities. Despite the difficulties encountered by certain players in the photovoltaic industry, the demand for solar panels and the number of new facility construction projects remained high overall.

Middle East and Africa

Middle East and Africa revenue totaled **62 million euros, up +14.2%**. In the absence of new Large Industries start-ups in the Middle East during the period, this performance reflects solid demand from existing clients, and development in the industrial basins where the Group has established itself following recent acquisitions.

1.2 Engineering and Construction

Third-party sales in **Engineering & Construction** totaled **185 million euros**, down **-25.3%**, in line with the investment cycle. Order-intake amounted to 240 million euros, falling slightly short of the total recorded in the fourth quarter of 2009. Nevertheless, considering the solid progress of projects under discussion, annual order intake should return to close to 2008 levels.

1.3 Other activities

Revenue <i>In millions of euros</i>	Q1 2009	Q1 2010	Q1 10/09 published change
Welding and Cutting	109	101	- 7.5%
Diving and Specialty Chemicals	93	106	+ 13.4%
Other activities	202	207	+ 2.2%

Revenue of **Other Activities** totaled **207 million euros**, up **+2.2%**.

Despite an improvement in activity in March, Welding and Cutting activity declined by **-7.5%**. On the other hand, significant growth (**+13.4%**) was reported in Specialty Chemicals, especially for the Cosmetics and Industrial sectors, and Diving.

2. Strategic developments in the first quarter of 2010

During the first quarter of 2010, the Group pursued its growth strategy based on the strengthening of its presence in emerging economies, particularly China and India, and the acquisition of Healthcare companies.

- Air Liquide signed **three long-term contracts with steel producers in China** and will invest a total of 115 million euros to satisfy the requirements of these new clients. This investment will bolster the Group's leading position in the Chinese steel market. Under the first contract, an air separation unit with a daily capacity of 2,200 tons will supply oxygen and nitrogen to the Bohai Steel Group in Tangshan, in the Hebei province (near Tianjin). For the second contract, signed with the Jianbang Group in Linfen (in the Shanxi province) Air Liquide will invest in an oxygen unit with a daily capacity of 800 tons. Finally, Air Liquide will invest almost 40 million euros in Yichun (in the Heilongjiang province in north-east China) in order to supply a daily potential of 1,200 tons of gas to Xilin Steel, a new client. These air separation units will be designed and developed by Air Liquide's Engineering teams in China, based in Hangzhou, and will be commissioned in the first quarter of 2012.
- Air Liquide decided to invest 30 million euros in the construction of **major liquid (oxygen, nitrogen and argon) production facilities in the north and west of India**. In total, liquid production will increase by around 540 tons per day, i.e. by 400 tons per day in Panipat in the north and by 140 tons per day in Jhagadia (Gujarat) in the west.

- There were new consolidations in the homecare sector. The Group **acquired 100% of DinnoSanté**, and therefore strengthened its presence in medico-technical services intended to facilitate the life of chronic diabetics. DinnoSanté employs 90 employees and serves almost 2,300 patients in France.
- Furthermore, Air Liquide recently obtained an **extended approval for its Marketing Authorization for its analgesic KALINOX™**. This 50% nitrous oxide and 50% oxygen medical gas offers a new ambulant care response to pain resulting from short-term medical procedures (such as punctures, minor surgeries and dental care). In an environment that seeks to promote healthcare cost control, this medical gas will encourage the transfer of some hospital treatments to ambulant care services, which are less costly and more comfortable for patients.

A **recovery in the investment cycle was confirmed**. Amounting to 3.8 billion euros, the Group's **portfolio of opportunities increased slightly** compared to December 2009. Emerging economies continue to represent more than 80% of this portfolio.

The level of **investment decisions were steady** in the first quarter, amounting to 350 million euros. Furthermore, several projects, representing an investment of 150 million euros, are currently being finalized.

Capital expenditure totaled 380 million euros, **in line with the 2010 target**.

Out of the 21 new units forecast in 2010, **five started up in the first quarter**: in China, Egypt, Brazil, India and Vietnam.

3. Profitability and debt

Efficiency programs continue in 2010 with a target of more than 200 million euros in gains for the year, after a record of 335 million euros in the previous year. The 2010 target breakdown has changed slightly: over 50% contribution from industrial and logistics efficiency gains, 33% from globalization of purchases, and the remainder from reorganizations and head office cost reduction.

Management performance in the first quarter of 2010 remained solid, with an **operating margin slightly above the 2009 average**.

Cash projects were also maintained during the period, with over 500 ongoing local projects representing 90% of Group revenue. Compared to the previous year, **net cashflow after changes in working capital improved by +22%**. **Indebtedness as of March 31, 2010 remained stable** compared to the end of 2009, and, excluding currency impacts, declined by 100 million euros. The Group confirms a recovery in growth investments, with an objective for the year of 1.7 billion euros.

4. Outlook

This quarter is marked by the return to growth in a contrasting environment. Cost management remained disciplined and the potential for efficiency gains was confirmed. Costs and debt levels remain under control.

In this context, and barring a major economic upset, Air Liquide expects continuous growth in net profit in 2010, in line with its long term performance.

APPENDIX (1)

CURRENCY AND NATURAL GAS IMPACTS

In addition to the comparison of published figures, the financial information is presented excluding currency translation effects, the impact of natural gas price fluctuations and the major Group structure changes.

Since industrial and medical gases are rarely exported, the impact of currency fluctuations on revenue and results is limited to the translation into euros of the Group's financial statements with respect to subsidiaries outside the Euro-zone. Fluctuations in natural gas prices are generally passed on to customers through indexation (or transfer) clauses.

Consolidated 1st quarter 2010 revenue includes the following items:

<i>In millions of euros</i>	Q1 2010 revenue	Q1 10/09 published change	Currency impact	Natural gas impact	Q1 10/09 comparable change*
Group	3,152	+ 5.2%	+ 0.4%	- 0.3%	+ 5.1%
Gas and Services	2,760	+ 8.3%	+ 0.4%	- 0.4%	+ 8.3%

* Comparable: excluding impact of currency and natural gas

- The **currency** impact represented **+12 million euros**, i.e. a **+0.4%** increase for the Group and Gas and Services, mainly due to the appreciation of numerous currencies against the euro, particularly the Canadian and Australian dollar and the Brazilian real, thereby offsetting the decline in the US dollar and the yen against the euro.
- **Natural gas prices** have stabilized in Europe and the United States since the fourth quarter. The slightly positive natural gas impact in the US offset the decrease in Europe. The net natural gas price represented a negative impact of **-10 million euros**, i.e. a **-0.3%** decrease in Group revenue and a -0.4% decline in Gas and Services revenue.