Management Report

2007 Performance

1. 2007 highlights

In a good market environment, Air Liquide delivered solid growth, with increasing margins and ROCE. Strategic steps were taken to better position the Group to achieve its mid-term objectives.

Industrial end markets remained strong during the year with strong oil and raw material prices and massive investment in emerging markets, particularly in China. The homecare business continued to develop in all markets in which the Group is present.

The key highlights of the year were:

- **Growth in all World Business Lines and in all regions**:
  - Asia is providing strong growth in all business lines
  - Broad European business mix delivered good growth
  - The Americas showed good growth in Industrial Merchant in US and Latin America while Large Industries US showed more modest growth in the absence of any start-ups.

- **Strategic acquisitions:**
  - The minority interests in the Japanese, Singapore, Thai, Vietnamese and Brunei joint-ventures were acquired, enabling the Group to reengineer its organisation for development across the Asia-Pacific region
  - The acquisition of Lurgi engineering increases the Group's engineering capacities by adding three complementary technologies: hydrogen, gasification and bio-fuels.
  - Several companies in the homecare market give Air Liquide the leading position in Germany. Air Liquide entered the UK market, taking the Number 2 position and made a first move into the Chinese market.

- **Significant increase in total capital expenditure and investment decisions**
  - 1.4 billion euros of industrial capital expenditure and 1.3 billion of acquisitions
  - record investment decisions at more than 2.1 billion euros, which will drive the capital expenditure over the next two years and the revenue growth from 2010 onwards.

- **Creation of World Business Lines,** which provide strategic guidance and resource management across geographies.

2007 Group sales grew by +7.8%, to 11.8 billion euros, with an acceleration quarter by quarter, rising from +5.2% in Q1 to +10.4% in Q4 on a comparable basis, driven by solid underlying growth and the contribution from the small acquisitions during the year.

Due to the final year of the OPAL productivity programme (2005 – 2007), the Gas and Services OIR margin increased by +50 basis points to 18.1%. At Group level OIR margin remained stable at 15.2% due to the mix effect of greater engineering sales after the acquisition of Lurgi, in the second half. Net profit increased by +12.1% to 1.12 billion euros.

Total capital expenditure including acquisitions reached 2.7 billion euros more than twice the 2006 level. Dividends and share buy-backs represent a return to shareholders of nearly 1 billion euros, up +60% over 2006. Consequently, debt levels increased to 4.7 billion euros resulting in an increased gearing of 72%. The return on capital employed after taxes amounted to 12.3%, against 11.9% last year.

In light of the Group's solid performance in 2007 and strong growth prospects, the Board of Directors has proposed the payment of a dividend of 2.25 euros, an increase of +12.5%.

In millions of euros	2005	2006	2007	% change	Comparable*
Revenue	10 435	10 949	11 801	+7.8%	+7.6%
Of which G&S	9 148	9 628	9 999	+3.8%	+7.1%
Operating Income recurring	1 518	1 659	1 794	+8.1%	
OIR margin	14.5%	15.2%	15.2%		
Net profit (Group share)	933	1 002	1 123	+12.1%	
Net profit per share (in euros)	3.93	4.17	4.69	+12.5%	
Dividend per share (in euros)	1.75	2.00	2.25	+12.5%	
Funds from operations	1 805	1 889	2 054	+8.7%	
Return on capital employed – ROCE after tax	11.7%	11.9%	12.3%		
Gearing	60%	53%	72%		

* comparable: excluding impact of currency, natural gas and, at the Group level, the Lurgi acquisition scope effect

2. 2007 Income Statement

2.1. Revenue

in millions of euros	2006	2007	07/06 as published	07/06 comparable*
Total Gas and Services revenue	**9 628**	**9 999**	*+3.8%*	*+7.1%*
Engineering & Construction	**380**	**831**	*+118.7%*	*+27.3%*
Other Activities	**941**	**971**	*+3.3%*	*+4.1%*
Total revenue	**10 949**	**11 801**	*+7.8%*	*+7.6%*

* comparable: excluding impact of currency, natural gas and, at the Group level, the Lurgi acquisition scope effect

All revenue growth figures in the text below are on a comparable basis, excluding currency, natural gas impact and Lurgi scope effect.

2.1.1 Group

Group revenue reached 11 801 million euros in 2007, up +7.8% on an as published basis. Excluding the currency impact, revenues were +10.8%, boosted by the contribution from the acquisition of Lurgi. Excluding these effects, revenue increased +7.6%, with **an acceleration of sales growth quarter by quarter** from +5.2% in Q1 to +10.4% in Q4.

Gas and Services revenue grew by **+7.1%** to **9 999 million euros**. Growth was particularly strong in Asia, except in Japan. In Europe, its mix of business enabled the Group to deliver good growth. In the Americas, the increase in revenue remained strong in Industrial Merchant in the US and in Latin America. However, growth in Large Industries US was more modest, in the absence of new start-ups.

Including 5 months of consolidation of Lurgi, **Engineering and Construction** revenue increased **to 831 million euros**, compared to 380 million euros in 2006. All engineering facilities worldwide have been running at a high level of activity throughout the year, and new capacities are under development especially in China. **Other activities** revenue amounted to 971 million euros in 2007, up +4.1%.

2.1.2 Gas and Services

Revenue in millions of euros	**2007**	***07/06*** *as published*	***07/06*** *comparable**
Europe	**5 452**	*+5.4%*	*+5.8%*
Americas	**2 517**	*-2.0%*	*+4.6%*
Asia-Pacific	**1 851**	*+7.9%*	*+14.5%*
Middle East and Africa	**179**	*+2.8%*	*+12.0%*
Gas and Services	**9 999**	***+3.8%***	***+7.1%***
Industrial Merchant	**4 439**	*+1.7%*	*+4.8%*
Large Industries	**3 024**	*+3.5%*	*+7.1%*
Healthcare	**1 592**	*+7.7%*	*+8.7%*
Electronics	**944**	*+9.3%*	*+16.6%*

* comparable: excluding impact of currency and natural gas

2.1.2.1 By geographical area

Europe

Revenue was **5 452 million euros** increased **+5.8%**, with good progress in all activities.

Industrial merchant growth was **+3.6%**, driven mainly by volume increases in Germany, which benefited from a strong economic environment. In France and Spain, the activity remained stable, while in Italy the activity was slower in the fourth quarter. Machines and metal fabrication, automotive, food processing, the photovoltaic market and shipyards were the main market drivers. The acquired Linde UK business, consolidated for 6 months in 2007, also supported the growth, compensating the sale of the Metrology activity in Q4.

Large Industries posted a **+7.1%** growth in 2007, boosted in the second semester by the start-up of a major Air Separation Unit in Russia. Throughout the year, high utilization rates of customers in the Ruhr industrial basin in Germany and ramp-ups of medium sized hydrogen units in Southern France and Italy also contributed to the good performance.

Healthcare revenue progressed by **+8.4%**, driven by double digit growth in homecare and hygiene and the consolidation of small acquisitions: five entities in Germany and two acquisitions in the UK, including Allied Respiratory in October. The performance of the hospital activity has also improved due to good volumes, with firmer pricing in Southern Europe.

Electronics revenue increased by **+4.1%**, with a good progression of carrier gases due to a ramp-up in Germany and a high level of activity in France and Italy. Equipment and Installations (E&I) sales remained strong throughout the year.

Americas

Revenue for the Americas was **2 517 million euros**, up **+4.6%**, mainly driven by Industrial Merchant, as there was no major start-up in Large Industries in 2007.

Industrial Merchant revenue progressed by **+5.5%**, with strong growth in the mining industry. The demand in the US has remained strong during the year, with an acceleration of sales growth quarter by quarter. There has been strong pricing due to capacity shortages. New capacities coming on stream will address these shortages. South America continued to develop strongly, driven by Brazil.

Large Industries recorded a modest rise of **+2.4%** with no start-up during the period. After three quarters of low growth, chemical customers ran at a high capacity level in the fourth quarter, probably driven by export sales. This boosted gas sales throughout the Group's Gulf Coast pipeline system.

The growth in **Electronics** revenue was **+10.4%**, supported by the start-up of a customer's fab increasing carrier gases, ESG and services sales.

Healthcare revenue progressed by **+6.5%**, driven by double digit growth in the hospital business both in the US and in South America. In the US, volumes, prices and the healthcare business of Scott Specialty Gases acquired in Q4 supported the growth. South America was driven by volumes. The performance in Canada was stable.

Asia Pacific

With revenue of **1 851 million euros,** Asia-Pacific grew **+14.5%**, reflecting the mix of a strong development in booming emerging markets (**+24.2%**), especially China (up by more than 60%), and of a more modest progression in Japan (**+6.8%**).

Industrial Merchant was up **+5.9%**. Activity remained stable in Japan in the second half due to the softening of the economy after growth in the first half. Emerging Asia continued to develop strongly with new liquid capacities starting up progressively, especially in China.

Large Industries continued to record substantial growth (**+21.7%**), mainly driven by Chinese ramp-ups and strong activity in Singapore. The next phase of start-ups in China will come at the end of 2008. New contract signing activity in China was at record levels in 2007, accounting for 20% of total Group investment decisions.

Electronics activity recorded high growth in 2007, up **+22.9%**, with a strong acceleration in the second half. Carrier gases are the biggest contributor to this performance with 5 start-ups in 2007 in South Korea, Japan, China and Singapore (each above 5 million euros of investment). In specialty gases, sales were up double digit, with a strong growth in Japan and Silane demand remaining high throughout the region. 2007 was a good year for equipment and installation sales. The sales progression was also helped by the full consolidation of the Singapore operations and of TNA, the Japanese joint venture for analytical services with Toshiba, created at the end of 2006.

Middle East and Africa

Middle East and Africa revenue reached **179 million euros**, and continued to record **double digit growth**. This performance was driven by dynamic Industrial Merchant activity in South Africa and Large Industries in Egypt.

2.1.2.2. By activity

The Group operations are managed by geography and coordinated at business lines level. The explanations by business lines are therefore provided on an indicative basis.

The **Industrial Merchant** activity, with revenue of **4 439 million euros**, or **44% of Gas and Services sales**, posted growth of **+4.8%**, within our mid-term objectives of [+4% to +6%]. In 2007, the growth was driven by the Americas (+5.5%) and Asia (+5.9%), with a boost from emerging Asia. In Europe, growth was good in Germany and activity was stable in France.

Revenue for the **Large Industries** activity, at **3 024 million euros,** or **30% of Gas and Services sales,** posted growth of **+7.1%,** mainly due to project ramp-ups in Europe and China, with only few start-ups in 2007, the major ones being a new Air Separation Unit in the second half in Russia, and a hydrogen plant in Italy in the second quarter. Hydrogen remains a growth driver (+9.0%), representing 30% of Large Industries revenue, or 911 million euros. The Group is on course to achieve 2008 revenue above one billion euros in its hydrogen activity. Customer markets, primarily steel, chemicals and refining, remained well oriented in 2007, boosted by the investment activity in emerging markets.

Healthcare, with revenue of **1 592 million euros**, or **16% of Gas and Services sales** was up **+8.7%**, within the range of our mid-term objectives of [+8% to +12%]. European revenues, representing 81% of Healthcare sales, increased by +8.4%. The main drivers remain homecare and hygiene. Air Liquide's involvement in the homecare market consolidation in 2007 also contributed to the growth, with the acquisition of five companies in Germany positioning the Group number one on that market, and with the successive acquisitions in the UK of the Linde activities in the second quarter (30% of business being in healthcare) and of Allied Respiratory in October. As a result, the Group has now a number two position in that market. Outside Europe, the Group entered the homecare market in China with the acquisition of the Hong-Kong based Celki company.

Revenue for the **Electronics** activity reached **944 million euros**, **10% of Gas and Services revenue**, and up **+16.6%,** with an acceleration in the second half. Like in 2006, the growth is being driven by recurring sales, particularly carrier gases, which benefited from the start-up of 7 units (over 5 million euros investment each), mainly in Asia, and the ramp-up of the **5 units** (over 5 million euros of investment each) started up in 2006. Asia continues to be the strong driver, representing more than 60% of this activity's revenue. In that respect, the acquisition of the minorities of our Japanese and Singaporean joint ventures was strategic to free up our capacity to accompany the growth in the region, by combining and moving resources freely across the region.

2.1.3. Engineering and Construction

The Engineering and Construction revenue grew by +118.7% to 831 million euros in published variation, due to 5 month consolidation of Lurgi. On a comparable basis, the revenue increased by +27.3%, driven by a growing market in emerging economies. Capacities worldwide are fully loaded. 2007 third-party and Group order-intake reached 1.6 billion euros, 100% of annualized 2007 sales, and total orders in hand amounted to 4.9 billion euros, representing 3.3 years of total sales at year end.

2.1.4 Other activities

Revenue in millions of euros	**2007**	**07 / 06 as published**	**07 / 06 comparable***
Welding	**598**	*+6.2%*	*+6.4%*
Chemicals	**227**	*+0.2%*	*+0.2%*
Diving & others	**146**	*-3.1%*	*+1.6%*
Other activities	**971**	***+3.3%***	***+4.1%***

* comparable: excluding impact of currency, natural gas and Lurgi scope effect

Welding revenue grew by +6.4% in 2007, with a strong growth in the first semester driven by both consumables and durables throughout Europe. The growth was impacted in the second semester with lower demand in Central Europe due to bad weather conditions and a tougher year on year comparison with a record high in equipment sales in Q4 2006.

2.2 Operating Income Recurring

Operating income recurring amounted to **1 794 million euros**, up **+8.1%**. Its margin (operating income recurring as a percentage of revenue) was **15.2%**, stable vs 2006, due to the mix effect of higher Engineering and Construction sales within the total Group.

Gas and Services recurring operating margins continued to progress, up +50 pts to 18.1%. Continued efficiency measures contributed to the margin improvement.

2007 was the last year of the OPAL program launched in 2005 to improve productivity and competitiveness. In 2007, 170 m€ of efficiencies were delivered, which brings the total to over 400 million euros for the 3 years of the program. Efforts were focused on four major axes in 2007:

- Energy efficiency: major examples of actions taken include further operational efficiency of Large Industries' units through wider implementation of SCADA, an internally developed industrial IT system, and investments in some hydrogen production units with special burners allowing a switch to less expensive fuel gases.
- Procurement remained a major focus. Significant savings in transportation and distribution of our products in industrial merchant and sourcing of traded goods in welding and electronics were the main contributors with a sustained effort on general expenses.
- Restructuring: several reorganizations were launched or further pursued following the one in France and Italy, such as the implementation of the Iberian and Scandinavian platforms with shared resources and management in sales, marketing, procurement, IT, HR, finance, technology and project management. In both cases, logistics were reorganized with the implementation of cross border deliveries. The European headcount was reduced by 150 in 2007, and by 490 over the 3 years of OPAL. In Canada, the reduction of regions from 11 to 4 was part of a strong reorganization of the Industrial Merchant operations.
- Operational efficiency: various initiatives were taken either locally, such as construction and start-up of several standard liquefiers in South East Asia to reduce the cost of capital, use of new techniques to reduce helium losses during trans-fillings or more globally with implementation of logistics optimization software and cylinder tracking systems.

OPAL has initiated a long term approach to sustained improvement within the Group. Over the 3 year period, project management has been progressively introduced into the program. Many of the individual

OPAL projects that have successfully brought about structural changes in some regions have now become pilot projects that can be deployed on a wider scale.

2.2.1 By geographical area (Gas and Services)

In Europe, operating income recurring at **1 056 million euros**, was up +5.3%, with a stable margin at **19.4%**. The margin has improved in France due to the OPAL restructuring. Pricing pressure continued in Healthcare in Southern Europe. The mix effect of an increasing share of hydrogen production is continuing to change the structure of Large Industries margins.

Operating income recurring for the **Americas** grew +5.5% to **417 million euros**. The operating margin increased +120 basis points to **16.6%,** primarily reflecting the price increases in Industrial Merchant in the US, and pricing and productivity in Latin America.

In **Asia-Pacific**, **operating income recurring** reached **292 million euros**, up +16.3%. The margin increased +120 basis points to **15.8%** mainly due to productivity gains resulting from the synergies generated from a more integrated organization.

2.2.2 Engineering and Construction

Engineering and Construction operating income recurring reached 31 million euros, up +97.9%, due to the significant increase in capacity utilization.

2.2.3 Other activities

The Other activities operating income recurring totaled 117 million euros, up +9.2%. R&D and corporate costs amounted to 165.5 million euros, up +5.3% relative to the previous year.

2.3 Net earnings

Net financial costs and other financial income and expenses totalled **234 million euros**, versus 198 million euros in 2006, reflecting the financing of the acquisitions completed in 2007 and of the share buy-back program launched in 2007 (see chapter 3.6).

Average **cost of debt** improved from 4.6% to **4.5%,** resulting from a better country mix, with a higher share of Japanese yen debt, despite the increase of the interest rates in Europe.

Profit from associates was **27 million euros in 2007**, stable vs 2006.

The **effective tax rate** amounted to **26.5%**, down 220 bps versus 2006. The Group benefited this year from a lower tax rate in Germany, and from low capital gains tax rate on the Malaysian and Hong Kong divestitures in the first half.

Minority interests totaled 47 million euros, down -32.8% compared to 2006. This reduction is primarily explained by the repurchase of the 45% of minority interests in the Japanese subsidiary beginning of March.

Overall, the **net profit (Group share)** reached 1 123 million euros in 2007, up **+12.1%**.

Net profit per share totaled **4.69 euros, up +12.5%**. The average number of shares outstanding used for the calculation of net profit per share as of December 31, 2007 was 239 223 974.

3. Optimizing the balance sheet

In millions of euros	2005	2006	2007
Funds provided by operations before changes in working capital	**1 805**	**1 889**	**2 054**
Changes in working capital	5	(109)	94
Others	(90)	(13)	(46)
Net cash from operating activities	**1 720**	**1 767**	**2 102**
Distributions	(476)	(479)	(530)
Purchase of tangible, intangible and financial assets	(1 051)	(1 201)	(2 668)
Other items	281	105	200
Net before financing	**474**	**192**	**(896)**
Increase in capital stock	78	108	91
Purchase of treasury shares	(60)	(131)	(534)
Other	(219)	124	126
Change in net indebtedness	**273**	**293**	**(1 213)**
Net indebtedness at end period	(3 740)	(3 447)	(4 660)
Debt to equity ratio at end of period	60%	53%	72%

3.1 Funds from operations

Funds from operations before changes in working capital requirements rose by +8.7% in 2007. After positive changes in working capital, the net cash from operations rose by +19.0% to 2 102 million euros.

3.2 Changes in working capital

Working capital fell by 94 million euros in 2007, despite the growth in activity. The ratio of working capital excluding tax to revenue was improved significantly during the year to 8.9% relative to 12.5% at the end of 2006, due to the contribution of the positive working capital of the Engineering & Construction activities and cash management initiatives.

3.3 Payments of investments

Total investments reached 2.7 billion euros in 2007, of which a record 1.4 billion euros of industrial capex and 1.3 billion euros in acquisitions.

3.3.1 Acquisitions

Following the merger of BOC and Linde in 2006, Air Liquide bought out the 45% minority interest in Japan Air Gases (JAG) for 581 million euros and restructured its South East Asia joint venture holdings by acquiring those in Singapore, Thailand, Vietnam and Brunei and selling those in Malaysia and Hong Kong. The net cash out was 275 million euros. This has freed up the Group's capacity to develop its activity across the region, follow clients, invest, mutualize and move resources across the region. The development potential of Air Liquide's activities in the region has thereby been enhanced significantly.

Air Liquide also acquired Linde's UK activities for an enterprise value of 105 million euros considerably boosting its presence with Industrial merchant and homecare operations in that country.

In July, the Group acquired Lurgi, the engineering company, recognised notably for its expertise in hydrogen, gasification and bio-fuels. Lurgi will considerably complement the Air Liquide Air Separation technology and accelerate the Group's capacity to invest. The enterprise value was 200 million euros.

The Group also made several acquisitions in the homecare market. Five companies with a total of 15,000 patients were acquired to strengthen its position in Germany and become Number 1 in that market. In the UK, two significant steps were made during the year, raising our position to number 2 in the market: Linde UK (mentioned above) gave the group a presence and facilitated the acquisition of Allied Respiratory in September for 51 million euros in cash. A first step was also made into China, expected to be a major market for homecare in the next two decades with the acquisition of Celki, based in Hong Kong.

Finally, in November, the Group acquired Scott, a leading company in the speciality gases market in the US, with a recognised brand name, to boost the Group's presence in a faster growing segment of the US cylinder market. Scott annual revenues amount to 88 million USD.

3.3.2 Industrial capex

As a result of the +27% increase in investment decisions in 2006 and +42% in 2007, industrial investments payments rose by +20.5% to 1 360 billion euros. There was a significant acceleration in the second half, up +23% against the previous year, as the large contracts signed during 2006 started to be contracted. Major start-ups in 2007 were a Russian air separation unit and one hydrogen plant in Italy. In 2008, the major start-ups include a hydrogen unit in Antwerp, a large cogeneration plant in Rotterdam, and 6 air separation units in China.

The geographical breakdown shows with a much larger share in emerging markets in 2007. Total capital expenditure in China alone was 150 million euros, or 11% of the total. The share of Asia-Pacific grew from 21% in 2006 to 25% in 2007.

In %	2006	2007
Europe	54%	48%
Americas	23%	23%
Asia-Pacific	21%	25%
Middle-East and Africa	2%	4%

3.4 Dividend

At the annual General Shareholders' Meeting on May 7, 2008, a dividend of 2.25 euros will be proposed to shareholders for fiscal year 2007.

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

Air Liquide S.A. net earnings reached 574 million euros, compared to 548 million euros in 2006.

3.6 Share buy-back program

During 2007, in line with the financing strategy announced in July, Air Liquide considerably increased its share buy-back program in order to optimize its balance sheet. In 2007, the Company bought back **5 731 059*** shares, at an average price of 92.17* euros, for a total cost of **528 million euros.** This represents 2.4% of the capital of the Group, in line with the announced share buy-back program of 2 to 2.5% per annum. Including shares acquired as part of the liquidity contract (initiated in January 2007), the total cost was 534 million euros.

At the same time, 1 636 982* new shares were issued for stock option subscriptions during the year.

** Adjusting for share split on shares bought before June 13, 2007.*

3.7 Net indebtedness

As a result of all the above factors, net indebtedness increased during 2007 by +1 213 million euros to 4 660 million euros at December 31, 2007.

3.8 Net indebtedness/Equity

The net debt to equity ratio increased to 72% at December 31, 2007, reflecting the significant increase in investment and the share buy-back program, notwithstanding the strong cash flow generated by the ongoing business.

3.9 ROCE

The return on capital employed (ROCE) after tax was 12.3%, up from 11.9% in 2006.

3.10 Effect of the acquisitions

The impact of the 2007 acquisitions on the balance sheet was principally to increase goodwill by a total of 1 138 million euros, including 458 million euros for JAG and 314 million euros for Lurgi.

Future Outlook

2008 outlook

In 2007, revenue growth accelerated progressively quarter by quarter, towards the 8 to10% growth range, due to acquisitions and underlying growth, in a year when there were few major start-ups. From 2008, there will be acceleration in start-ups generally, the number of start-ups over 10 million euros will increase from 10 in 2007 to 22 in 2008 and 19 in 2009. The portfolio of opportunities guarantees more start-ups further out.

Most markets are well oriented at the beginning of the year, which gives the Group confidence in its ability, at constant exchange rates, to achieve double-digit growth in net profit in 2008.

Full year 2007 Accounts

1. Consolidated Income Statement

In millions of euros	2005	2006	2007	Variation 07/ 06
Revenue [(1)]	**10 434.8**	**10 948.7**	**11 801.2**	**+7.8%**
Purchase	(3 945.5)	(4 240.6)	(4 547.9)	
Personnel expenses	(1 856.4)	(1 939.5)	(2 037.8)	
Other income & expenses	(2 218.0)	(2 201.2)	(2 485.5)	
Operating income recurring before depreciation and amortization	**2 414.9**	**2 567.4**	**2 730.0**	**+6.3%**
Depreciation and amortization expense	(897.3)	(908.2)	(935.9)	
Operating income recurring [(1)]	**1 517.6**	**1 659.2**	**1 794.1**	**+8.1%**
Other non-recurring operating expenses	(44.8)	2.6	(5.3)	
Operating Income	**1 472.8**	**1 661.8**	**1 788.8**	**+7.6%**
Net finance costs	(163.1)	(155.4)	(179.4)	
Other net financial expenses	(49.1)	(42.2)	(54.3)	
Income taxes	(370.7)	(419.8)	(411.8)	
Share of profit of associates	36.5	27.7	26.7	
Net profit from discontinued operations	80.6			
Profit for the period	**1 007.0**	**1 072.1**	**1 170.0**	**+9.1%**
- Minority interests	73.6	69.8	46.9	
- Net Profit (Group share)	**933.4**	**1 002.3**	**1 123.1**	**+12.1%**
Basic earnings per share (in euros) [(2)]	**3.93**	**4.17**	**4.69**	**+12.5%**
Diluted earnings per share (in euros) [(3)]	**3.91**	**4.14**	**4.66**	**+12.6%**

(1) for geographic information see section 4.
(2) calculated on the adjusted average weighted number of shares outstanding during the period, excluding treasury shares.
(3) calculated on the adjusted average weighted number of shares, excluding treasury shares and assuming the exercise in full of all share subscription options granted to employees.

NB: In 2005, profit before minority interests and discontinued operations was 926.4 million euros. Basic earnings per share before discontinued operations was 3.59€, and diluted earnings per share before discontinued operations was 3.57€.

2. Consolidated Balance - Sheet (summarized)

in millions of euros	Dec 31, 2005	Dec 31, 2006	Dec 31, 2007
ASSETS			
Goodwill	2 646.1	2 614.7	3 642.7
Intangible assets and property, plant and equipment	8 554.5	8 358.9	9 098.2
Other non-current assets	872.1	814.2	718.5
Total non-current assets	**12 072.7**	**11 787.8**	**13 459.4**
Inventories and work - in-progress	653.8	694.3	795.9
Trade receivables and other current assets	2 897.6	2 883.2	3 240.0
Cash and cash equivalents including fair value of derivatives (assets)	664.3	930.0	796.4
Total current assets	**4 215.7**	**4 507.5**	**4 832.3**
Total assets	**16 288.4**	**16 295.3**	**18 291.7**
EQUITY AND LIABILITIES			
Shareholders' equity	5 930.5	6 285.8	6 328.3
Minority interests	278.2	281.0	148.1
Total equity	**6 208.7**	**6 566.8**	**6 476.4**
Provisions, employee benefit commitments & deferred tax liabilities	2 798.2	2 635.6	2 755.6
Non-current borrowings	3 978.4	3 674.9	4 992.7
Other non-current liabilities	167.3	160.0	163.0
Total non-current liabilities	**6 943.9**	**6 470.5**	**7 911.3**
Provisions and employee benefit commitments	155.4	122.9	168.9
Trade payables and other current liabilities	2 483.8	2 438.8	3 304.9
Current borrowings including fair value of derivatives (liabilities)	496.6	696.3	430.2
Total current liabilities	**3 135.8**	**3 258.0**	**3 904.0**
Total equity and liabilities	**16 288.4**	**16 295.3**	**18 291.7**
Net Indebtedness at the end of the period	**(3 739.8)**	**(3 446.6)**	**(4 660.2)**

3. Consolidated Statement of Cash-Flow

In millions of euros	2005	2006	2007
Net Profit (Group share)	933.4	1 002.3	1 123.1
Minority interests	73.6	69.8	46.9
Adjustments:			
Depreciation and amortization	897.3	908.2	935.9
Changes in deferred taxes	47.9	44.3	(0.2)
Increase (decrease) in provisions	(15.3)	(94.0)	15.9
Share of profit of associates (less dividends received)	(17.2)	(2.7)	(6.0)
Profit / loss on disposal of assets	(114.9)	(38.6)	(61.2)
Cash-flow from operating activities before changes in working capital	**1 804.8**	**1 889.3**	**2 054.4**
Changes in working capital	5.2	(108.8)	93.6
Other	(89.9)	(13.8)	(45.9)
Net cash from operating activities	**1 720.1**	**1 766.7**	**2 102.1**
Purchases of property, plant & equipment and intangible assets	(975.2)	(1 128.2)	(1 359.3)
Acquisition of subsidiaries and financial assets	(76.2)	(72.3)	(1 308.2)
Proceeds from sale of property, plant & equipment, intangible and financial assets	118.0	104.8	199.8
Proceeds from sale of divested activities	162.8		
Net cash used in investing activities	**(770.6)**	**(1 095.7)**	**(2 467.7)**
Dividends paid			
-L'Air Liquide S.A.	(391.1)	(432.0)	(496.9)
-Minority interests	(84.8)	(47.1)	(33.3)
Proceeds from issues of share capital	78.4	108.1	91.4
Purchase of treasury shares	(59.8)	(131.1)	(533.9)
Increase (decrease) of borrowings	(635.0)	64.2	1 111.3
Net cash used in financing activities	**(1 092.3)**	**(437.9)**	**138.6**
Effect of exchange rate changes and change in scope of consolidation	1.8	28.5	59.9
Net increase (decrease) in cash and cash equivalents	**(141.0)**	**261.6**	**(167.1)**
Net Cash and cash equivalents at the beginning of the period	**700.4**	**559.4**	**821.0**
Net Cash and cash equivalents at the end of the period	**559.4**	**821.0**	**653.9**

Net indebtedness calculation

in millions of euros	2005	2006	2007
Non-current borrowings (long-term debt)	(3 978.4)	(3 674.9)	(4 992.7)
Current borrowings (short-term debt)	(417.7)	(668.6)	(371.5)
Total gross indebtedness	**(4 396.1)**	**(4 343.5)**	**(5 364.2)**
Total cash and cash equivalents	**598.2**	**897.5**	**726.9**
Derivative instruments (fair value hedge of borrowings)	58.1	(0.6)	(22.9)
Total net indebtedness at the end of the period	**(3 739.8)**	**(3 446.6)**	**(4 660.2)**

Statement of changes in net indebtedness

In millions of euros	2005	2006	2007
Net indebtedness at the beginning of the period	**(4 012.5)**	**(3 739.8)**	**(3 446.6)**
Net cash from operating activities	1 720.1	1 766.7	2 102.1
Net cash used in investing activities	(770.6)	(1 095.7)	(2 467.7)
Net cash used in financing activities excluding increase (decrease) of borrowings	(457.3)	(502.1)	(972.7)
Effect of exchange rate changes and change in scope of consolidation and others	(219.5)	124.3	124.7
Change in net indebtedness	**272.7**	**293.2**	**(1 213.6)**
Net indebtedness at the end of the period	**(3 739.8)**	**(3 446.6)**	**(4 660.2)**

4. Revenue and Operating Income Recurring in geographic zones

2007: December 31st

in millions of euros	Europe	Americas	Asia Pacific	Middle-East/ Africa	Un allocated	Total
Revenue						
Gas and Services	5 451.8	2 516.9	1 851.3	178.5		9 998.5
Engineering/Construction	539.0	182.8	109.3			831.1
AL Welding Group	597.8					597.8
Other activities	296.8	71.6	5.4			373.8
Total Revenue	**6 885.4**	**2 771.3**	**1 966.0**	**178.5**		**11 801.2**
Operating Income Recurring						
Gas and Services	1 055.9	417.3	291.8	46.2		1 811.2
Engineering / Construction	11.3	0.2	19.3			30.8
Other	110.4	6.8	0.4			117.6
R&D centers / Corporate					(165.5)	(165.5)
Total Operating Income Recurring	**1 177.6**	**424.3**	**311.5**	**46.2**	**(165.5)**	**1 794.1**

2006 : December 31st

in millions of euros	Europe	Americas	Asia Pacific	Middle-East/ Africa	Un allocated	Total
Revenue						
Gas and Services	5 171.2	2 568.3	1 715.0	173.5		9 628.0
Engineering / Construction	172.7	55.2	131.7	20.4		380.0
AL Welding Group	562.7					562.7
Other activities	302.5	69.7	5.8			378.0
Total Revenue	**6 209.1**	**2 693.2**	**1 852.5**	**193.9**		**10 948.7**
Operating Income Recurring						
Gas and Services	1 002.3	395.6	250.8	44.5		1 693.2
Engineering / Construction	4.5	(3.7)	14.8			15.6
Other	100.6	6.7	0.4			107.7
R&D centers / Corporate					(157.3)	(157.3)
Total Operating Income Recurring	**1 107.4**	**398.6**	**266.0**	**44.5**	**(157.3)**	**1 659.2**

- Nota: sales are based upon the location of operations.
- AL Welding Group produces and distributes welding and cutting consumables and equipment; other activities mainly include chemicals and diving.