AIR LIQUIDE

Annual and Sustainable Development Report 2007




SHARE HOLDER'S guide

Welcome to

Air Liquide

“What does Air Liquide represent for *YOU*?”

A COMPANY THAT HAS CONSIDERATION AND RESPECT FOR ALL ITS SHAREHOLDERS

- Equality of all shareholders: 1 share = 1 vote (no double-voting rights)
- Respect of preferential subscription rights
- Restriction of resolutions proposed at Shareholders’ Meetings to genuine corporate requirements
- Clear and effective communication between the Board of Directors and Management

A COMPANY THAT REMUNERATES AND INCREASES INVESTMENT VALUE OVER THE LONG TERM FOR ITS SHAREHOLDERS

- Steady long-term growth in earnings
- Strong dividend-payout policy: dividend and bonus shares
- Higher dividend payouts for loyal registered shareholders

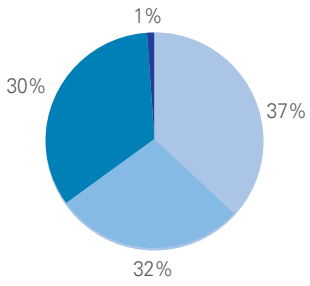
A COMPANY THAT LISTENS TO AND INFORMS SHAREHOLDERS

- Shareholders’ Communication Committee, frequent meetings with shareholders
- Regular publication of information about the Company
- Transparency and clarity of financial information published
- Consistent and uniform accounting methods
- Information sent to all shareholders before meetings

A COMPANY THAT PROVIDES SERVICES TO ITS SHAREHOLDERS

- Twenty-member Shareholder Services team dedicated to individual shareholder relations
- Personalized and low-cost management of directly registered share accounts

Shareholders are the focus of Air Liquide’s strategy. Our objective is to increase the value of shareholder investment through strong, steady growth in earnings and dividends over the long term. Air Liquide’s responsibility towards its shareholders, formalized in the Shareholders’ Charter, is based on these four commitments.



SHARE OWNERSHIP BY SHAREHOLDER TYPE

- Individual shareholders
- Foreign institutional investors
- French institutional investors
- Treasury shares

SHARE OWNERSHIP AS AT DECEMBER 31, 2007

380,000 individual shareholders
37% of shares registered*
1.1% of capital held by Group employees

On August 21, 2007, a subsidiary of the Eurazeo company stated that it held 5.5% of the capital.

In addition to the legal threshold of 5%, Air Liquide requires all shareholders or shareholder groups to inform the Company whenever a threshold of 2% is exceeded. If this step is not taken, the shares may lose their voting rights.

* share registration entitles the shareholder to a 10% loyalty bonus after two years of share ownership

OPERATIONS AFFECTING THE CAPITAL

STOCK SPLIT

Air Liquide split the par value of the share in half (€5.50) on June 13, 2007, doubling the number of shares in circulation. The stock split increased the share's accessibility with the objective of expanding the number of individual shareholders. It also helped the share's liquidity.

ALLOCATION OF BONUS SHARES

- **Allocation of 1 bonus share for every 10 shares previously held*.**
- Allocation date: **June 9, 2008** (proposed by the Chairman).
- **Bonus share allocation increased by 10%** for shares registered by December 31 of any given year and held continuously in registered form for more than two calendar years.

* as proposed at the Annual General Meeting of Shareholders on May 7, 2008.

WE progress,

YOU reap the benefits

CREATING VALUE

STRONG DIVIDEND DISTRIBUTION

IN 2007

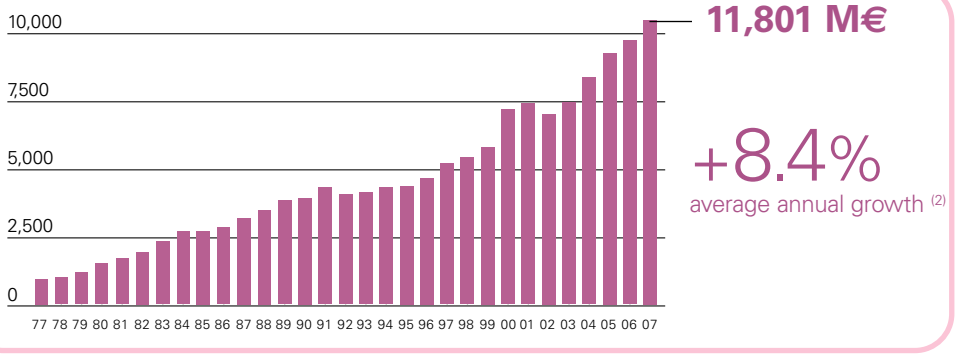
- For fiscal year 2007 **€2.25** per share proposed at the 2008 Annual General Meeting of Shareholders, that is **+12.5%** over one year
- **49.1%** of net earnings distributed

OVER 10 YEARS

- **+12.4%** average annual growth in dividend per share adjusted
- **45.2%** of consolidated net earnings distributed

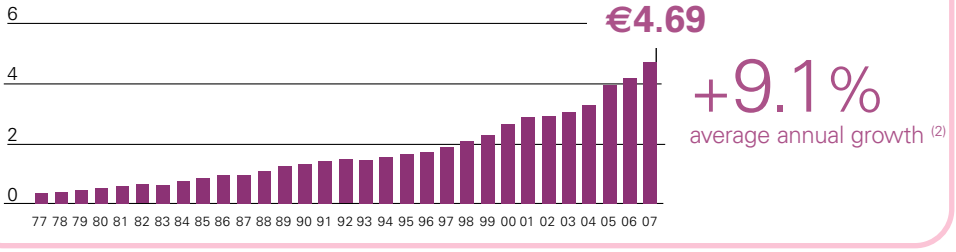
SOLID AND SUSTAINED PERFORMANCE OVER 30 YEARS

REVENUE IN MILLIONS OF EUROS

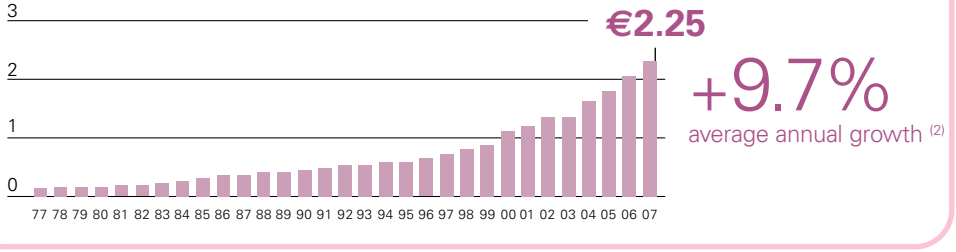


Consolidated 2007 revenue increased on 2006 by +7.8% compared with 2006. On a comparable basis excluding currency, natural gas and perimeter effects, the increase was +7.6%.

BASIC EARNINGS PER SHARE ADJUSTED (1) IN EUROS



DIVIDEND PER SHARE ADJUSTED (1) IN EUROS

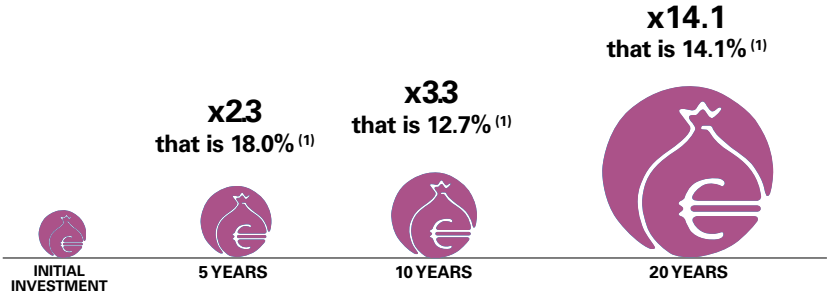


(1) Adjusted to account for bonus share issues and stock split.
(2) The data presented over 30 years were calculated using accounting standards in force at the time. As of January 1, 2005, standards have changed. These new standards were used for financial years as of 2004.

GROWTH OF PORTFOLIO

Value, before tax, as at December 31, 2007, of a **portfolio of Air Liquide shares** including reinvested gross dividends, **bonus shares** and loyalty **bonuses**.

(1) Compound annual growth.



AIR LIQUIDE AND THE STOCK EXCHANGE

IDENTIFICATION SHEET AS AT DECEMBER 31, 2007

Continuous trading on the Eurolist of the Euronext Paris Stock Exchange (compartment A)		
ISIN value code		**ISIN FR0000120073**
Par value		**€5.50**
Number of shares		**238,844,710**
Share price		**€101.79**
Market capitalization		**24,312 million euros**
Member of the CAC 40 and Dow Jones Euro Stoxx 50		
Weighting	in CAC 40 index	**2.3%**
	in Dow Jones Euro Stoxx 50 index	**1.05%**

Eligible for the Deferred Settlement Service (SRD) and Stock Savings Plan (PEA)
Supports the Paris Stock Exchange market for tradable options (Monep)

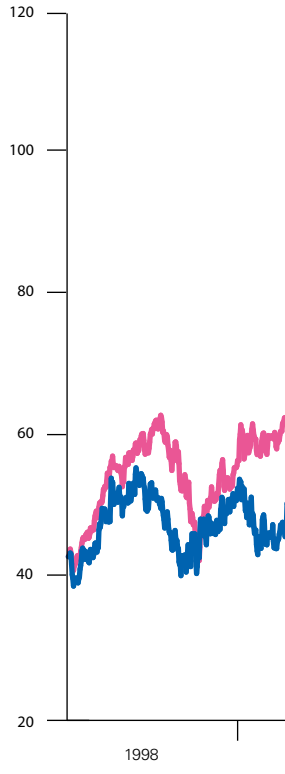
Financial information codes	
Euronext mnemonic	AI
Bloomberg	AIQUF
Reuters	AIRP.PA
Sedol	B1YXBJ7
WKN	850133

EVOLUTION OVER 1 YEAR

AL +13.2% CAC 40 +1.3%

EVOLUTION OVER 10 YEARS

AL +138.3% CAC 40 +87.2%



SHARE PRICE ADJUSTMENT

On the day when bonus shares are allocated, the "value" of the Company is not modified, but the capital is divided into a larger number of shares.

In addition, to enable the evolution of stock market prices to be followed over time, the historical share prices are adjusted.

Likewise, when the stock split took place in June 2007, all the historical share prices were divided in two so that a comparison over time could be made.

Intermediary registered shareholders

The following codes are used by financial intermediaries to identify the shares (intermediary registered) that give you the right to a loyalty bonus. These codes may appear on your securities account statement.

- Code FR0000053951: shares registered before and during 2005 that will benefit from the loyalty bonus in 2008,
- Code FR0010399675: shares registered in 2006 that will benefit from the loyalty bonus in 2009,
- Code FR0010541383: shares registered in 2007 that will benefit from the loyalty bonus in 2010.

PRICES ADJUSTED OVER

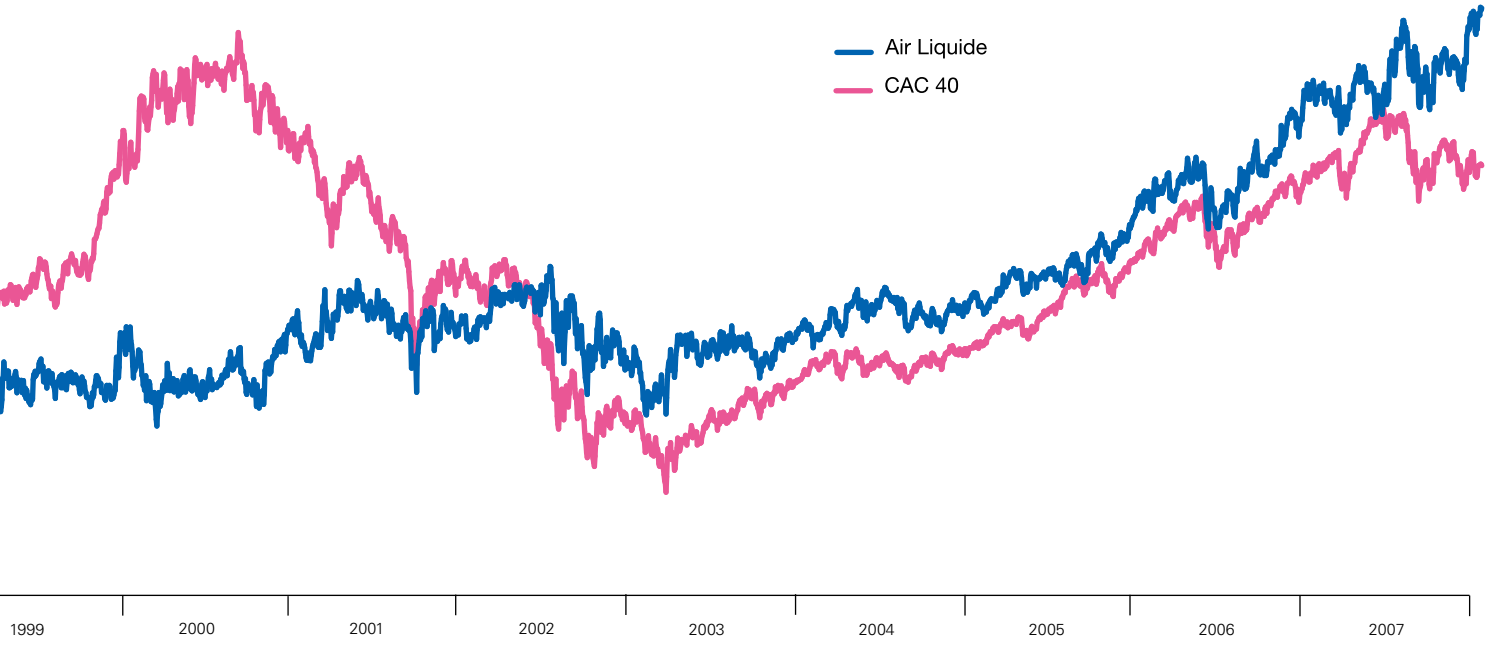
Highest price (€)
Lowest price (€)
Year-end price (€)
Market capitalization on December 31 (in millions of euros)
Average number of shares traded daily (000s)

* This data on 20 years may be consulted

THE CAC 40 CELEBRATES ITS 20TH BIRTHDAY!

- Creation of the CAC 40 in 1988
- Only 17 stocks that made up the original index are still present today, including Air Liquide
- Evolution of the CAC 40 over 20 years: + 534%, or 9.75% per year
- Evolution of the Air Liquide share over 20 years: + 747%, or 11.3% per year

ADJUSTED (1) SHARE PRICE EVOLUTION OVER 10 YEARS



(1) Adjusted to account for bonus share allocations and stock split.

10 YEARS* TO ACCOUNT FOR BONUS SHARE ALLOCATIONS AND STOCK SPLIT

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
56.02	57.00	59.77	65.02	66.12	58.23	62.96	75.82	91.30	102.45
38.38	42.91	43.14	47.79	46.12	43.39	54.13	58.91	70.15	82.58
52.18	55.50	58.37	57.82	47.22	52.59	61.82	73.87	89.95	101.79
12,957	13,771	14,528	14,295	12,673	13,988	14,849	17,800	21,794	24,312
346	396	456	672	842	870	736	786	954	1,212

on www.airliquide.com in the Shareholders section.

WE know each other,

YOU benefit

HOLDING REGISTERED SHARES

DIRECT REGISTERED SHAREHOLDING PRESENTS A LOT OF ADVANTAGES.
DON'T WAIT ANY LONGER TO REAP THE BENEFITS!

- A bonus dividend of 10% after two calendar years (1);
- Loyalty bonus of 10% on bonus shares after two calendar years (1);
- Personalized contact with Air Liquide through Shareholder Services;
- A simple procedure;
- Direct information;
- Easy access to the Shareholders' Meeting;
- The same fiscal treatment for bearer shares and registered shares;
- Possibility of keeping the advantages of the Stock Savings Plan (PEA) while registering your shares as intermediary registered shares.

(1) Shares registered by December 31 of any given year and held continuously in registered form for more than two calendar years.

WEB ZONE

Find all the information and forms you need for registering shares on **www.airliquide.com** in the Shareholders section.

Benefiting from the bonus dividend while staying at your bank: how is it done?

THE SOLUTION: INTERMEDIARY REGISTERED SHARES

THE ADVANTAGES OF INTERMEDIARY REGISTERED SHARES

- No need to change anything: you keep the same securities account, including PEAs, and the same contact at the bank.
- You benefit from the loyalty bonus on dividends and on bonus share allocations, provided time conditions are met.
- You receive information and the invitation to the Annual General Meeting of Shareholders directly from Air Liquide.
- You benefit from direct contact with Shareholder Services.

Can you hold a securities account directly with Air Liquide?

YES, DIRECT REGISTERED SHARES

THE ADVANTAGES OF DIRECT REGISTERED SHARES

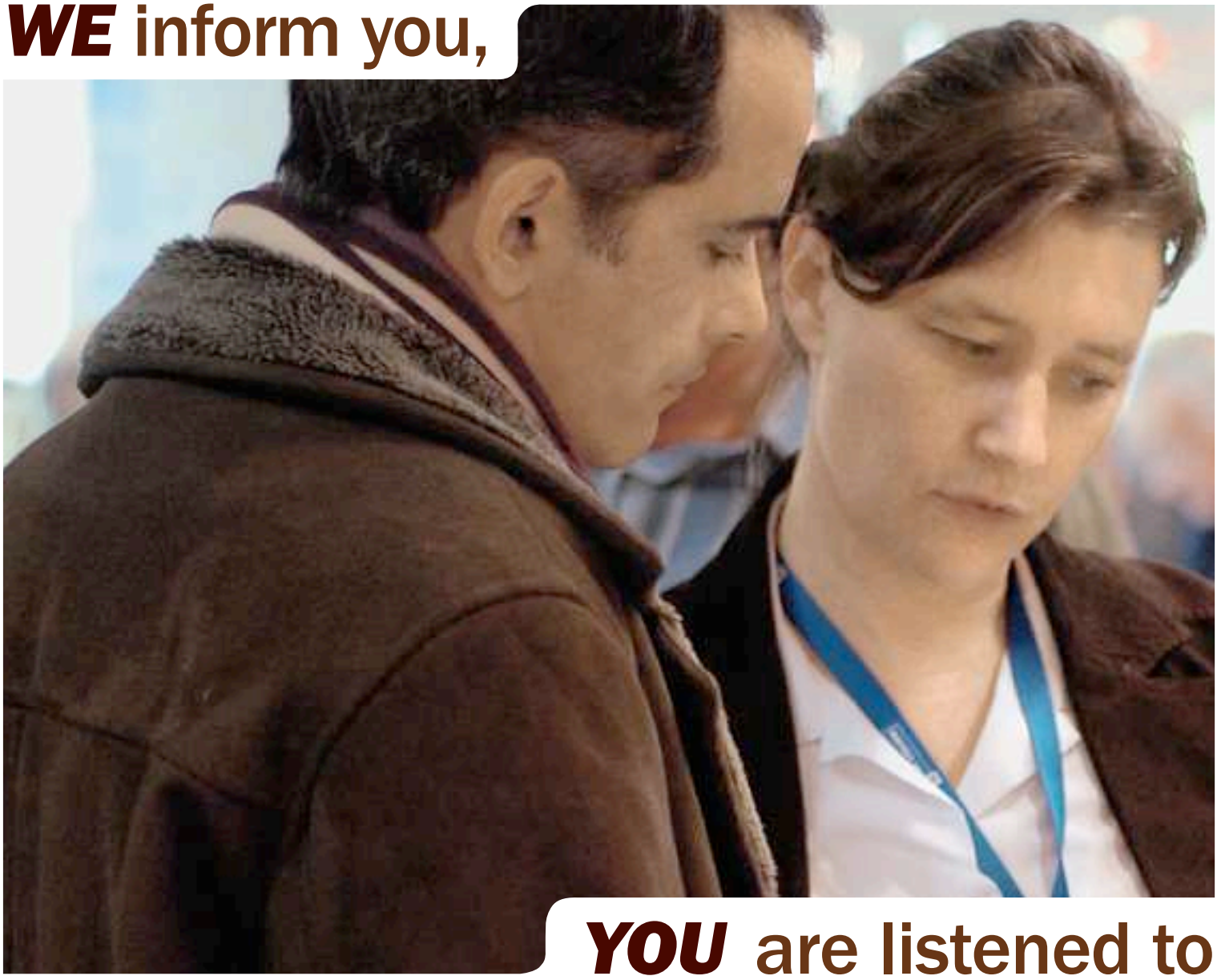
- There are no handling or management fees.
- Your shares are available at all times.
- Dividends are paid directly into your account without any delays or fees.
- You receive regular information about your account.
- You benefit from dedicated services on the Internet.
- You benefit from free, personalized help for all your operations.

24/7

In the "Access your account" section on the www.airliquide.com Internet site, you can:

- place, buy and sell orders with very low fees;
- consult your orders in progress;
- access your account and the record of your operations;
- download a copy of the French Tax Form (IFU) concerning your operations from the previous year.

WE inform you,



YOU are listened to

In 2007, Air Liquide launched two general public advertising campaigns in the press and on the Internet.

IN JUNE,
at the time
of the stock split.

IN NOVEMBER, on the theme "You have everything you need to become an Air Liquide shareholder". This campaign attracted considerable attention for its originality.

A MESSAGE FROM BENOÎT POITIER THAT WAS FREQUENTLY QUOTED IN THE PRESS.

"By investing in Air Liquide, it's possible to combine the share's performance and responsible investment."

These campaigns helped strengthen the Group's profile and put Air Liquide's contribution to environmental protection in the spotlight.

WE TALK TOGETHER

Transparency with shareholders is more than ever a priority for us.
We also want to transmit information of interest to you via the channel that suits you best: by regular mail to your home, by e-mail or 24/7 through our toll-free number **or on our Internet site www.airliquide.com.**

@	**Annual report**	Presentation of the Group, its strategy and forecasts
@	**Shareholder's Guide/ Summarized Annual Report**	Information on the Air Liquide share, services for shareholders, taxation, gifts, buy/sell orders for shares and more. Sent to all shareholders with the invitation to the Annual General Meeting of Shareholders
@	**Financial notices**	Press releases, presentations, recording of financial analysts' meetings
@	**Invitation to the Annual General Meeting of Shareholders**	Presentation of resolutions to be voted on by shareholders
@	**Minutes of the Annual General Meeting of Shareholders**	Comprehensive account of all the debates and results of the votes
@	**Letters to Shareholders**	News, Group activities, the Air Liquide share

@ Internet site — Printed document — CD sent on request

N° Vert 0 800 16 61 79
or +33 1 57 05 02 26
from outside France

WEB ZONE

Would you like to receive documentation by e-mail?

Notify us via **www.airliquide.com**

MEETING WITH OUR SHAREHOLDERS

Air Liquide invites you to participate in a number of events held throughout the year:

- the Annual General Meeting of Shareholders is a unique occasion for you to exercise your role as a shareholder;
- information meetings and events around France;
- the Salon Actionaria: over 22,000 visitors in 2007.

THE SHAREHOLDERS' COMMUNICATION COMMITTEE

Because your opinion is important to us, Air Liquide took the initiative in 1987 to create the Shareholders' Communication Committee.

Its 12 volunteer members work with Benoît Potier, Chairman of the Board of Directors, to improve the quality of the relationship between Air Liquide and its individual shareholders, in areas relating to communication and shareholder information.

Each member has a role as a partner, contributing his or her own constructive thoughts to improve communication and to disseminate the messages that are of the greatest interest to our current and future shareholders. The Committee members are a representative sample of individual shareholders in all their diversity.

In 2007, the Committee held three plenary sessions with all members present chaired by Benoit Potier. In addition, the Committee members have agreed to work, throughout the year, in small groups with the Communication Department teams and Shareholder Services on specific subjects: written and Web communication tools and the expansion of individual shareholding.

Alain Duport
(Bordeaux – 33)
Noëlle Foucault
representative
for employee shareholders
(Gardanne – 13)
Jean-Georges Gerber
(Harskirchen – 67)
Jean-Marie Lafollie-Horat
(Brandon – 71)
Laurence Marlet
(La Jarrie – 17)
Dominique Mauclair
(Blois – 41)
Jean-Pierre Morin
(Aurillac – 15)
Jean-François Panel
(Le Havre – 76)
Odette Simoes
(Paris – 75)
Patrick Steidle
(Saint-Brice-Courcelles – 51)
Guy Tessereau
(Meylan – 38)
Pierre Troussel
(Vélizy – 78)

A visit to the new liquid air room at the Palais de la Découverte in Paris, at the start of 2008.

Plenary meeting on January 31, 2008, chaired by Benoît Potier, Chairman and CEO.

YOU will feel at home

with *US*

A TEAM AT YOUR SERVICE

More than 20 members of Air Liquide's Shareholder Services are available to listen to you and inform you about the company's activities and the evolution of its share.

We offer individual explanations and assistance with questions relating to taxation and the transmission of assets. We have acquired a great deal of experience from working directly with shareholders, and use this knowledge to help you.

Whether you need to open a direct registered share account, or register a change of circumstances or address, we're always ready to help you as a shareholder. We're also available if you want to place buy or sell orders for Air Liquide direct registered shares.

We organize the Annual General Meeting of Shareholders, dividend payments and also manage share operations (bonus share allocations, stock splits and so on).

Moreover, to better meet your expectations, the team has expanded, adding to its increasingly varied and complementary skills, such as information systems, shareholder relations management, communication and information. In the current regulatory context, we want to carry our missions out transparently following good governance principles.

Also, as stock market professionals, we help represent the interests of individual shareholders during consultations concerning the major developments and changes in French and European financial and stock markets.

CONTACT US AND COME AND SEE US!

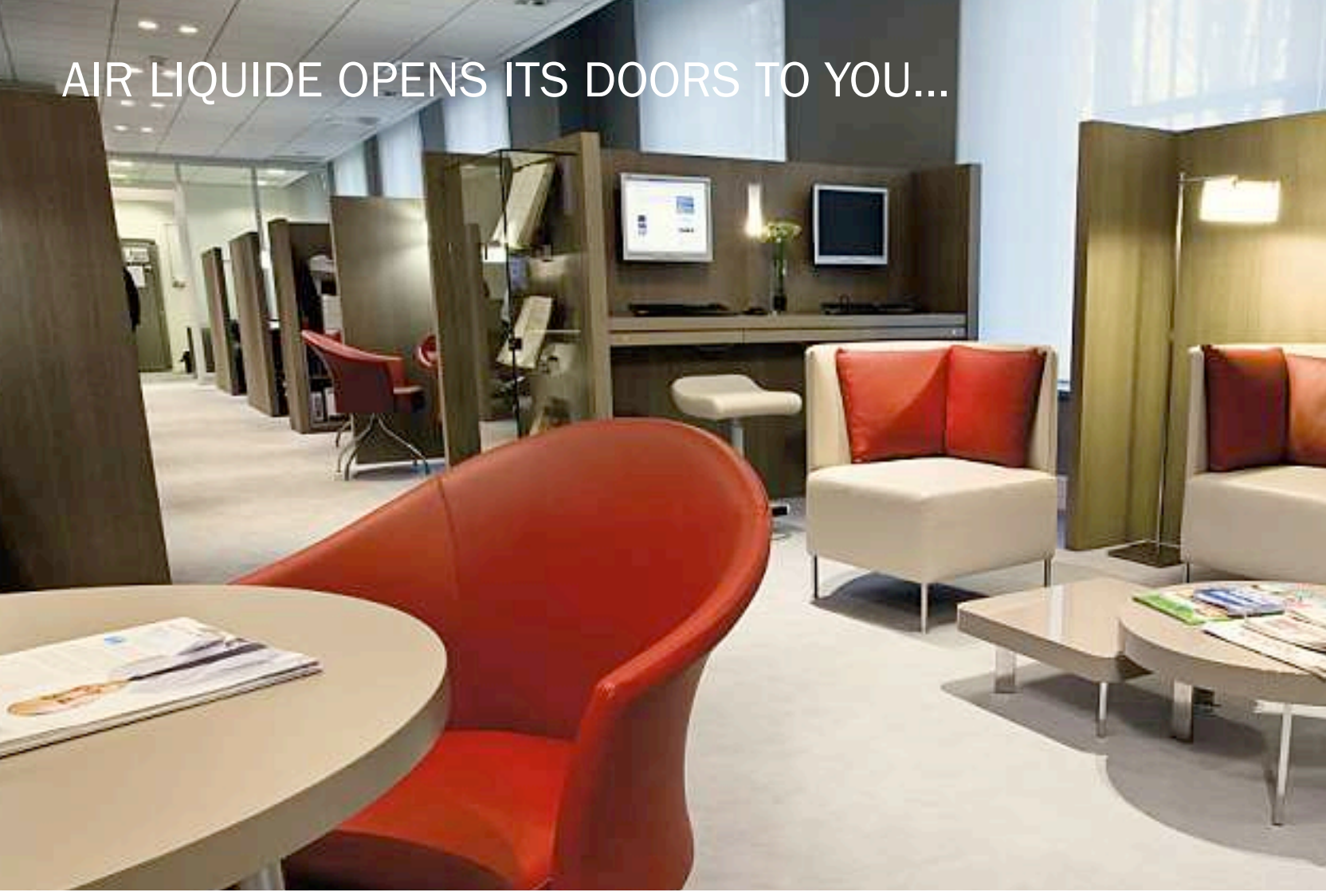
Come and see us directly in the Shareholders' Reception Lounge from 9 a.m. to 6 p.m., Monday to Friday.
75, quai d'Orsay – 75321 Paris Cedex 07

Access: – by car - La Tour Maubourg car park
– by RER C - Pont de l'Alma
– by metro - Invalides or Alma-Marceau
– by bus – nos. 42, 63, 80, 92 Bosquet-Rapp stop.

N° Vert 0 800 16 61 79 or +33 1 57 05 02 26 from outside France to check current share prices, listen to the Group's weekly news and financial information and find out about our agenda (in French only). You can talk to a Shareholder Services team member on the phone from 9 a.m. to 6 p.m. on opening days.

An Internet site dedicated to providing shareholders with all the information they need: **www.airliquide.com.**
An email address so that you can send your questions to Shareholder Services: **shareholders@airliquide.com**

AIR LIQUIDE OPENS ITS DOORS TO YOU...



Air Liquide innovates by creating a new welcome area dedicated to its current and future shareholders.

Since the start of 2008, you've been able to take advantage of the brand-new welcome area, at the entrance of Air Liquide's corporate headquarters, right in the heart of Paris.
To offer you a warm welcome, the Shareholders' Reception Lounge was created in the spirit of elegance and comfort.

At the service of shareholders

Current and potential shareholders are welcomed, with or without an appointment.

The Shareholders' Reception Lounge is a venue for exchange and information, created so that we can be closer to our shareholders. We want to have more direct contact with you. So, in addition to the complete documentation offered, Air Liquide advisors are there to answer all your questions. Why should you invest in Air Liquide? What are the Group's activities and its stock market performances? How do you place a buy/sell order? How is a gift handled? How can you benefit from the loyalty bonus?

In addition, comfortably settled into an armchair, you can leaf through the financial and investment press or access extensive documentation on the Air Liquide Group. You have free access to Internet terminals, which means you can discover Air Liquide activities in images or manage your accounts online, while drinking a cup of coffee…

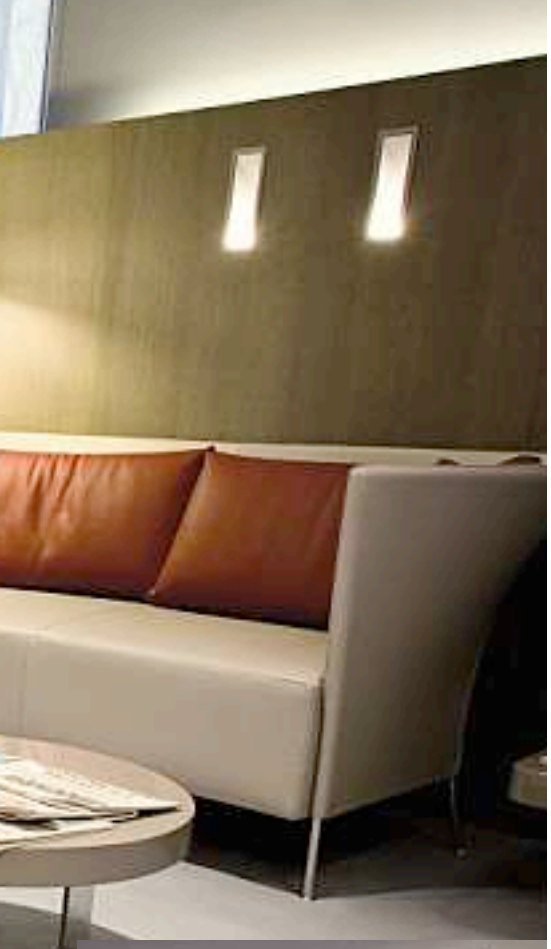
A lively venue

More than just a simple salon, the Shareholders' Reception Lounge is a lively venue where there are meetings and events on shareholding. The goal is to make more people familiar with the Air Liquide share so as to attract new shareholders and create even more loyalty with current shareholders.

We therefore invite all of you, whether you're currently a shareholder or just thinking about being one, to come and test this new experience…

Convivial and welcoming, the Reception Lounge is a perfect illustration of Air Liquide's closeness to its shareholders:

"You'll feel at home with us!"



The Shareholders' Reception Lounge

is open from **9 a.m.** to **6 p.m.,**
Monday to Friday.
75, quai d'Orsay – 75007 Paris

Come and see us

The Lounge has disabled access.

YOU have questions,

WE give you answers

DIVIDEND

The dividend is the part of the net earnings distributed to shareholders. The dividend is proposed at the Annual General Meeting of Shareholders, following adoption of the financial statements and approval of the earnings allocation proposed by the Board of Directors. Payment is made in euros directly to your account, with no special action required by shareholders.

KEY POINTS

- Dividend proposed at the Annual General Meeting of Shareholders: **€2.25** per share.
- Payment date: **May 19, 2008.**
- Shares bought up to and including May 13, 2008 will benefit from the dividend paid in 2008.
- **10% bonus dividend** for all shares held in registered form for a specified period.

Something new concerning your dividends

The financial markets have established a single market system which deals with all financial instruments listed on all the markets in Amsterdam, Brussels, Lisbon and Paris. This system harmonizes practices, particularly in terms of dividend payments. There are now two important dates concerning dividend distribution:

- **Payment date**

This is the date on which the dividend will be paid.

- **Detachment date**

This is the date on which the coupon can be detached, i.e., the date on which the share price is decreased by the amount of the dividend. It is also called "ex date". Shares bought on this date or later will not benefit from the dividend.

May 13 (D - 4)*	**May 14** (D - 3)*	**May 19** (D)*
Last day for purchasing shares that can benefit from the dividend in 2008	Coupon detachment date	Dividend payment date

* Stock Exchange days

Tax news

For the first time, in 2008, French residents will receive dividends that have had a social security contribution deducted directly at source.

Furthermore, shareholders can specifically request that their paying establishment apply a withholding tax to their payment exonerating them from any subsequent tax declaration.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

A unique occasion to take part in your Group's decisions and to play your role as shareholder to the full.

All shareholders who can vote are invited to attend the Annual General Meeting of Shareholders irrespective of the number of shares they hold. It is a special opportunity for shareholders to communicate with the senior management and to participate in the decision-making process by voting on the resolutions proposed. You can take part in this Meeting by casting an absentee ballot by mail, by nominating the Chairman, another shareholder or your spouse as your proxy, or by attending the Meeting yourself.

KEEPING YOU INFORMED

Air Liquide sends you the invitation to the Meeting and the Shareholders' Guide/Summarized Annual Report, irrespective of the number of shares you hold:

- directly to your address if you hold registered shares, or
- through your financial intermediary if you hold bearer shares (if you do not receive these elements, ask your financial intermediary).

Other sources of information include financial notices published in the financial press, Shareholder Services and Air Liquide's website **www.airliquide.com.**

In order to submit written questions to be answered during the Meeting, you must send a registered letter addressed to the Chairman at Company headquarters or send an e-mail to **shareholders@airliquide.com.**

In all cases, your questions must be accompanied by **formal proof of ownership** of Air Liquide shares.

Voting

Each share with voting rights gives the shareholder, or proxy, one vote (1 share = 1 vote). The Meeting deliberates on agenda items usually established by the Board of Directors.

To vote at the Meeting you may:

- attend the Meeting;
- use an absentee ballot;
- appoint another shareholder or your spouse as your proxy, or
- appoint the Chairman as your proxy.

Attending the Annual General Meeting

In compliance with the law and the Articles of Association, the following persons holding shares three days before the Meeting, may attend, be represented, or vote by mail:

- holders of registered shares,
- holders of bearer shares who provide proof through their financial intermediary that their shares are registered in the financial intermediary's records.

ATTENDANCE FEE

In 2008, all shareholders attending the valid the Annual General Meeting of Shareholders in person will receive an attendance fee of €10.

Staying informed after the Annual General Meeting of Shareholders

Comprehensive Minutes of the Annual General Meeting of Shareholders in English and French are available to all on the Company website or on request. They are sent directly to all registered shareholders and to all holders of bearer shares who voted at the Meeting, delegated their voting rights or attended the Meeting. Finally, Minutes can be consulted at corporate headquarters at any time.

You can receive this information by e-mail. Send your request to **shareholders@airliquide.com.**

WEB ZONE

The Annual General Meeting of Shareholders is webcast for live viewing or playback. The Meeting is broadcast in English and French on **www.airliquide.com.** The invitation to the Meeting and voting forms are available on the website.

SHARES AND TAX

The following information is based on French legislation in effect as at the date of writing and applies to individual shareholders holding French or European shares.

TAX ON DIVIDENDS

Dividends paid to French taxpayers are included in their taxable income calculation and are the subject to social deductions.

For the first time in 2008, the shareholder/taxpayer can choose between a "one-off" withholding tax of 18% deducted at source for all dividend payments, or can continue to use the previous system (sliding scale) of including his/her dividends in his/her income tax calculations.

1. **If the taxpayer chooses the sliding income tax** scale for the year in which income was received, he or she has the right to two successive allowances:
- 1st allowance of 40%,
- 2nd allowance of €3,050 for a couple filing jointly and €1,525 for a single person.

On January 1, 2005, the "avoir fiscal" (special tax rebate system applied to dividends) was replaced by a tax credit equal to 50% of the amount of the dividends before the various allowances are applied and capped annually at €230 for a couple filing jointly and at €115 for all other cases (includes PEAs).

2. **If the taxpayer chooses the withholding system** (this requires an opt-in), he or she must duly inform all of the institutions holding his or her share accounts and those of the tax household to apply the new method.
Each institution thus informed will be required to deduct 18% of the gross dividend and transfer this sum to the French tax authorities. In the case of co-ownership of shares, a unanimous decision is obligatory and failing this, the standard system applies.
The 11% social deduction is withheld systematically regardless of the taxation method chosen by the shareholder.
For the first time in 2008, these contributions will no longer be invoiced by the administration the following year but will be withheld at source at the time of payment.

CAPITAL GAINS TAX

The net capital gain is the difference between the sale price of a share (excluding transaction fees and tax) and the purchase price (including purchase fees). If shares are sold against payment, and if the proceeds from the annual sales per taxable household exceeds the threshold, including brokerage fees, capital gains are subject to the following taxes from the first euro:
- capital gains tax,
- social deductions.

If the annual value exceeds the threshold, any capital losses can be charged against capital gains of the same type when sustained during the same year or during the next ten years.

KEY POINTS

	2007 revenues Tax payable in 2008	2008 revenues Tax payable in 2009
Threshold value	€20,000	€25,000
Capital gains tax rate once threshold is exceeded	27% (16 + 11) capital gains tax social deduction	29% (18 + 11) capital gains tax social deduction

With the exception of shares held in PEA accounts, from January 1, 2006, an incremental exemption program of capital gains tax is in place. An allowance of a third of the capital gain is made each year from the 6th year of holding (starting in 2012). In other words, shares held continuously for eight years are fully exempt from capital gains tax (from 2014 at the earliest).
Regardless of how long shares have been held, all capital gains remain subject to social deductions.

Tax and Stock Savings Plans (PEA)

Shares held in a Stock Savings Plan are not included when calculating the capital gains tax threshold.

FRACTIONAL RIGHTS IN THE CASE OF BONUS SHARES

In the case of bonus shares, the amounts made from the sale of fractional rights are included in the threshold for calculation of capital gains tax with a purchase price of zero.

FOR MORE INFORMATION

Shareholder Services can help you in your operations and give you personalized answers to your questions.

CONTACT US AT

N° Vert 0 800 16 61 79
or +33 1 57 05 02 26 from outside France
www.airliquide.com
shareholders@airliquide.com
or
come and see us!

2008 EVENTS

FINANCIAL AGENDA

- **April 24**

First quarter 2008 revenue

- **May 7**

Annual General Meeting of Shareholders

- **August 4**

First half 2008 results

- **October 23**

Third quarter 2008 revenue

BENOÎT POTIER MEETS SHAREHOLDERS

- **May 20** – Marseille
- **May 22** – Lille
- **May 29** – Bordeaux

REGIONAL INFORMATION MEETINGS

- **April 1 – Orléans**

in partnership with FFCI
(Fédération Française des Clubs d'Investissement)

- **April 3 – Saint-Étienne**

in partnership with *La Vie Financière*

- **June 5 – Annecy**

in partnership with FFCI

- **October 14 – Toulouse**

in partnership with *Le Revenu*

"ACTIONARIA" SHAREHOLDER FAIR

- **November 21 and 22**

Palais des Congrès, Paris

Air Liquide's responsibility towards its shareholders, formalized in the Shareholders' Charter, is based on four commitments.

- Consideration and respect for all shareholders
- Shareholder remuneration and increased investment value over the long-term
- Listening to and informing shareholders
- Providing services to Shareholders

10% BONUS ON DIVIDENDS AND ON BONUS SHARE ALLOCATIONS: HAVE YOU THOUGHT ABOUT IT?

Shareholder Services
75, quai d'Orsay
75321 Paris Cedex 07

N° Vert 0 800 16 61 79
or + 33 1 57 05 02 26
from outside France

shareholders@airliquide.com
www.airliquide.com

AIR LIQUIDE

With more than 40,000 employees in 72 countries, Air Liquide is the world leader in industrial and medical gases and related services. The Group offers innovative solutions based on constantly enhanced technologies and produces air gases (oxygen, nitrogen, argon, rare gases…) and many other gases including hydrogen.

The Group contributes to the manufacturing of many everyday products: bubbles in sparkling beverages, protective atmospheres for packed foods, oxygen for hospitals and homecare patients, ultra-pure gases for the semiconductor industry, hydrogen to desulfurize fuels…

Air Liquide is committed to sustainable development and helps to protect life. Founded in 1902, Air Liquide has successfully developed a long-term relationship with its shareholders built on trust and transparency and guided by the principles of corporate governance.

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INTERVIEW WITH
BENOÎT POTIER
CHAIRMAN AND CEO

2007: A YEAR OF SUCCESSES, POINTING TO A PROMISING FUTURE

How would you describe 2007 for Air Liquide?

Full of success and promise! We reached all our operational and financial objectives in 2007. Our results were excellent and in line with our forecasts: revenue grew by 7.8% compared with 2006, reaching 11.8 billion euros. As for net profit, this rose by 12.1%. Other highlights this year include the doubling of our investments to 2.7 billion euros, the success of the OPAL program which made it possible to generate 400 million euros in savings over the 2005-2007 period, the consolidation of our positions in Asia, notably in Japan and Singapore, and the strengthening of our presence in the healthcare sector.
Moreover, Air Liquide shares resisted turbulence in the financial markets very well, with the share price increasing by 13.2% in 2007, compared with the CAC 40 index which grew by only 1.3%.

In 2007, the Group's growth really accelerated. How do you explain this dynamic?

Growth was strong in 2007, in fact it accelerated right through the entire year. The remarkable boom in emerging economies and the vitality of our customers in mature economies had a very positive impact on sales of Gas and Services in all the Group's geographic zones: strong activity in the steelmaking and chemical sectors was excellent for oxygen and nitrogen sales; development in the energy and refining markets increased demand for hydrogen. The solar panel market also expanded, as did Electronics, where activity was remarkable in the second half of the year due to strong demand for semiconductors and flat panel displays. And our Healthcare World Business Line was bolstered by the dynamism of homecare and hygiene.

Technology was one of the most important themes of 2007…

No question about it. In June 2007, I had the great pleasure of inaugurating our brand-new research center in the United States, the Delaware Research and Technology Center (DRTC). International teams will carry out cutting-edge research there in fields as varied and strategic for the Group as energy, food, gas separation via membrane, electronics and the environment. The Engineering and Construction division, which designs and builds gas production units for both the Group and third-party customers, performed very well in 2007, with third-party sales 27.3% higher than in 2006, based on comparable data.
The integration of Lurgi midway through the year has reinforced our engineering activities significantly, and represents a decisive step in technological development for the Group.

Can you tell us more about this acquisition?

The starting point of our analysis was straightforward: to adapt to the constantly accelerating changes in the markets and in our customers' needs, the Group itself had to increase and strengthen its technological offering. We seized the opportunity presented by Lurgi being put on the market, making a strategic acquisition in key areas for the future.
Lurgi is a German engineering company with a long and wonderful history and with which we had previously had a lot of contact. It stands out in many technological fields in which it is among the world's leaders: refining, its original core business, but also biofuels (biodiesel and bioethanol), hydrogen, synthesis gases and methanol. These are extremely promising markets in a world where energy and environmental issues take on greater importance with each passing day. Lurgi's expertise, like its international presence, seemed to us to be totally complementary to that of the Group.
Lastly, I would like to stress that Lurgi's integration doesn't only mean acquiring an exceptional technological portfolio. We are also doubling our engineering capacity through the talent of nearly 1,300 men and women who have joined the Group as a result. Our engineering division is now better equipped than ever to push the envelope of innovation!

What are the Group's main strategic lines for 2008 and the years ahead?

2008 began with an important event: the launch of the ALMA program. Our ambition is clear: to be the recognized leader of our industry by 2012, thanks to a strategy that should enable us to speed up our growth and increase our competitiveness. That strategy is based on four major themes: build leadership positions, drive innovation, deliver efficiency, and develop our talents. Our annual growth objective for revenue is between 8% and 10%, with an after-tax return on capital employed of between 11% and 12%. This should enable the Group to double in size over the next seven or eight years.

How will this strategy be implemented?

Concretely speaking, within the ALMA framework we're rolling out a series of key projects that aim to improve our performances and transform our practices and businesses. These key projects, which extend across all of the Group's business lines and geographic zones, have precise goals: cost savings of 600 million euros over the next three years, but also doubling our investments to 10 billion euros between 2007 and 2011 and, lastly, preparing ourselves to bring around 25,000 new employees on board in the coming years.
The year 2008 is therefore developing into a pivotal one for the Group, marking the start of a new era that we are approaching with determination and confidence.
Our objectives are ambitious, but I know that with the confidence our shareholders have shown in us, our teams are ready to meet the challenge!

KEY FIGURES

Strong increase in revenue **11.8 billion euros**

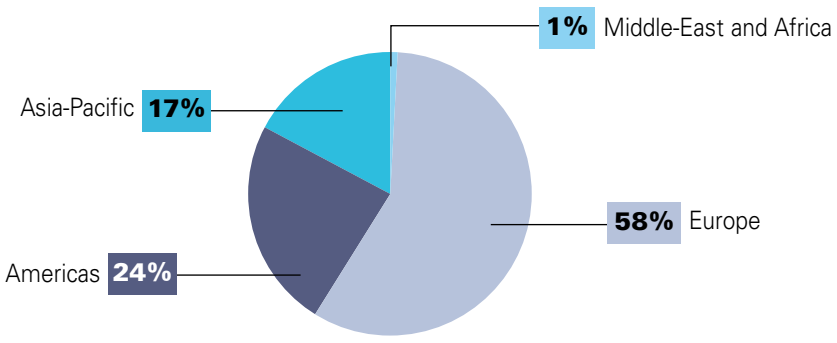
CONSOLIDATED INCOME STATEMENT (summarized) 2007

	in millions of €
Revenue	11,801
Operating Income Recurring before depreciation and amortization	2,730
Operating Income Recurring	1,794
Operating Income	1,789
Net profit (Group share)	1,123
Basic earnings per share (in €)	4.69
Diluted earnings per share (in €)	4.66

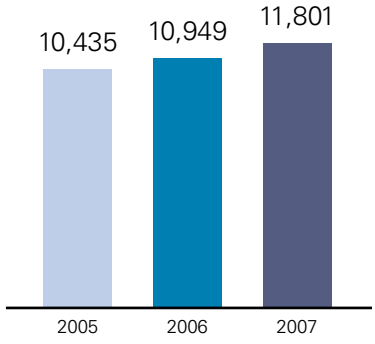
REVENUE BY ACTIVITY 2007

	in millions of €	in %
Gas and Services	**9,999**	**85%**
Industrial Merchant	4,439	
Large Industries	3,024	
Healthcare	1,592	
Electronics	944	
Engineering & Construction	**831**	**7%**
Other Activities	**971**	**8%**
Welding	598	
Chemicals	227	
Diving and Others	146	

REVENUE BY GEOGRAPHICAL AREA

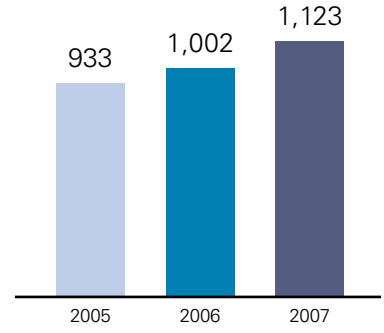


+7.8%



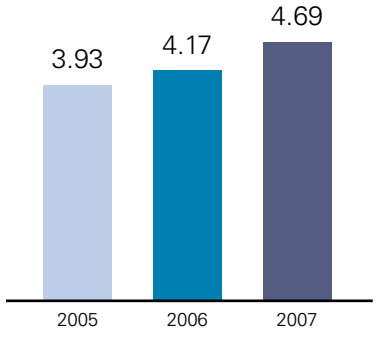
REVENUE
IN MILLIONS OF EUROS

+12.1%



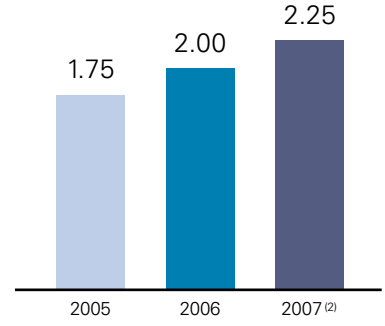
NET PROFIT (Group share)
IN MILLIONS OF EUROS

+12.5%

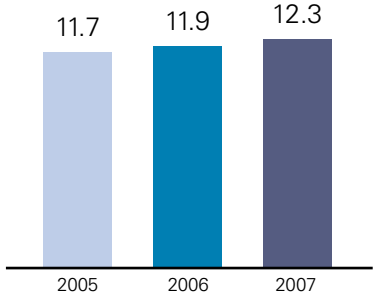


BASIC EARNINGS [1]
PER SHARE ADJUSTED
IN EUROS

+12.5%



DIVIDEND PER SHARE
ADJUSTED [1]
IN EUROS



RETURN ON CAPITAL EMPLOYED
AFTER TAX (ROCE)
IN %

[1] Adjusted to account for bonus share issues and 2007 share division.
[2] For approval at the Annual General Meeting of Shareholders on May 7, 2008

HIGHLIGHTS 2007

- Industrial Merchant
- Large Industries
- Electronics
- Healthcare
- Related Activities
- Group events

1ST QUARTER

- Air Liquide – the technology partner for France's first industrial CO_2 capture project.
- Partnership with the first fab plant in India.

2ND QUARTER

- Purchase of four joint-ventures completed in South-East Asia.
- Several successes in southern Africa: investment in a new liquefier in the Durban area and installation of a new CO_2 recovery and purification unit in the Cape Town region.
- Air Liquide to supply portable hydrogen fueling systems to General Motors in the USA.
- Acquisition of Linde Gas UK complete.
- Inauguration of the new Research and Technology Center (DRTC) in the USA.
- Launch of LENOXe™, an air gas with very interesting anesthetic properties.
- Air Liquide on board the International Space Station with the design and the manufacture of a unique turbo machine for the production of extremely low temperatures.

3RD QUARTER

- Air Liquide finalizes Lurgi acquisition, which broadens the technology portfolio of the Group.
- Homecare: first acquisition in China.
- Launch of the Air Liquide Severstal production unit (Russia).
- Further investments by Air Liquide Electronics in Asia.
- Air Liquide Welding: further investments in production sites in Italy and Germany to support the future development of welding markets in Europe, the Middle East and Asia.
- Further developments in the solar industry: new contract with Sunfilm AG (Germany).

4th QUARTER

- Air Liquide becomes a major player in the UK homecare market with the acquisition of the respiratory homecare business of Allied Healthcare.
- Major expansion of hydrogen activities in Texas.
- Japan Air Gases invests in a third Electronic Materials Center.
- Air Liquide celebrates 100 years in Japan.
- Challenge Bibendum technological partner in Shanghai: setting up two service stations that provide vehicles with hydrogen.
- Investments in new Air Separation Units in France, Belgium and Germany and signature of a contract with ArcelorMittal, the world's leading steel company.
- Air Liquide purchases US company Scott Specialty Gases.

CORPORATE

governance

As at December 31, 2007, the Board of Directors is comprised of eleven members appointed at the Annual General Meeting of Shareholders, including four foreign members (German, English, Dutch).

MEMBERS of the Board of Directors are chosen for their skills, their integrity, their independence of mind and their determination to take into account the interests of all shareholders.

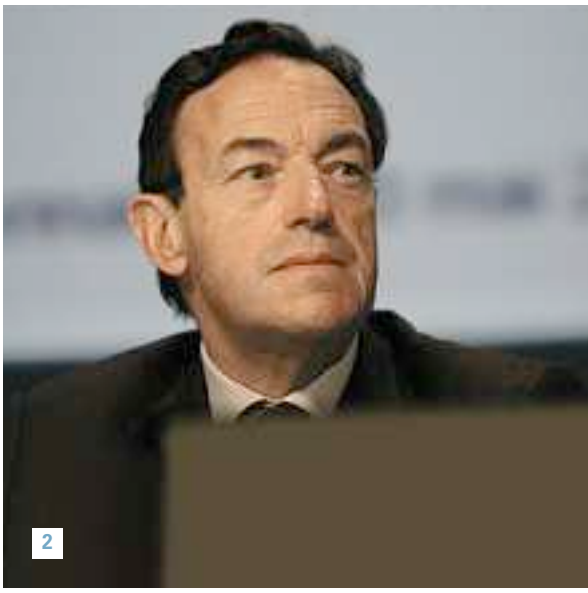
THE COMPOSITION of the Board of Directors shall reflect diversity and complementarity of experience, nationalities and cultures, including a significant number of executive managers or former executive managers; the Board of Directors shall look for persons possessing skills in the following areas: marketing, services, industry, finance, health, research and technology.

In 2007, the Board of Directors met 5 times with an effective attendance rate, or attendance rate by telephone, of 94.5%.

As at December 31, 2007,
8 OF THE BOARD'S 11 MEMBERS ARE INDEPENDENT.

BOARD
OF DIRECTORS
As at December 31, 2007


1


2


6


7


8

1 **Benoît Potier**
Chairman and Chief Executive Officer
Expiration of term: 2010

2 **Sir Lindsay Owen-Jones**
Vice-Chairman of the Board of Directors
Expiration of term: 2009

3 **Édouard de Royere**
Honorary Chairman
Expiration of term: 2008 (1)

4 **Thierry Desmarest**
Director
Expiration of term: 2009

5 **Alain Joly**
Director
Expiration of term: 2009

6 **Professor Rolf Krebs**
Director
Expiration of term: 2008 (2)

7 Gérard de La Martinière
Director
Expiration of term: 2011

8 Cornelis van Lede
Director
Expiration of term: 2011

9 Béatrice Majnoni d'Intignano
Director
Expiration of term: 2010

10 Thierry Peugeot
Director
Expiration of term: 2009

11 Paul Skinner
Director
Expiration of term: 2010

(1) Renewal of mandate not sought.
(2) Renewal of mandate to be proposed at the Annual General Meeting of Shareholders on May 7, 2008.

BOARD OF DIRECTORS

Role of the Board of Directors

The Board of Directors **determines the major direction** of the Company's activities. Accordingly, it examines and approves the Group's **major strategic decisions**.

It ensures the implementation of these decisions by Executive Management.

Subject to the powers expressly attributed to Shareholder Meetings by law and in accordance with the corporate purpose, the Board deals with any issues concerning the smooth running of the Company and manages corporate business pursuant to its decisions.

The internal regulations stipulate that the **specific powers** legally attributed to the Board of Directors relate in particular to the choice of corporate officers, the determination of the terms and conditions governing the remuneration and performance of their duties, the convening of the Annual General Meeting of Shareholders, the determination of the agenda and draft resolutions, the preparation of the financial statements and annual Management Report, the drafting of its operating procedures (formation of committees, distribution of directors' fees, etc.).

The Board also exercises the **powers granted to it by the Shareholders' Meeting,** particularly with regard to the granting of stock options or conditional allotment of shares to employees, issues of marketable securities, or share buyback or employee savings programs.

For more information, refer to the section entitled "Management Report" in the Reference Document on our website www.airliquide.com or simply write to us.

The functioning of the Board of Directors

Informing the directors: the internal regulations define the methods of informing the directors. They specify, in particular, that prior to Board meetings, a file of meeting documentation dealing with key items on the agenda is sent out to Board members.
The Chairman and Chief Executive Officer, assisted, if need be, by the Senior Executive Vice-Presidents, presents to the Board of Directors a quarterly report on the Company's management, the draft annual and interim financial statements and the various issues requiring the Board's authorization or approval.

Conduct of meetings: the internal regulations define the frequency of meetings and the rules of convocation and participation by video-conference or telecommunications.

Formation of committees: the internal regulations define the purpose and operating procedures of the three committees.

Training measures: the internal regulations stipulate that training measures relating to the Company's businesses are offered to directors, particularly through site visits or meetings with senior executives. More particularly, information on the Group's accounting, financial and operational specificities is offered to members of the Audit and Accounts Committee.

Appraisal of the Board of Directors
The internal regulations stipulate that:

> "The Board will ensure that an evaluation is carried out periodically of its composition, its organization and its functioning as well as those of its committees. An update will be made by the Board on this topic once a year and a formal evaluation will be carried out under the authority of the Chairman of the Board of Directors every three years."

The Board's work in 2007

The Board dealt with a variety of matters related to the following areas:

1. Monitoring the day-to-day management of the Group

- Reviewing the quarterly activity reports and the annual and interim financial statements.
- Reviewing the minutes of Committee meetings.
- Making decisions, in particular with respect to the investments necessary for the Group's development.
- Reviewing the report on ongoing acquisitions, disposals or major projects.
- Reviewing corporate documents.
- Preparing the Annual General Meeting of Shareholders.

2. Monitoring of the Group's main strategies on significant issues

3. Functioning of the corporate governing bodies (Executive Management, Board of Directors)

BOARD COMMITTEES

The Audit and Accounts Committee

The purpose of this Committee is to prepare the decisions to be taken by the Board of Directors by examining the following issues and reporting on them to the Board:

By receiving reports:

jointly and separately, in order to compare and combine different points of view, from:

- the Finance, Administration and Legal Departments;
- the Internal Audit Management;
- the external auditors.

Concerning the following points:

- existing organization and procedures in the Group;
- their actual functioning;
- how the financial statements and the accounts are drawn up.

In order to reach

by comparing and combining the points of view collected and using their business judgment based on professional experience, a reasonable judgment concerning:

1. accounts and accounting principles used (their conformity in relation to the reference standards, a fair and complete reflection of the Group's situation, transparency, readability, consistency over time).

2. existence and functioning of control organizations and control procedures adapted to the Group, making it reasonably possible to identify and manage the risks incurred and to report on them.

3. organization of the internal audit function, the plans for assignments and actions in the internal audit field, the findings of these assignments and actions and the recommendations and ensuing measures taken.

4. choice and renewal of the external auditors, review of the tendering process, opinion on the selection of external auditors and the rotation of audit partners, review of proposed fees, information on the overall fees paid indicating the amount of fees paid for non-audit services.

The Appointments Committee

Pursuant to the internal regulations, the purpose of the Appointments Committee is to:

1. Concerning the Board of Directors

- make proposals to the Board of Directors for renewal and appointment of directors. The Committee looks for new members on the basis of its evaluation of the needs and developments expressed by the Board of Directors;
- make proposals to the Board of Directors for the creation and composition of Board committees;
- periodically evaluate the structure, size and composition of the Board of Directors and submit to it recommendations regarding any potential change;
- the Committee periodically reviews the criteria applied by the Board to classify a director as independent; once a year, it examines, on a case-by-case basis, the situation of each director or each candidate for the duties of directors in light of the criteria applied and makes proposals to the Board of Directors.

2. Concerning the Chairman and Chief Executive Officer or the Chief Executive Officer, as the case may be

- examine, as necessary and, in particular at the time of expiration of the term of office concerned, the renewal of the term of office of the Chairman and Chief Executive Officer, or the terms of office of both the Chairman and of the Chief Executive Officer. It also examines, if necessary, the question of whether or not it is appropriate to continue to combine these duties (or to separate them);
- examine the changes in these duties and provide for solutions for their renewal, where applicable;
- examine periodically developments with regard to the Senior Executive Vice-Presidents, hear the Chairman and Chief Executive Officer (or the Chief Executive Officer) on the needs and the potential proposals for their replacement;
- more generally, ensure that it is kept informed by the Chairman and Chief Executive Officer (or the Chief Executive Officer) of planned changes in Executive Management resources (and, in particular, the Executive Committee).

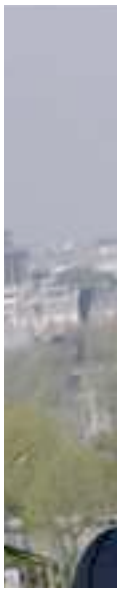
The Remuneration Committee

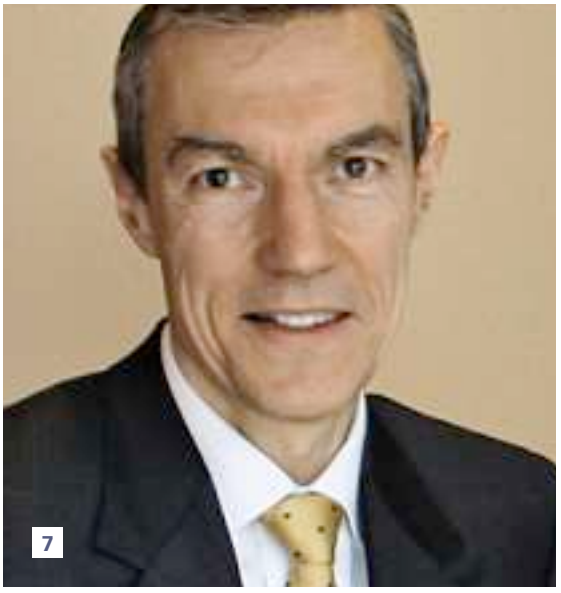
Pursuant to the internal regulations, the purpose of the Remuneration Committee is to:

- examine the performance and all the components of remuneration including stock options or other forms of deferred remuneration, pension plans and, in general, the conditions of employment of the Chairman and Chief Executive Officer or both the Chairman and the Chief Executive Officer as well as the Senior Executive Vice-Presidents and make the corresponding recommendations to the Board of Directors;
- propose, where applicable, the remuneration of the Vice-Chairman or Vice-Chairmen;
- examine the remuneration and retirement policy applied to Executive Management (Executive Committee);
- examine the proposals by Executive Management concerning the granting of stock options and other incentive systems related to the share price to other Group employees and propose their granting to the Board of Directors;
- examine and propose to the Board of Directors the allocation of directors' fees among Board members.

EXECUTIVE MANAGEMENT
EXECUTIVE COMMITTEE

As at December 31, 2007





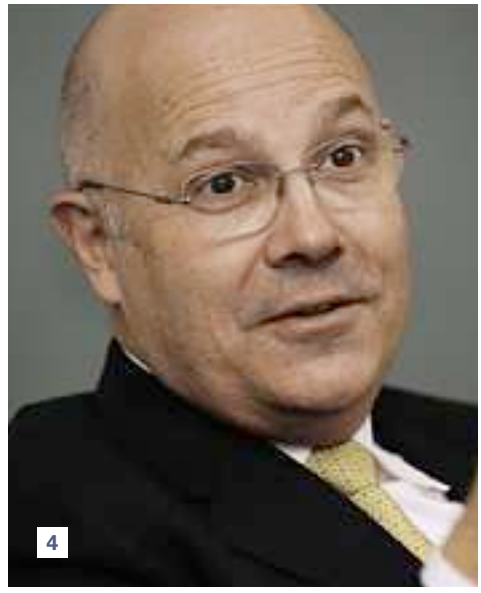
1 **Benoît Potier**
Chairman and CEO
Born in 1957 – French

2 **Klaus Schmieder**
Senior Executive Vice-President
Born in 1948 – German

3 **Pierre Dufour**
Senior Executive Vice-President
Born in 1955 – Canadian

4 **Jean-Pierre Duprieu**
Senior Vice-President
Asia-Pacific & Electronics WBL
Born in 1952 – French

5 **Jean-Marc de Royere**
Senior Vice-President
Healthcare WBL
Born in 1965 – French



6 **François Darchis**
Senior Vice-President
Industrial Merchant WBL,
Engineering and Construction,
R&D, Technologies
Born in 1956 – French

7 **Guy Salzgeber**
Vice-President
European Operations
Born in 1958 – French

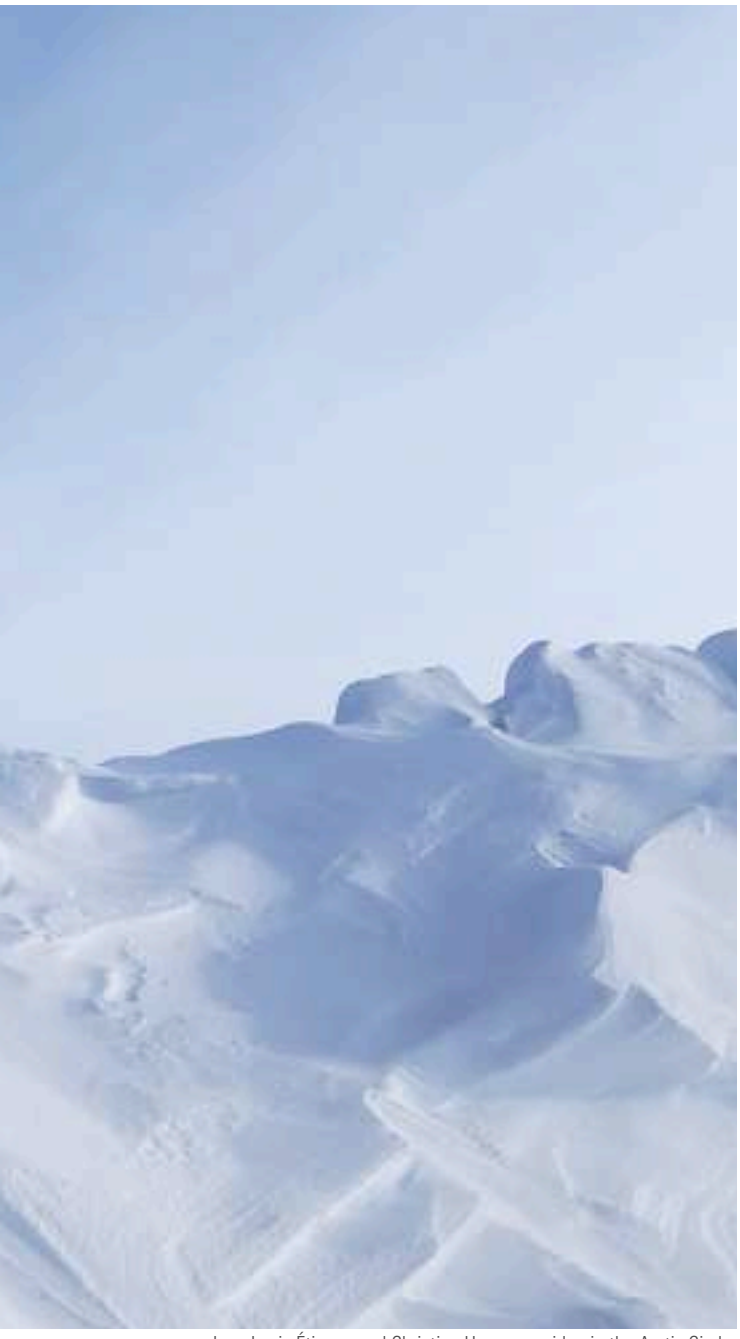
8 **Ron LaBarre**
Vice-President World Markets
and International Customers
Born in 1950 – American

9 **John Glen**
Vice-President
Finance and Administration
Born in 1959 – Scottish

10 **Augustin de Roubin**
Vice-President
Human Resources
Born in 1953 – French

SUSTAINABLE DEVELOPMENT

EVER SINCE IT WAS FOUNDED, AIR LIQUIDE HAS INCLUDED A SUSTAINABLE DEVELOPMENT VISION IN ITS STRATEGY. IT HAS GRADUALLY STRUCTURED THIS APPROACH BY DETERMINING THE MAJOR DIMENSIONS OF SUSTAINABLE DEVELOPMENT FOR THE GROUP AND DEFINING INDICATORS SO THAT IT CAN TRACK ITS PERFORMANCE IN THIS AREA.



Jean-Louis Étienne and Christian Haas on a ridge in the Arctic Circle.

Sustainable development…
For Air Liquide, this concept above all means over 100 years of existence in the same business, with the same name, constant growth, regular benefits, long-lasting relations with its major customers, employees with long-standing seniority and individual shareholder loyalty.

In 2002, Air Liquide formalized this "natural" approach and structured it into four pillars that reflect its values:

CREATING VALUE FOR SHAREHOLDERS by developing the company's business performance over the long term and with transparency.

DEVELOPING THE POTENTIAL OF MEN AND WOMEN OF THE COMPANY in their commitment to common objectives.

PRESERVING LIFE AND THE ENVIRONMENT in the Group's operations and at its customers' sites.

INNOVATING FOR TOMORROW to guarantee the growth of the company and its customers.

The creation in 2003 of the position of Sustainable Development Director contributed to reinforcing this approach. Indicators were defined to measure the Group's performance in these four dimensions. Today, around 100 indicators provide information on a global scope and seven, considered to be essential, are accompanied by precise targets. Air Liquide's auditors, who visit about a dozen sites each year, examine the reports on these data. In early 2007, the Group engaged a specialized external consultancy to conduct a detailed evaluation of its sustainable development approach, and to establish a "Sustainable Development" action plan.
In France, the Group also participated in the "Grenelle de l'environnement", a wide-ranging national dialogue on environmental questions. In more general terms, Air Liquide contributes to several working groups on environmental and societal issues. It is a member of ORSE (Observatoire sur la Responsabilité Sociétale des Entreprises) and EPE (Entreprises Pour l'Environnement).

AIR LIQUIDE AND ITS SHAREHOLDERS - A LASTING RELATIONSHIP

TO A LARGE EXTENT, AIR LIQUIDE OWES ITS SUCCESSFUL, ONGOING DEVELOPMENT TO THE SUPPORT OF ITS SHAREHOLDERS. BACKED BY THE TRUST OF 380,000 INDIVIDUAL SHAREHOLDERS, AS WELL AS THAT OF ITS INSTITUTIONAL INVESTORS, THE GROUP ENDEAVORS TO ESTABLISH A LONG-LASTING, PROFITABLE RELATIONSHIP WITH THEM.

When it was created in 1902, Air Liquide was able to develop thanks to the unfailing commitment of 24 shareholders. On February 20, 1913, Air Liquide shares were traded for the first time on the Paris Bourse and, little by little, became one of the market's blue-chip stocks. Today, Air Liquide's strategy continues to center on its shareholders. The Group has constantly maintained the objective of enhancing the value of its shareholders' investments through sustained, regular growth in results and dividends over the long term. Accessibility, loyalty, and proximity are essential values for Air Liquide.
Our shareholders understand this, and continue to express their confidence in Air Liquide: in 2007, despite turbulence in the markets, Air Liquide's share value increased by 13.2%, while the CAC 40 index grew by only 1.3% overall.

RESPONSIBLE INVESTMENT

For Air Liquide and its shareholders, economic profitability goes hand-in-hand with a commitment to society. By becoming shareholders in the Group, investors are choosing a company with sustained growth: on average, share value has increased at an annual rate of 12% since the company was first traded on the Bourse. Investors have also chosen a responsible company, whose gas applications and services contribute to protecting the environment and protecting life.

ACCESSIBILITY AND LOYALTY

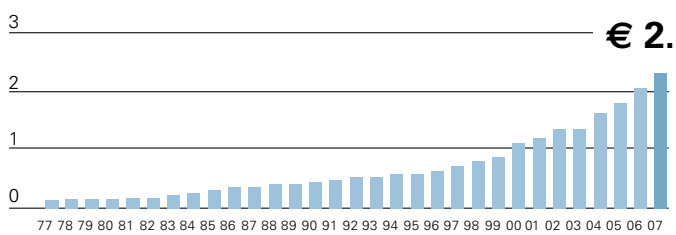
Air Liquide seeks to increase the number of its long-term shareholders. On June 13, 2007, by splitting the nominal share value in two, the company made its shares more accessible, improving liquidity, particularly for individual investors.
The business in which the company is engaged involves long-term investment. The Group's commitment to its customers frequently leads to 10- to 15-year contracts. To keep in step with this business model, achieving long-term relationships with shareholders is key.
Air Liquide therefore rewards shareholder loyalty by increasing dividends and bonus share allocations by 10% to all registered shareholdings held for more than two years.

THE SHAREHOLDERS' CHARTER

Air Liquide has formally expressed its responsibility to all of its shareholders through the Shareholders' Charter, which is based on four commitments:

- Consideration and respect for all its shareholders;
- Remunerating and increasing investment value over the long term;
- Listening to and informing shareholders;
- Providing services to shareholders.

DIVIDEND PER SHARE ADJUSTED [1]
IN EUROS



€ 2.25

+9.7%
average annual growth [2]

[1] Adjusted to account for bonus share issues and stock split.
[2] The data presented over 30 years were calculated using accounting standards in force at the time. As at January 1, 2005, standards have changed. These new standards were used for financial years as of 2004.

A meeting of the Shareholders' Communication Committee

A CLOSE RELATIONSHIP

Air Liquide does everything possible to make life simpler for its shareholders, working continuously to provide them with more services and information about its development and strategy: Annual Report, Shareholders' Guide – annual report summary, regular financial information, financial advice, letters to shareholders, and so on. This is because maintaining transparency for its shareholders is more than ever a priority for Air Liquide. In addition, over 20 team members in Air Liquide's Shareholder Services are available to listen to and serve shareholders in daily operations, as well as to answer questions concerning the transfer of their shares. To further strengthen this contact, in 2008 Air Liquide inaugurated a brand-new Shareholders' Reception Lounge. This forum for exchange, welcoming current and future shareholders and designed in a spirit of warmth and conviviality, is located at the Group's headquarters in Paris.

The Group also regularly participates in various events where it can meet with its shareholders. Air Liquide participates in the Actionaria shareholder fair in Paris, which provides an opportunity to present its businesses in an entertaining and interesting way and personally meet and inform visitors.

In the regions outside Paris, information meetings are organized in collaboration with partners such as the Fédération Française des Clubs d'Investissement (French investment clubs) and investment magazines. The Annual General Meeting of Shareholders remains the key event of the year, providing a unique opportunity to take part in the Group's decisions and to fully play a role as a shareholder. Benoît Potier, President and Chief Executive Officer of the Group, extends the impact of this event by meeting with shareholders in the regions.

2008 - THE ESSENTIAL

- Dividend*: 2.25 euros per share (+12.5% over last year)
- Allocation of bonus shares*:
  one bonus share for every 10 shares owned

* To be proposed at the Annual General Meeting of Shareholders on May 7, 2008

- Annual General Meeting of Shareholders: May 7
- Benoît Potier meets shareholders
  - May 20: in Marseille
  - May 22: in Lille
  - May 29: in Bordeaux

Share ownership as at December 31, 2007

37%
of the capital held by individual shareholders

380,000
individual shareholders

including **140,000**
registered shareholders

32%
of the capital held by foreign institutional investors

30%
of the capital held by French institutional investors

ATTENTIVE TO EACH INDIVIDUAL

RESPECT FOR HUMAN BEINGS, A CULTURE OF DIVERSITY,
THE CAREER AND PERSONAL DEVELOPMENT OF EMPLOYEES, REWARDING SKILLS…
IN AN INTERNATIONALLY HARMONIZED FRAMEWORK, AIR LIQUIDE IMPLEMENTS
A HUMAN RESOURCES POLICY THAT AIMS TO OFFER EACH INDIVIDUAL
A MOTIVATING PROFESSIONAL LIFE.

WIDELY DISSEMINATED PRINCIPLES OF ACTION…

Air Liquide has always conducted its business in a framework of strong ethical principles. Today, its teams have over 40,000 people spread throughout the world. To make sure that these principles, the basis of its identity, are well-known and shared by everyone, Air Liquide brought them together and formalized them in a document available in 16 languages, distributed in each of its entities in 2007. This document sets out the Group's ambitions and the behavior expected of each employee with key stakeholders: employees, customers, suppliers, partners, and so on. Air Liquide's Principles of Action are also available for download in French and English from the Group's Internet site.

… REFLECTED IN LOCAL CODES OF CONDUCT

At the same time, each subsidiary has been invited to reflect these principles of action in a local code of conduct incorporating the customs and regulations of the country in question. All the codes of conduct mention the basic points: respect for human rights, the rejection of corruption and discrimination, respect for freedom of association and so on.

At the end of 2007, entities representing a total of 43% of the Group's employees had put such a code of conduct in place. Many transversal entities have also adapted a specific code of conduct. This is the case with the Group's Procurement activity, which incorporated a specific clause dealing with sustainable development.

DIVERSITY IN ALL ITS FORMS

Convinced that diversity is the source of creativity and dynamism, Air Liquide encourages it in all its forms: nationalities, male/female parity, skills, career paths…

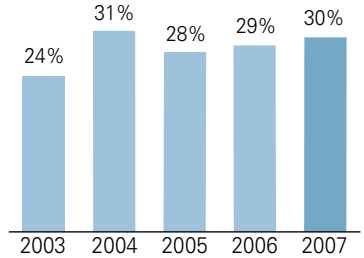
As for moving toward the equal sharing of responsibilities between men and women, for example, the efforts Air Liquide has introduced over the last several years are beginning to bear fruit: women represent 19% of engineers and executives worldwide and 30% of new recruits in these categories.

The diversity of cultures is a reality too: the Group's 200 senior managers come from 20 different countries and 85% of them have international experience. Exchanges have also been organized between subsidiaries to facilitate access to international opportunities for a certain number of employees.

In career terms, each person who wishes to do so may have the opportunity to perform very different functions over the term of his or her career. In fact, there are many bridges between sectors and entities, enabling employees to move from a technical field to a management or sales-related position.

GENDER MIX

% OF WOMEN AMONG ENGINEERS AND EXECUTIVES RECRUITED OVER FIVE YEARS



In 2007, for the first time in the Group's history, three women were appointed to manage subsidiaries, in Chile, Finland and Lebanon.

Air Liquide employees.

FAVORING THE DEVELOPMENT OF EACH INDIVIDUAL

Air Liquide places great importance on its employees' professional and personal development. An annual performance review meeting allows each employee and his/her manager to evaluate his/her situation using a method standardized worldwide and based on common criteria. Over the past four years, the percentage of employees taking part in these performance reviews has increased from 60% to 71%.

Whatever the job, each employee benefits from a career development plan focused on improving performance and maintaining his/her motivation. This plan is founded on the individual's abilities and his/her desire for change and is discussed in depth at a career development meeting, held on average every three years. Air Liquide encourages its employees' development through knowledge-sharing, especially through teamwork and networking, participation in transversal projects, geographic and professional mobility and increased responsibilities.

RECOGNITION OF TECHNICAL EXPERTISE

To permit its technical experts, who are a critical asset for the Group, to obtain real professional success within their chosen specialist area, Air Liquide has set up a formalized recognition system for its researchers, engineers and technicians. It consists of a "Technical Career Ladder", whose salary levels match those of management positions.

A COMPENSATION POLICY THAT REWARDS PERFORMANCE

In order to reward its employees for their contributions, Air Liquide has established a compensation policy which, in addition to paying the base salary, increasingly provides profit-sharing incentives. In 2007, 49% of employees received a variable portion of their compensation based on their performance, that of their team, and the results of their entity or the Group. In addition, approximately 50% of the Group's employees are Air Liquide shareholders, accounting for 1.1% of the company's capital. Increases in capital are regularly reserved for employees.

INTEGRATING PEOPLE WITH HANDICAPS

For Air Liquide, diversity and equality of opportunity also means better integration of people with handicaps within its teams. The agreement the company reached in November 2006 with social partners in France reflects this spirit. In particular, it seeks to favor the employment of people with handicaps, with the goal of integrating 25 such employees on permanent contracts by the end of 2009.

Other actions are planned, in particular to receive people with handicaps on internships or on-the-job training courses (20 people), maintaining employment, increased cooperation with aid-through-work centers and awareness-raising operations. This approach is coordinated at a national level by the Handicap Air Liquide program.

Find the complete list of indicators in the Sustainable Development chapter of the Reference Document.

INNOVATION AT THE SERVICE OF ENVIRONMENTAL PERFORMANCE

SAVING WATER AND ENERGY, OPTIMIZING DELIVERY ROUTES, REDUCING GREENHOUSE GAS EMISSIONS: AIR LIQUIDE CONSTANTLY INNOVATES SO THAT ITS ACTIVITIES, AS WELL AS THOSE OF ITS CUSTOMERS, HAVE MINIMAL IMPACT ON THE ENVIRONMENT.

RESPECTING THE ENVIRONMENT IN ALL ITS PRODUCTION ACTIVITIES

Reducing carbon dioxide emissions

The Group's air separation units do not directly emit carbon dioxide (CO_2). However, they are heavy electricity consumers and so are indirectly responsible for CO_2 discharges. For this reason, Air Liquide has made a commitment to reduce these units' electricity use by 400 GW/h between 2004 and 2009, corresponding to the annual domestic consumption of a city of 180,000 residents.

Moreover, Air Liquide has invested in the cogeneration process, which enables steam and electricity to be produced simultaneously. The advantage: a cogeneration unit produces CO_2 emissions 15 to 30% lower than those of separate units. The 16 units of this type which the Group owns worldwide consequently reduced the release of CO_2 by 573,000 tonnes in 2007.

The Group is also concerned about CO_2 emissions linked to transporting its industrial and medical gases, and is constantly working to improve its delivery routes. To limit truck transportation, 84% of all the air gases and hydrogen the Group produced in 2007 were either delivered to customers via pipeline or generated by small units built on the customers' sites. Such on-site production means 59 million fewer kilometers of truck transport, which corresponds to 63,000 tonnes of CO_2 emissions avoided.

Limiting water consumption

Air Liquide is determined to reduce the amount of water its production sites use and to limit their wastewater discharges.

Non-polluting solutions are gradually being adopted to process the cooling water for air gas separation units, replacing conventional chemical treatments. In this vein, the Clean'O system put in place by Air Liquide Tunisia combines three treatment processes: electromagnetic, ultraviolet, and ultrasound.

Air Liquide New Zealand also uses an ultrasound water treatment system to destroy bacteria in the cooling systems of their units while respecting the environment.

IMAGINING INNOVATIVE ECOLOGICAL SOLUTIONS FOR CUSTOMERS

Air Liquide proposes technologies, processes and products to its customers that enable them to combine productivity and respect for the environment in their industrial processes. Chemicals, steelmaking, electronics, paper mills… many different sectors are concerned.

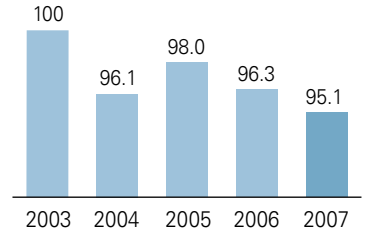
For Air Liquide, solutions which aim to preserve the environment and life represent 33% of revenue and 60% of the Research and Development budget.

Oxygen to reduce pollution

The oxygen the Group supplies makes combustion processes in industry "cleaner". Combustion using pure oxygen (oxycombustion) is carried

EFFICIENCY OF BULK LIQUID GAS DELIVERIES

CHANGE OVER FIVE YEARS
(KILOMETERS PER TONNE DELIVERED, BASE 100 IN 2003)



Filling a car with hydrogen during the Challenge Bibendum 2007.

out without nitrogen being present, reducing discharges of nitrous oxide, responsible notably for acid rain. Furthermore, oxygen makes the combustion more efficient, diminishing energy consumption and thereby decreasing CO_2 emissions into the atmosphere.
In the paper industry, the use of oxygen instead of chlorine helps to preserve water quality. Using oxygen makes it possible to increase the capacity of wastewater treatment plants.

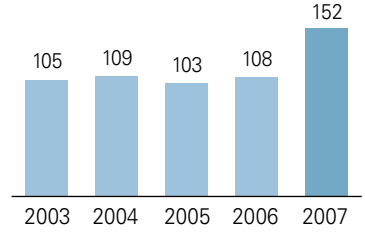
Hydrogen preserving the environment today and tomorrow
Refineries throughout the world use hydrogen to remove sulfur from fuel.
This solution prevented the release of 780,000 tonnes of sulfur dioxide into the atmosphere in 2007, equivalent to almost twice the annual emissions of sulfur dioxide in France.
Another of hydrogen's applications is its utilization as a fuel, paired with the fuel cell, to power vehicles. On the horizon: a reduction of 20 to 30% in CO_2 emissions compared to diesel, over the fuel's entire cycle, from production to use.
The Group is investing in hydrogen energy through its subsidiary AXANE. For example, it supplies part of the fuel cells of "clean" vehicles tested as part of the European project, Hychain. Air Liquide has also developed a number of hydrogen storage technologies for this project.

Reduction of CO_2 emissions: R&D exploring multiple options
Air Liquide is involved – whether alone, in partnership with other manufacturers, or in the framework of research programs – in many pilot programs and experiments.
At Lacq (southern France), Air Liquide is participating in an industrial pilot project using oxycombustion technology in existing 30 MW boilers for which Air Liquide has developed special burners. The exhaust fumes collected in this way have a higher concentration of CO_2, which can then be captured more easily and economically. The Lacq project seeks to demonstrate the feasibility of storing CO_2 in former natural underground gas deposits over the long-term, instead of releasing it into the atmosphere.
Lurgi, the engineering company which joined the Group in 2007, is working on developing so-called "second-generation" biofuels. These biofuels are produced using the inedible part of plants, leaving the edible part for use as a food source. The objective is to obtain a yield of 4,000 liters of biofuel per hectare (compared to 1,200 today), dividing CO_2 emissions by 10.

Find the complete list of indicators in the Sustainable Development chapter of the Reference Document.

PATENTS

NUMBER OF PATENT APPLICATIONS FILED IN THE GROUP'S FOUR MAIN GEOGRAPHIC ZONES (EUROPE, THE UNITED STATES, JAPAN AND CHINA).



REINFORCING THE CULTURE OF SAFETY WITHIN OUR TEAMS

THE SAFETY OF PROCESSES AND INSTALLATIONS CONTINUES TO BE REINFORCED WITHIN THE GROUP, IN PARTICULAR THROUGH THE DEPLOYMENT OF AN INTEGRATED INDUSTRIAL MANAGEMENT SYSTEM (IMS). TO CONTINUE IMPROVING SAFETY PERFORMANCE – BRINGING DOWN THE NUMBER OF ACCIDENTS AND ELIMINATING DANGEROUS SITUATIONS AND BEHAVIOR WHICH COULD CAUSE ACCIDENTS – IN 2008, AIR LIQUIDE IS FOCUSING ON DEVELOPING A REINFORCED SAFETY CULTURE ACROSS ALL GROUP ENTITIES.

MAKING IMS* PART OF DAILY LIFE IN THE COMPANY

Following a long period of regular reductions, the rate of lost-time accidents has been decreasing more slowly in recent years (2.1 accidents per million man-hours worked in 2007 compared to 2.3 in 2006). Analysis shows that most accidents are not due to technical causes: the deployment of IMS*, completed in 2006, has largely contributed to reinforcing the safety of processes and installations.

Based on a repository of procedures and technical standards shared by all of the entities of the Group, IMS seeks to continuously improve Air Liquide's performance in terms of safety, respect for the environment, and the reliability of its installations. The Industrial Audit Directors for the entities and the Group regularly organize systems audits and technical audits in each subsidiary or zone. Improvement also depends on enhancing skill levels. To this end, a program to develop technical training modules was launched at the end of 2006.

ESTABLISHING A CULTURE OF SAFETY

Air Liquide seeks to raise the awareness of all of its employees concerning safety, so that it becomes a focus for everyone – for each individual and his or her close coworkers – as well as becoming a personal value and a way of working. To develop this culture of safety, awareness campaigns began in 2007 involving Group managers worldwide. They were asked to evaluate the impact and efficiency of safety actions implemented in their entity and their own behavior with regard to safety.

In 2008, a survey of all employees will enable each country to define a personalized action plan aimed at developing awareness and implementing safety, not only as a priority, but as a key company value.

SAFETY OUTSIDE THE COMPANY

Air Liquide would also like to extend safety as a value by encouraging good safety behavior beyond work time and the workplace. The first initiatives in this direction were launched in 2007.

The monthly safety newsletter, published by the Group, devotes an article in each issue to safety at home and safety for children. Some of these articles have been taken up by various subsidiaries. In South Korea for example, "Family Day", in November 2007, provided an opportunity to raise the awareness of employees' families concerning safety in the home.

- AT EACH SITE
- IN EACH REGION
- IN EACH ENTITY

THE GROUP'S GOAL IS TO ACHIEVE **ZERO ACCIDENTS** EVERY YEAR

*IMS (Industrial Management System): Air Liquide's industrial policy dealing with safety, reliability, preservation of the environment, and risk management.

BEHAVIOR VISITS

Safety behavior visits are among the initiatives launched to encourage a culture of safety within the Group. These visits are led by a manager (supervisor, site manager, subsidiary general manager), and go beyond simply hunting out anomalies. Instead they focus on everyone's behavior, enabling the manager to open a real dialogue with employees on risks and actions to improve safety in the workplace.

Find the complete list of indicators in the Sustainable Development chapter of the Reference Document.

The polar ice cap at 90° north in Canada.

A CITIZEN OF THE WORLD

VERY CONCERNED ABOUT THE WORLD AROUND IT, AIR LIQUIDE IS DEVELOPING PHILANTHROPIC ACTIONS SOME OF WHICH WILL SOON BE UNDER THE AEGIS OF A FOUNDATION. WHEREVER IT IS PRESENT, THE GROUP ALSO ENCOURAGES ITS TEAMS' INITIATIVES AS THEY WORK TO ACHIEVE INTEGRATION IN LOCAL COMMUNITIES.

PATRONAGE

Air Liquide has a long history of corporate patronage, particularly in the fields of health, environment and medical emergency. In healthcare, its actions range from supporting medical research teams specializing in respiratory diseases to financing a hospital-train which crisscrosses South Africa. In terms of the environment, for many years the Group has contributed to the scientific expeditions of Jean-Louis Étienne, the French physician and explorer.

GETTING INVOLVED LOCALLY: THE EXAMPLE OF AFRICA

Africa is one of the many regions in the world where Air Liquide shows the variety and vitality of its regional involvement. Since 2004, the Group's subsidiaries in several countries (Cameroon, Congo, Gabon, Ghana) have taken part in the Sida-Entreprises association, created by about 20 French companies located on the continent. The goal of this initiative is to make employees aware of the fight against AIDS. The Group's involvement takes the form of training health personnel, running prevention and anonymous screening operations, and providing easier access to treatments.

The Group has also invested in developing professional training by supporting the ICAM (Institute of Arts and Professions in the Congo and Cameroon). In this way, Air Liquide's African subsidiaries help over 150 local technicians and engineers (25% of whom are women) to take advantage of quality training in Africa rather than in Europe or the United States, where African students are often obliged to go to receive such training.

On a different note, Air Liquide Egypt has been involved, since 2005, in archeological excavations in Ayn Soukhna, on the Red Sea. This archeological dig, run by the IFAO (French Institute of Oriental Archeology), presents a two-fold interest for Air Liquide. On one hand, the Group is keen to support a local initiative, especially as the excavations are near one of its air separation units. On the other, the site has brought to light combustion techniques used by the ancient Egyptians, which echo some elements of the Group's most recent advances in know-how.

The Ayn Soukhna oven, returned to a working state by the IFAO archeologists, was directly supplied with oxygen using a system of stacked stones that allowed the wind to keep combustion going!

THE EARTH IS WARMING, THE ICE PACK IS MELTING...

Measuring the thickness of the ice pack that covers the Arctic Ocean to track climate changes with precision: this is the objective of Jean-Louis Étienne's Total Pole Airship expedition. The explorer planned to carry out these measurements in April-May 2008 aboard an airship filled with helium, beneath which a recorder would be attached.

A long-standing partner of Jean-Louis Étienne's expeditions (Ice Pack Mission in 2002, Clipperton in 2004), Air Liquide is once again working with him in this new scientific adventure.

For the first tests conducted in April 2007, Aqua Lung, a Group subsidiary, provided researchers with diving equipment adapted to water at -1.8°C and Air Liquide's Healthcare World Business Line supplied medical oxygen to treat any possible decompression incidents. In September, Air Liquide filled the airship with about 5,000 m^3 of gaseous helium. Unfortunately, in January 2008, an unforeseen gust of wind, measured at 170 km/h, destroyed the airship and postponed the expedition.

However, the setback is only temporary. The tenacity of the French explorer should allow him to start off again in 2009, delaying his expedition by only a year. Air Liquide will continue, of course, to provide its support to this undertaking.

TO BE THE RECOGNIZED LEADER OF OUR INDUSTRY

TAKING LEADERSHIP POSITIONS

DRIVING INNOVATION

"Being the number one in our sector, the recognized leader, means opening new markets, attracting fresh talent, developing our activities by bringing new solutions to our customers, and acting in a socially responsible manner.

It also means being capable of maintaining strong operational and financial performances over the long term.

Finally, it means having a vision for the company's future, for the men and women who work here, and for our customers and shareholders who place their trust in us.

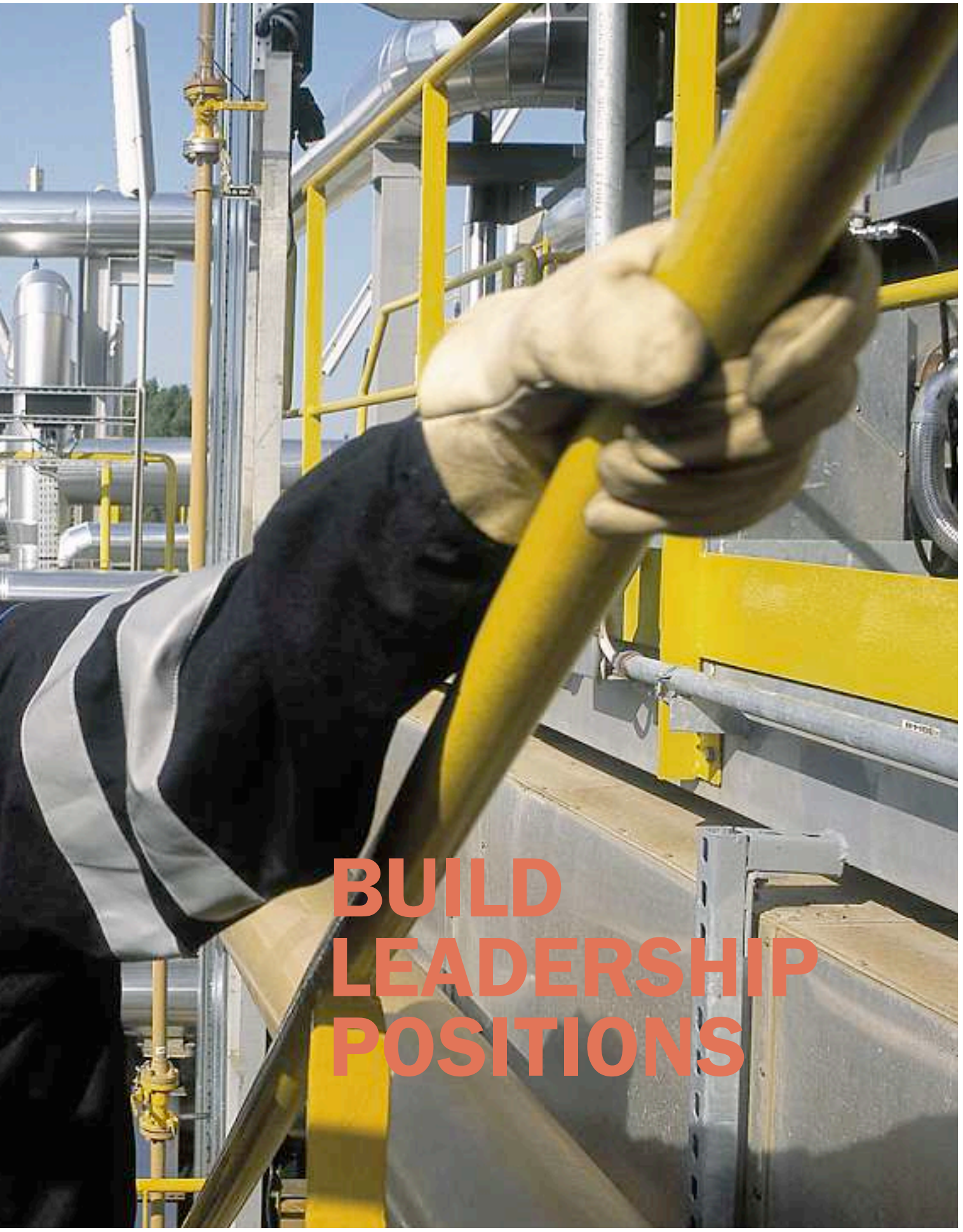
To achieve these ambitions, Air Liquide worked throughout 2007 to develop the ALMA program, which it launched in February 2008.

ALMA is the embodiment of our Group's ambitions. It is a program to accelerate and optimize performance. The central themes are competitiveness and growth. For this reason, ALMA reinforces the main strategic orientations announced in 2007, gathering under the same umbrella projects which will directly improve our performance and transform our collective and individual practices."

Benoît Potier
Chairman and CEO

DELIVER EFFICIENCY

DEVELOP OUR TALENTS



BUILD LEADERSHIP POSITIONS

GLOBAL AND SUSTAINABLE LEADERSHIP

THE GROUP'S STRONG INTERNATIONAL PRESENCE AND ITS WILLINGNESS TO BECOME INVOLVED AT A LOCAL LEVEL ENABLES IT TO KEEP IN TOUCH WITH CHANGES IN TODAY'S SOCIETY. THIS ALLOWS AIR LIQUIDE TO OFFER SOLUTIONS THAT RESPOND TO THE NEEDS OF BOTH MATURE AND EMERGING ECONOMIES AND TAKE ADVANTAGE OF NEW SOURCES OF GROWTH.

The global economy is undergoing significant changes: on one hand, traditional industrial sectors seek to maintain their productivity in an uncertain energy context; on the other, extremely dynamic new sectors present tremendous opportunities for growth. Thanks to its broad portfolio of solutions and its presence in developed and emerging countries, Air Liquide is able to target both segments.

ALTERNATIVE ENERGY SOLUTIONS

Preparing for the future

The steady increase in oil prices and the depletion of fossil fuel reserves, exacerbated by the rapid development of emerging countries, are major obstacles to sustainable economic growth. The future will belong to those who are able to create viable alternative energy solutions. Air Liquide intends to play an active role in meeting this challenge.

Biofuels, produced from renewable organic substances (plants), are one possible solution. Researchers are now investigating second-generation biofuels, derived from the inedible parts of plants, such as stems and leaves. This solution would make it possible to save the edible parts for food. This second generation of biofuels should result in yields of 4,000 liters of biodiesel per hectare, as against only 1,200 for the first generation.

Understanding the challenges

To increase its capacity to meet these challenges, Air Liquide acquired Lurgi, an engineering company, in 2007. The successful integration of Lurgi has considerably expanded the Group's technological portfolio. Lurgi has significant expertise in the production processes for hydrogen and synthesis gas as well as for biofuels (biodiesel and bioethanol) and methanol. Its geographic presence also complements that of the Group: in addition to engineering centers in Germany, Poland, the United States, India and South Africa, Lurgi has undertaken projects around the world in recent years (China, Malaysia, Chile, Trinidad and Tobago, etc.).

There are also other solutions which present an alternative to oil, some of which are more suitable to emerging economies. Of all the fossil fuels, coal offers the largest remaining global reserves. China possesses 12% of these reserves. These immediately available resources can be converted into liquid hydrocarbons, which can be used as fuel for transportation. This coal liquefaction process is called "Coal to Liquid" (CTL).

Air Liquide believes that leaders have certain responsibilities. The Group is determined to drive progress on environmental issues by using its technologies to help reduce greenhouse gas emissions.

Using pure oxygen for oxycombustion in industrial furnaces reduces nitrous oxide (NOx) emissions into the atmosphere and facilitates the capture of carbon dioxide.

Hydrogen is indispensable when reducing the sulfur content in hydrocarbons and, as a result, the sulfur oxide (SOx) emissions caused by their combustion. Air Liquide is constantly strengthening its involvement in areas such as cogeneration, second-generation biofuels and hydrogen energy, which also offer significant potential to reduce CO_2 emissions in years to come.

CTL: HOW DOES IT WORK?

CTL is a two-step process.

During the first step, oxygen and steam is used to gasify the coal and transform it into synthesis gas, which is rich in hydrogen and carbon monoxide.

During the second step, the synthesis gas is transformed into a true liquid hydrocarbon.

NEW MARKETS, NEW OPPORTUNITIES

Combining care and comfort

The Group is developing its offering for respiratory ailments, for example by strengthening its teams, creating new services, taking charge of administrative aspects, developing remote medicine capabilities, and training patients and their friends and families. Air Liquide is also adapting its solutions to another significant trend, the aging of populations, by developing its homecare activity. This treatment method offers a better quality of life for patients and is more cost-effective for the community than hospitalization.

Air Liquide is also making acquisitions to consolidate its leading position in Healthcare. 2007 was an exceptional year in this regard, as the Group's activity in Europe expanded significantly. In the United Kingdom, Air Liquide's successful integration of Linde Gas UK and Allied Healthcare saw it move into second position in the market. In Germany, Europe's largest homecare market, the Group has attained leadership following the acquisition of nine companies over the last two years. Air Liquide also made its first breakthrough in China in 2007, buying Celki International, a company that is present in the south of the country and in Hong Kong. This is a highly strategic entry point on a market with considerable potential.

CHRONIC RESPIRATORY AILMENTS

There is an upward trend in the number of chronic respiratory ailments recorded worldwide. These ailments now affect more than 5% of the population in developed countries. According to the World Health Organization, chronic obstructive lung disease will be the third cause of death in the world by 2020. Contributing factors include air pollution, of course, but also demographic change, as these ailments appear more frequently with age.

Meeting new requirements

Elsewhere in South-East Asia, other parts of the Group are also taking advantage of radically changing lifestyles. Electronics is a good example. With every day that passes, the world is becoming more technological and more communicative, in both mature and developing economies.

Air Liquide supplies its customers in the electronics sector with ultra-pure gases, specialty gases, new molecules, equipment and services. The Group, recognizing this upward trend, decided to locate the headquarters of its Electronics World Business Line to Tokyo in 2004.

The Electronics World Business Line recorded a number of successes in 2007. In March, Air Liquide became a stakeholder in the nascent semiconductor industry in India when it signed an historic contract with HSMC (Hindustan Semiconductor Manufacturing Co.) that will see the Group supply the country's very first "fab" with gases, distribution systems for gases and chemical products, and related services. This contract gives Air Liquide a real advantage in a market that is expected to grow rapidly. Air Liquide was also active in other Asian countries during 2007, consolidating its positions in China, Vietnam, the Philippines, Singapore and Japan (in 2007, Air Liquide finalized a 100% buyout of Japan Air Gases).

DEVELOPMENT IN ASIA

Asia is the undisputed center of this technological revolution: in the future, 80% of semiconductor fabrication plants ("fabs") and 100% of flat panel display manufacturing will be located in Asia.

FOCUS

CHINA: DRIVING ASIAN GROWTH

CHINA HOLDS ENORMOUS POTENTIAL FOR AIR LIQUIDE. THE WORLD'S 4th LARGEST ECONOMY BEHIND THE UNITED STATES, JAPAN AND GERMANY, CHINA HAD A GDP OF 2,668 BILLION DOLLARS IN 2006[1] AND IS EMERGING AS A NEW ECONOMIC CENTER WITH BOOMING INDUSTRIAL CAPACITY.

China is gradually opening up to the market economy. To promote balanced development, the government is seeking to drive economic growth in the western part of the country and improve its environmental performance by reducing energy consumption and tackling pollution. Companies that have set up business in China need to adapt to this new strategic approach.

OPPORTUNITIES FOR AIR LIQUIDE IN AN EXPANDING MARKET FOR INDUSTRIAL GASES

China's economic boom has seen the consumption of industrial gases increase at a rate of 10 to 15% per year. The potential offered by this expansion is amplified by a trend towards outsourcing. For Air Liquide, this presents a major opportunity. The Group has an important advantage: it has been present in China for more than 20 years. Air Liquide first entered China in 1916 and, by the 1990s, had an active presence across all of its activities. Since 2003, it has expanded significantly, with growth rates of 10 to 50% per year depending on the activity. The number of employees has also grown strongly, reaching 1,800 in 2007.

Air Liquide has developed an attractive offer that combines competitive prices and high quality applications and services. The gasification of coal to transform it into liquid fuel (CTL, Coal to Liquid) or to make chemical products (CTC, Coal to Chemical), is just one of the new opportunities that has opened up for the Group. These processes use very large quantities of oxygen.

EVER FASTER

Air Liquide intends to consolidate its leadership position in the Chinese market. To keep pace with the continued development of the Chinese economy, a growth strategy has been implemented across all of the Group's activities. This strategy will see an acceleration in the rate of investment. The Group invested more than 300 million euros in China in 2007, for example in production units, pipelines and equipment. This is four times more than was invested in previous years.

Air Liquide relies on its own Engineering & Construction division to build its production units in China. Priority has been given to the Large Industries and Industrial Merchant activities, which require the construction of new plants (O_2, N_2, etc.) to complement those in Shanghai and Beijing. It is against this backdrop that engineering capacity at Hangzhou, the Group's largest engineering center, is being doubled.

[1] Source: World Bank, Total GDP 2006.

Look West

Air Liquide's development strategy is based not only on winning market share, but also on winning territory, especially in western China. The 15-year contract signed by Air Liquide with SMIC (Semiconductor Manufacturing International Corporation), the largest state-of-the-art electronics foundry in China, is the Group's first "inland" success. Air Liquide will supply large volumes of ultra-pure carrier gases to its new "fab", which is located in the Wuhan East Lake high-tech development zone.

1916 arrival in China
1,800 employees
300 million euros invested in 2007

A major challenge: training local teams

To back up these investments, local teams are being strengthened. The Group places great emphasis on training and Group experts help to share experience and Air Liquide methods with locally recruited employees. At present, the management of human resources and team motivation are two of the greatest challenges faced by the Group in China.

DRIVE INNOVATION

INNOVATION MAKES A WORLD OF DIFFERENCE

SINCE IT WAS FOUNDED IN 1902, AIR LIQUIDE HAS DEVELOPED AROUND A CORE BUSINESS ACTIVITY: INDUSTRIAL AND MEDICAL GASES. OXYGEN, NITROGEN, HYDROGEN AND RARE GASES: THE MOLECULES REMAIN THE SAME, BUT THE POSSIBILITIES FOR THEIR APPLICATION ARE INFINITE. THE GROUP'S CAPACITY FOR INNOVATION IS FUNDAMENTAL TO ITS GROWTH.

The ability to continually renew its offering is a key pillar of Air Liquide's growth: one third of its total sales are generated from applications that didn't exist 10 years ago! The world is changing and, with it, our requirements. Our energy needs are growing, as are our environmental concerns: to preserve the planet, our natural resources and our health.

INNOVATE FOR THE PLANET

Contribute to new energy sources

For the last few years, Air Liquide has been developing or contributing to the development of various alternative energies.

This means, first of all, supplying the gases required for these technologies. For example, for the photovoltaic industry, the Group supplies, via the ALUX offering, ultra-pure gases used in making cells that convert the sun's energy directly into electricity. Air Liquide also works with French research institutes to reduce the cost of producing these cells in order to make them affordable for the greatest number of people. With annual growth of more than 30%, the photovoltaic industry is one of the fastest expanding in the world.

Likewise, the so-called "second generation" biofuel market, whose production requires large quantities of oxygen and/or hydrogen, is a promising technology for the Group. In 2007, with the acquisition of the German company Lurgi, the recognized leader in synthetic fuel and hydrogen production, gasification, methane and downstream technologies, Air Liquide strengthened its technological portfolio on this market.

OXYCOMBUSTION

Oxycombustion (or oxygen combustion) enables CO_2 to be concentrated at the end of the process, which facilitates its recovery. Burning the fuel without nitrogen (78% of air), results in a highly pure CO_2 exhaust. This makes it possible to capture and transport the CO_2 to sequestration sites in deep geological formations.

THE BOOMING SOLAR INDUSTRY

In 2007, Air Liquide signed a contract for the supply and management of gas with Sunfilm AG, a solar startup company based in Germany. Sunfilm will be the first company to manufacture photovoltaic modules based on a tandem junction thin film silicon cell structure on glass substrates of approximately 6m^2.

Environmentally-friendly energies

Air Liquide also uses its expertise for the good of the environment by participating in experimental projects designed to reduce emissions of CO_2, a greenhouse gas.

For example, the Group works with the European steel industry, whose objective is to halve the quantity of CO_2 emitted per metric tonne of steel produced. In particular, Air Liquide is involved in recycling blast furnace gases.

Oxycombustion tests carried out in the United States in 2007 with Babcock & Wilcox (a major steam generator manufacturer), were highly successful. In France, Air Liquide is a stakeholder, alongside the Total Group, in the first CO_2 capture and storage industrial pilot program, in Lacq. The Group provides the oxycombustion technologies used to convert one of the five existing steam generators in order to capture CO_2, then inject it into a depleted natural gas reserve, at a depth of 4,500 m. Air Liquide is also the partner of several other research projects in the CO_2 capture and storage sector, particularly in Poland, the United States and Canada.

Finally, drawing on its complete mastery of the hydrogen chain, Air Liquide is energetically opening the way for hydrogen energy. Through innovation and its involvement in a large number of projects, the Group is striving to make these technologies available to everyone in the near future.

INNOVATING FOR MANKIND

Every day, Air Liquide is innovating to improve people's quality of life. These innovations take many forms: solutions for managing illnesses and respiratory diseases resulting from an extended life span, and technologies that respond to our rapidly changing life-style.

These alternative energies clearly respond to environmental concerns as well as reflecting the growing awareness of the effects of harmful emissions on our health.

Gases for a healthier life

Another major research focus is therapeutic gases. A few years ago, Air Liquide launched a research program on this subject. The Group now brings together researchers from a range of disciplines who explore new lines of research to provide real benefits to patients in hospitals as well as at home.

In the field of anesthesia, some of the high points of 2007 were the market authorization in Europe for LENOXe™ and the development, in partnership with the medical equipment subsidiary Taema, of a new anesthesia workstation, FELIX DUAL, which can administer nitrous oxide as well as LENOXe™.

Gases for a communicating world

The modern world has introduced an array of changes to our life-style. In industrialized countries, computers, mobile phones and flat screens are now everywhere. Information technologies, which have become indispensable, have greatly modified our work habits and the way we relate to other people.

The main effect of these changes is an accelerated pace of life. This brings an ever greater demand for increasingly powerful high-performance microprocessors.

FELIX DUAL

This anesthesia workstation is the only device in the world to ensure the procedure of xenon anesthesia is stable, repeatable, affordable, simple and safe. The device is suitable both for everyday general use and for medical research purposes. Following the successful performance of fifty or so xenon anesthesia procedures in Germany and France, medical practitioners have expressed a high level of satisfaction. The device will be launched on other European markets by 2009.

LENOXe™

In addition to being an effective general anesthetic, LENOXe™ is the inhaled anesthetic with the lowest solubility, which speeds up the patient's post-operative recovery. LENOXe™ is not metabolized by the human body, which improves organ preservation. Moreover, one of the key advantages of LENOXe™ is that it maintains cardiovascular activity during anesthesia through its ability to keep blood pressure relatively stable and its minimal hemodynamic effects.

920
RESEARCHERS
MORE THAN 25 NATIONALITIES

2,847
PROTECTED INVENTIONS

Through its research teams working in the heart of the three large electronics markets (Asia, Europe and North America), the Group maintains extremely close relations with its customers and manufacturing partners. This proximity gives it a deep understanding of its customers' needs and enables it to rapidly anticipate technological evolutions.

A MOLECULE UNDER THE MICROSCOPE

Air Liquide has developed "ZyALD", a molecule that enables a flawless zirconium oxide film to be deposited at high temperatures (300°C to 400°C) with a very high degree of precision. This technology is critical for making 32-nanometer (millionths of a millimeter) processors used in information technology.

Air Liquide was awarded a prize for this molecule by the magazine *EuroAsia Semiconductor* and, for the second year in a row, the *Enabling Materials* award that honors a particularly innovative product in electronics.

Sales generated by the Group's ALOHA range of patented molecules tripled between 2005 and 2007.

Supplying ultra-pure gases and advanced precursor molecules is also indispensable for making flat screens and fiber optics used in telecommunications.
Lastly, in the modern world, our thirst for and desire to push back the limits of knowledge continues to grow. To help scientists around the world explore the boundaries of the universe and the heart of matter, the Group is developing increasingly specialized technologies.
The Air Liquide Advanced Technologies Division has developed expertise in cold production and liquefaction, cryogenic fluid storage and distribution, and the control of very low temperatures.

ADVANCED TECHNOLOGIES

These technologies are mostly used in scientific applications (superconductors, particle accelerators) and the space industry: the design of cryogenic tanks for the European launcher Ariane 5 (Cryospace subsidiary) and space simulation chambers (which recreate the low temperatures in space).

Research center in the United States (DRTC).

A NEW RESEARCH CENTER IN THE UNITED STATES

On June 4, 2007, Air Liquide inaugurated its new research center in Newark, Delaware: the DRTC (Delaware Research & Technology Center). Constructed on a 22-hectare site, the building was designed to open out onto the surrounding countryside.

Cutting-edge research carried out at the DRTC will focus on various fields (food and agriculture, energy, electronics, membranes for gas separation, the environment, and so on) and should further strengthen the Group's technological leadership.

In the long term, more than 150 researchers will work in synergy at the DRTC, in a distinctly international context: there are already 16 nationalities among the team members!

INNOVATING FOR OUR CUSTOMERS

At Air Liquide, one of the main aims of innovation is to ensure the Group maintains a high level of competitiveness. This means ever more efficient, reliable gas production units that can be built quickly and that are capable of supplying gas molecules at the best price. It also encompasses optimized distribution channels, and efficiency and speed in the rollout of solutions the Group offers to its customers around the world.

A new generation of production units

Faced with the considerable acceleration in demand for industrial gases and the tighter delivery schedules required by customers, particularly in emerging economies, Air Liquide Engineering is standardizing its air gas production units. The principle: designing medium-sized, compact basic modules that are easy to ship anywhere in the world and that can be assembled in the quantity needed to reach the desired production capacity. This standardization approach has two advantages: it considerably reduces unit delivery times and makes the prices more competitive. The engineering center in Hangzhou, China, is at the cutting edge in this area.

Process control, an optimization tool

How can the cost of supplying a gas molecule be reduced to a minimum? Twenty Air Liquide researchers specialized in intelligent process control are dedicated to finding the answer to this question.

Experts in automatic control engineering, information processing and optimization, they design artificial intelligence systems that enable a production unit to be run under optimal cost conditions. These systems use sensors that collect key data (temperature, pressure, output, etc.) and mathematical algorithms that use this data. This type of system was installed in 2007 in hydrogen production units, which are large consumers of natural gas. The result was improved control of parameters, such as the temperature during a specific phase of the process and the oxygen content in the fumes. This made it possible to reduce natural gas consumption by approximately 1%.

Intelligent process control can be used to optimize the operation of a group of production units. Optimization can also concern logistical aspects, for example, organizing the customers' supply schedule for liquid gases using remote monitoring of the quantity left in their tanks.

BENELUX

The Benelux hydrogen network (eight production sites, 900 km of pipelines) has benefited from this type of control since early 2007. It automatically finds the best fit between the customers' variable needs: the price of energy or raw materials and production capacities.

FOCUS

HYDROGEN: THE CLEAN ENERGY SOURCE OF TOMORROW

"I BELIEVE THAT ONE DAY, HYDROGEN AND OXYGEN WILL PROVIDE AN INEXHAUSTIBLE SOURCE OF HEAT AND LIGHT."

(JULES VERNE, *THE MYSTERIOUS ISLAND,* 1874)

Imagine a sustainable energy that is clean to produce and use. Imagine vehicles that don't generate any air pollution or noise. That world could soon be a reality. Air Liquide has been involved for several years in the research and development of hydrogen energy solutions, helping build a better future today...

AIR LIQUIDE AND HYDROGEN

Hydrogen, an industrial gas, is mainly used to reduce the amount of sulfur in hydrocarbons (enabling low-polluting fuels to be produced). It is also used in the chemicals industry as a carrier gas in the production of semiconductors, to manufacture flat glass and in the thermal treatment of steel.

Air Liquide has over 40 years of experience in hydrogen, covering the entire chain, from its production (through over 200 production units worldwide) to the entire range of its applications.

Today's society faces two major challenges: climate change and the growing demand for energy. Hydrogen energy is a genuine response to these challenges, especially as a clean form of transport. Mass-produced hydrogen-powered vehicles are expected to appear on the market by 2015.

As the leader in industrial gases, Air Liquide has a certain responsibility to increase access to this clean and renewable energy. With this in mind, the Group is actively pursuing a twofold strategy: continuing to channel its efforts into hydrogen research and innovation, and taking part in large international demonstration projects.

INNOVATING AND DEVELOPING TECHNOLOGIES

Today, the key challenge is to find ways to store hydrogen in gaseous form that are sufficiently light, sturdy and easy to fill. With this in mind, Air Liquide researchers have developed easy-to-handle reusable cylinders in which gaseous hydrogen can be compressed at up to 700 bars. Through its subsidiary Axane, which designs and produces fuel cells, Air Liquide is also developing technologies to convert hydrogen into energy. The primary objective is to produce increasingly reliable and efficient fuel cells, by improving their durability and cost effectiveness. The technological advances already made in this field mean that fuel cells cost 10 times less to manufacture than they did four years ago.

To make the most of this recent progress, the Group actively participates in large-scale hydrogen energy demonstrations around the world.

HYDROGEN ENERGY IN ACTION

Air Liquide is developing fuel cells for "stationary" applications too. These solutions can provide energy in locations where there is no electrical network without disfiguring the landscape, generating noise or CO_2. One recent example is the French Balises project, for which the Group equipped several Bouygues Telecom GSM telephone network stations on isolated sites near Toulouse (southwestern France).

Air Liquide is also involved in numerous transport-related projects in Europe and North America. In doing so the Group is contributing to the advancement of fuel storage and supply technologies and to the adoption of vehicles powered by fuel cells.

Air Liquide is leading the European HyChain-Minitrans project, a full-scale test in four European regions of 158 hydrogen-powered vehicles supplied with reusable cylinders.

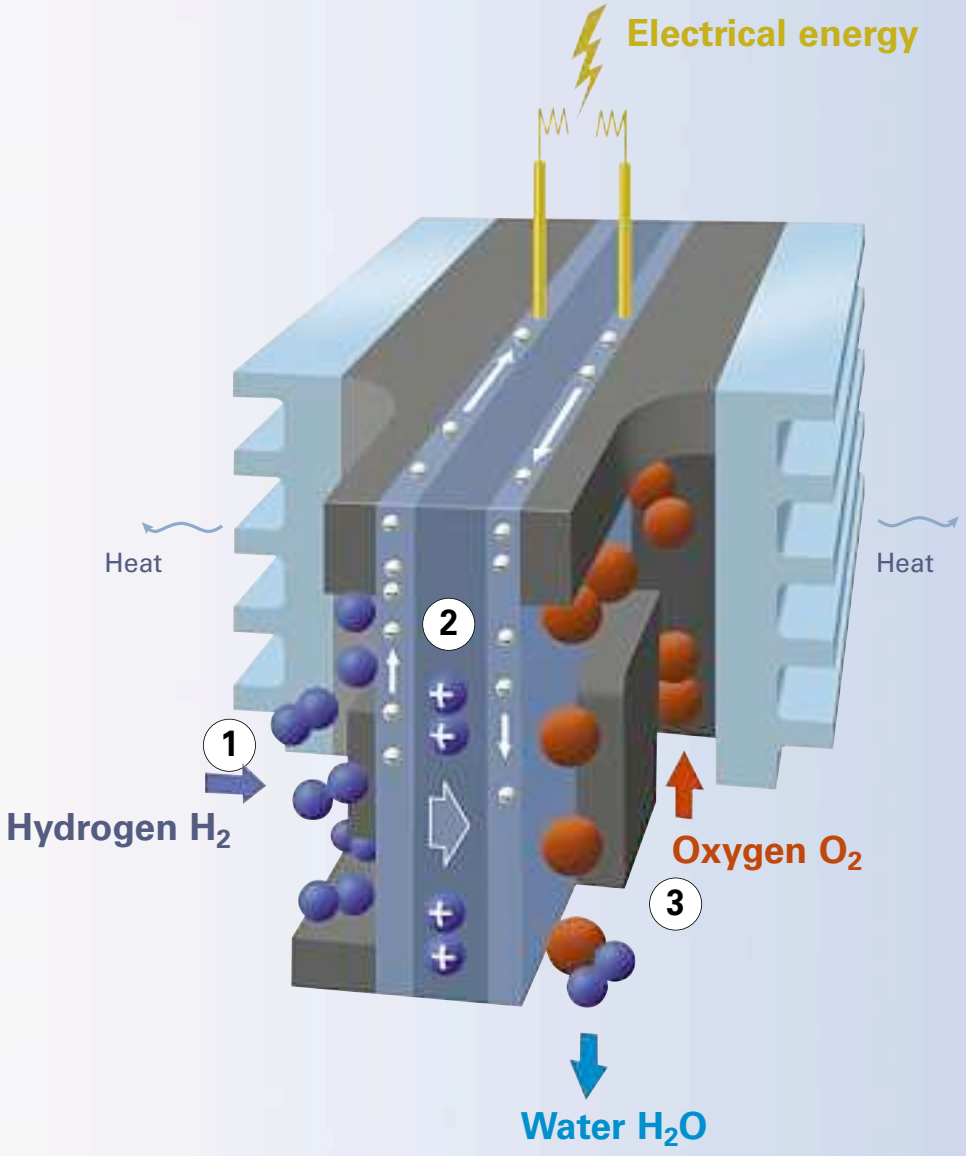
In the United States, the Group has supplied five service stations for the Driveway project, led by General Motors, which is testing 100 hydrogen vehicles in several large cities (New York, Los Angeles and Washington).

And this is just the beginning!

The Group plans to play a leading role in what will undoubtedly be a new energy revolution. Air Liquide has made remarkable progress in this field over the last few years. In 2008, the Group will continue to build on its efforts throughout the world, through research, and also in the development and demonstration of the practical applications of hydrogen energy.

Spotlight on the fuel cell

A fuel cell is made up of basic cells. The number of basic cells determines the fuel cell's power.
Each basic cell contains a membrane coated with a catalyst that only allows H+ protons to pass through it.
This membrane is held in place between two bipolar conducting plates.



1
The hydrogen molecule makes contact with the catalyst. The catalyst separates each molecule into 2 protons and 2 electrons.

2
The protons can now pass through the membrane. They enter the cell's other pole. The electrons can't pass through this barrier, so they are forced to take an external route via the conducting plates, thereby creating an electrical circuit.

3
On the other side of the membrane, when the protons and electrons make contact with the catalyst, they react with the oxygen in the air to form H_2O molecules. The only by-product of the fuel cell is pure water.

H, the simplest atom in the world

The H_2 molecule is made up of two atoms.

Each atom contains a positive particle, an H+ proton, around which an electron gravitates.


DELIVER
EFFICIENCY

EFFICIENCY: DRIVING BETTER PERFORMANCE

FOR MANY YEARS NOW, AIR LIQUIDE HAS MADE EFFICIENCY IMPROVEMENT A PRIORITY IN ITS DEVELOPMENT PLAN.

SUCCESS OF THE OPAL PROGRAM

2007 saw the conclusion of OPAL, a program which was launched in 2005 to improve productivity and competitiveness. In 2007, savings of 170 million euros were made, taking to 400 million euros the total savings made since the program began three years earlier.
Efforts have been focused on several major areas:

Energy efficiency: one of the major initiatives undertaken has been the improvement of the operating efficiency of Large Industries production units. This has been achieved, for example, through the widespread implementation of SCADA, an internally developed industrial IT system, and through investments in special burners at certain hydrogen production facilities enabling the use of less expensive combustible gases.

Purchasing: the optimization of purchasing has been a priority of the OPAL program. The most significant gains have been made with regard to the transport and distribution of products for the Industrial Merchant World Business Line, and in procurement in both Welding and Electronics. Beyond this, significant efforts have been made to reduce general expenses.

Operational efficiency: a wide range of projects were implemented at the local level. Examples include reducing capital expenditure by the construction and start-up of numerous standardized liquefaction units in South-East Asia, the use of new techniques to reduce helium losses during gas transfers or, on a larger scale, the deployment of logistics optimization software, cylinder tracking systems and so on.

OPAL is part of a long-term policy of continuous optimization that extends right across the Group. During the last three years, project management initiatives have been progressively introduced into the program. The numerous OPAL projects have brought about successful structural changes in certain regions. Today, these have become pioneering pilot projects with the potential for deployment on a much wider scale.

OPTIMIZATION OF THE PRODUCTION LINE

Air Liquide works constantly to develop specialized systems applicable to its whole production chain: measurement of electricity consumption, process controls, remote monitoring of customer needs, and so on.

GOING EVEN FURTHER

In 2008, Air Liquide is adding a new dimension to its search for efficiency, since its efforts are now global in scope and cover all of the World Business Lines. Clear, concrete objectives have been established for the coming years.

Reducing costs linked to activities
One of the best ways to increase efficiency is to reduce costs in each of the Group's main areas of expenditure. These range from energy consumption (electricity, natural gas, and so on), product purchasing (carbon dioxide, helium, specialty gases and the like) and transportation, to maintenance and services linked to plant installation.

To achieve this goal, a number of approaches are envisaged. First, Air Liquide can leverage the negotiating power it enjoys thanks to the scale and volume of its activities. By pooling its resources and defining purchasing strategies at the global level, the Group will be able to increase the volumes it buys, and consequently obtain access to better prices for the raw materials, equipment and services it procures.

Besides this, Air Liquide is making important investments to reduce logistical costs. For example, the Group has invested in the development of a single information system in Europe. Its purpose is to harmonize offers and procedures, with complete integration of these expected by the end of 2008.

Standardization of production units

Thanks to the efforts of Air Liquide Engineering & Construction, the standardization of the Group's production units will enable per unit costs to be reduced.
Several standard "sizes" of ASU (air separation unit) have been developed, with maximum production capacities that range from 100 to 1,100 tonnes of gas per day.

Increasing the efficiency of capital

One of the objectives in this area is to reduce the cost of new assets and rationalize investments. Air Liquide has identified a number of ways to achieve this. First, the costs of new production units and new tools can be reduced via economies of scale.
The standardization of these solutions should also reduce 'time-to-market'. By developing off-the-shelf production units which are easily fabricated in series and are transportable, Air Liquide is aiming to significantly shorten installation times, a factor which is particularly appreciated by customers.
Reducing the cost of new assets must also be achieved by taking advantage of the Group's strong international presence. In this regard, Air Liquide will look to develop its business in regions where economic and logistical conditions are particularly favorable.

Finally, Air Liquide is seeking to increase the efficiency of existing assets by optimizing the way they are managed.
The first objective is to make sure that none of the Group's assets rest idle. Trucks, bulk storage tanks, or cylinders that are unused in one country could very well be used immediately in another, where there is a corresponding need: optimal efficiency can be achieved by better asset deployment worldwide.
Air Liquide is also seeking to optimize the extent to which assets are adapted to customers' needs. By taking account of a customer's daily consumption and the cost of delivering the required gas, the Group can supply the type of bulk storage tank best adapted to the customer's activity.

Doubling capacity

In 2007, the engineering center in Hangzhou (China), where the standardized production unit was designed, doubled its personnel, surface area and output capacity. This means that Air Liquide will be able to take full advantage of the opportunities presented by this region's extraordinary growth and dynamism.

FOCUS

INDUSTRIAL MERCHANT LOGISTICS: BANKING ON INFORMATION TECHNOLOGIES

IN NUMEROUS MARKETS, INCLUDING FOOD, PHARMACEUTICALS, AUTOMOTIVE AND MANUFACTURING, AIR LIQUIDE'S GASES ARE DEEPLY INTEGRATED IN CUSTOMER PROCESSES. IN ORDER TO BE SURE THAT DELIVERY REQUESTS ARE MET EFFICIENTLY AND RAPIDLY AND TO AVOID ANY INTERRUPTION TO SUPPLY, THE GROUP HAS OPTIMIZED ITS LOGISTICS CHAIN BY APPLYING THE BENEFITS OF INFORMATION TECHNOLOGY AND ARTIFICIAL INTELLIGENCE.

TWO SUPPLY MODES – A SHARED NEED FOR EFFICIENCY

The Industrial Merchant World Business Line supplies its customers with gases in two forms:

- in cylinders, when need or use requires only small quantities;
- as liquid, either delivered to on-site storage units or produced by on-site generators, when significant quantities are required by the customer.

In both cases, Air Liquide guarantees that the product ordered is available rapidly and works hard to ensure that both the cost and the environmental impact of delivery is decreased by reducing the kilometers that trucks must travel.

EFFICIENCY AND TRACEABILITY FOR CYLINDER GASES

In 2007, cylinder gas distribution was reorganized and rationalized. A computer system which calculates optimal delivery rounds was widely implemented: it enables distances traveled to be reduced while optimizing truck loads. This helps Air Liquide to be more responsive and offer better service where deliveries are concerned.

Individual cylinder tracking

SERVITRAX is an innovative system for tracking cylinders. Identified by its bar code, each cylinder's whereabouts is recorded at each step in the process, from filling to use and its return to Air Liquide. This is done thanks to bar code readers installed at filling centers, distributors, in delivery trucks, and so on.

Customer benefits include better tracking of stock levels, precise management of consumption rates, and traceability that meets local regulatory requirements.

Successfully piloted by Carbagas, the Group's subsidiary in Switzerland, SERVITRAX is to be applied to the six million cylinders in Europe. Air Liquide is the world's first industrial gas company to implement a single traceability system on such a large scale.

OPTIMIZING LIQUID DELIVERIES

Air Liquide has developed efficient logistics systems organized around liquid distribution centers. For greater efficiency, logistics specialists are aided by computer systems that remotely monitor and optimize delivery rounds for liquid gas storage on customer sites.

Remote monitoring optimizes deliveries

The Teleflo/Datal remote monitoring system, now commercially available, continuously communicates with the distribution centers, relaying information about stock levels and the functioning of the storage vessel.

A new, lighter system, called Brio Bulk, is currently being developed. It will be implemented systematically for all customers, right around the world.

Brio Bulk will make it possible to establish the real-time level of every storage vessel. Associated with an algorithm capable of anticipating the customer's consumption based on previous orders, an optimization system named TENOR and developed by an Operations Research team will enable filling to be scheduled automatically for all of our customers, without any action being required of them. Exactly when a delivery is triggered will depend on storage levels but it can anticipated in order to optimize the scheduled rounds. By doing this, the number of kilometers traveled by delivery trucks can be reduced.

A better rate of asset use

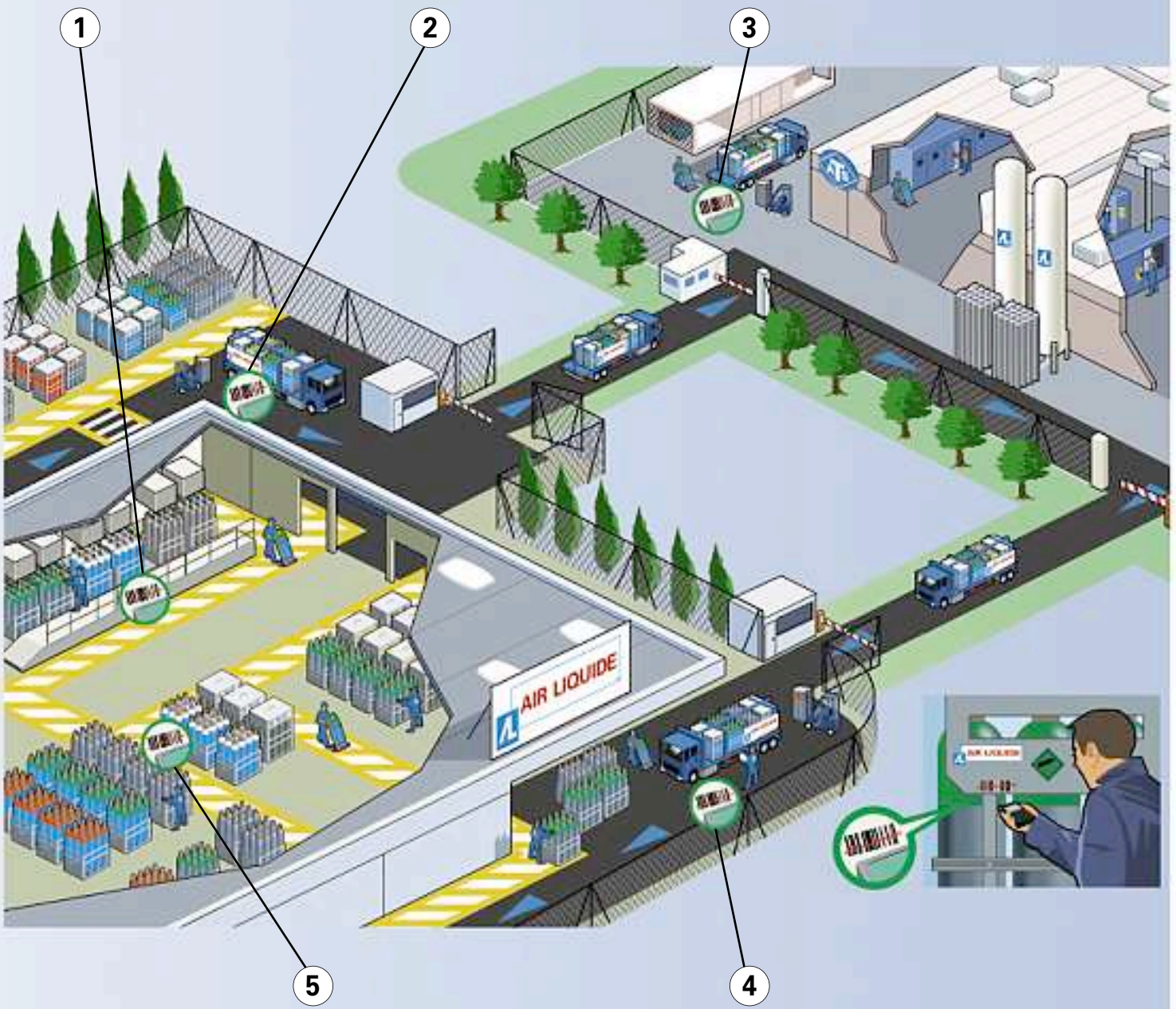
Optimizing deliveries also involves better management of assets – trucks and tanks, for example – with a view to reaching a maximum use rate. Better adapting these assets to meet customers' needs is, alongside standardization, a priority objective.

SERVITRAX: AN INNOVATIVE TRACKING SYSTEM FOR BARCODED CYLINDERS

Filling
Key data are recorded (product code, batch number, etc.).

Preparation for delivery
When the shipment is ready for dispatch, all of the information concerning the delivery route and cylinders to be delivered is recorded in the driver's PDA (personal data assistant).

Delivery
When the cylinders arrive at the customer's premises, the driver reads the bar codes on all of the cylinders delivered, as well as on those picked up. An itemized list is printed out and signed by the customer.



Sorting
Empty cylinders are sorted and carefully inspected before being refilled.

Inspection of returned cylinders on the truck
Returned cylinders are checked as soon as they arrive at the Air Liquide site.

DEVELOP OUR TALENTS

MAKING THE MOST OF OUR EXPERTISE

HUMAN RESOURCES MANAGEMENT PLAYS A CENTRAL ROLE IN THE SUCCESS OF AIR LIQUIDE'S GROWTH STRATEGY. THE CHALLENGE LIES IN MEETING THE NEEDS OF COUNTRIES AND ACTIVITIES BY BUILDING COMPETENT AND MOTIVATED TEAMS.

ATTRACTING NEW TALENT IN CUTTING-EDGE FIELDS

To support its development in new fields, Air Liquide recruits specialists from around the world in cutting-edge sectors such as therapeutic gas research, pressurized hydrogen storage, artificial intelligence and advanced ultra-pure fluid analysis. As well as hiring experienced researchers, Air Liquide maintains close links with the universities and leading academic institutions around the globe which are nurturing the next generation of talent. The inauguration of the new research and technology center at the heart of a leading scientific and university area in Delaware, in the United States, is perfectly in line with this policy, which is built on close ties and partnership.

INCREASINGLY INTERNATIONAL TEAMS

For Air Liquide, the diversity of its teams is a major asset because it reflects the varied profiles of the Group's customers around the world, their needs and the solutions that are available to them. This diversity can be seen not only in the range of nationalities, skills and profiles, but also in parity between men and women. The Group's teams are increasingly international.

The subsidiaries have launched initiatives to complement the expatriation strategy which is managed at Group level. For example, to broaden the international horizons of certain employees, Japan Air Gases, a subsidiary of Air Liquide Japan, recently organized six-month deployments to another Group subsidiary. Following the success of this operation, longer assignments lasting two to three years are being considered.

THE SAME RULES FOR EVERYONE

In order to enhance the management of its teams and ensure fair treatment for all employees, Air Liquide has formalized its 'Golden Rules of Human Resources' in a reference document aimed at around 3,000 managers and human resources professionals. The document specifies the principles that relate to each topic, the roles and responsibilities of each party and the performance indicators that should be monitored. Training courses have been planned for 2008 to encourage the adoption of these 'Golden Rules' and ensure that all managers are speaking the same language when it comes to human resources.

A RANGE OF NATIONALITIES

To strengthen this diversity, the Group has created a number of tools, including the Start program. Start is used to recruit new graduates from universities and leading academic institutions on five continents and offer them a first job outside their native country.

GOLDEN RULES

The reference document covers eight key topics: safety and ethics, selection of the right people for the right positions, diversity, performance evaluation, career development, recognition of expertise, training and remuneration.

ANTICIPATING THE GROUP'S NEEDS

In order to anticipate the needs of entities, particularly for managerial and expert posts, Air Liquide is committed to developing an international vision of its employees' profiles, skills and aspirations. To this end, it is in frequent content with Group employees. In-depth reviews of human resources are carried out by activity or operational sector to prepare succession plans for key roles. To guarantee coherence, these reviews all follow the methodology defined by the Group.

STRENGTHENING TEAMS IN EMERGING COUNTRIES

In emerging countries where the Group has double-digit growth, the need for skilled employees applies across all professions and positions, from business developers and process engineers to operators and safety specialists. In China, the Group's rapid growth has been matched by an unprecedented wave of recruitment: 650 people were hired in 2007. In one year, Air Liquide's permanent workforce in this country increased by 42% to reach nearly 1,800 people. Recruitments will continue at the same pace for the next two or three years.

HANGZHOU: INVOLVING EMPLOYEES IN THE RECRUITMENT PROCESS

The capacity of the Hangzhou (China) engineering site doubled between 2006 and 2007. Nearly 200 people were hired as a result of this expansion, increasing the permanent workforce by 45%. This strong upward trend is continuing and the human resources team is expanding its recruitment initiatives accordingly.

One of the tactics being used is co-optation: employees are invited to recommend people from their personal network. This approach attracts competent people with suitable profiles to the Group and helps to fill positions, especially in technical fields, in businesses that suffer from a significant shortage of human resources. These applicants must, of course, follow all the different stages of the recruitment process. When candidates are finally hired, they tend to settle in more quickly as they already know one or more employees. In 2007, about 20 people joined Hangzhou through this route.

MORE THAN 40,000 EMPLOYEES

CONTRIBUTE TO THE SUCCESS AND DYNAMISM OF THE GROUP

The new hires come from a range of backgrounds. About 150 are young graduates from Chinese universities and leading academic institutions, attracted by the prospects of career advancement in the Group, its international character and the high degree of responsibility that is often available to new recruits.
Air Liquide also hires experienced Chinese personnel for managerial or expert positions. To ensure the success of these recruitments, the Group has doubled the size of its human resources team in China and has reinforced the support provided by corporate headquarters. It also relies on local recruitment agencies that specialize in technical and managerial profiles.

Internal mobility and knowledge transfer
Alongside its recruitment activities, Air Liquide is mobilizing internal capacities to support teams in emerging countries. About 40 expatriates of all nationalities are currently on three- or four-year assignments in China to enable knowledge transfer. The Group has also asked its most experienced employees to provide occasional assistance to teams in emerging countries through short-term assignments (Know-AL program).

KNOW-AL PROGRAM

This program encourages the sharing of know-how and provides greater visibility for the Group's experts. The Group generally relies on tutoring and mentorship programs to help new arrivals settle in. In certain regions in the world, subsidiaries help each other by "pooling" their expert resources.

A GLOBAL TRAINING PLATFORM

Air Liquide's rapid growth in new economies has resulted in the arrival of a large number of new employees. They need to receive detailed training in Air Liquide's business activities and the Group's culture. In this context, the decentralized approach to training which has been adopted to reflect the needs and distinctive characteristics of local entities is being complemented by a more global approach. It is on this basis that the Group has developed a global training platform, with a range of modules for different types of employees.
70 training modules based on existing Air Liquide training programs have been created and organized into 18 learning tracks that target different roles. Other programs are being developed, for example, for teams that work in gas production units.

Training

In 2007, a training program was set up for sales and marketing teams in the Industrial Merchant World Business Line. These teams account for one quarter of all employees in this activity around the world.

Air Liquide intends to strengthen its training activities to allow each employee to benefit from at least 3 days of training per year by 2009.

Art Dubose, VP Human Resources, Air Liquide USA LLC (Houston)

"The Group's HR policy is perfectly adapted to our needs and activities in the United States. We maintain a permanent focus on skills management and career development.

As well as constantly working to attract the best skills (through the LAUNCH and ALLEX recruitment and integration programs), we work hard to retain them. Our first objective is to make Air Liquide USA an environment where every employee can find personal and professional fulfillment to a greater extent than they could elsewhere.

To achieve this, we strive to develop an attractive benefits package (social benefits, salary, etc.) and to respond to our employees' career aspirations, for example through ongoing training, internal or geographical mobility, and growing responsibilities.

Finally, respecting and promoting diversity (of gender, age, skills, origin, etc.) is a constant goal. The diversity of our employees greatly enriches our teams.

We encourage each employee to manage his or her career by maintaining an active partnership with the Group. Through constant dialogue, we can progress together, every day."

A PALETTE OF TALENTS

Dr. Carlo Castiglioni
Health Director at VitalAire and Medicasa
Milan (Italy)

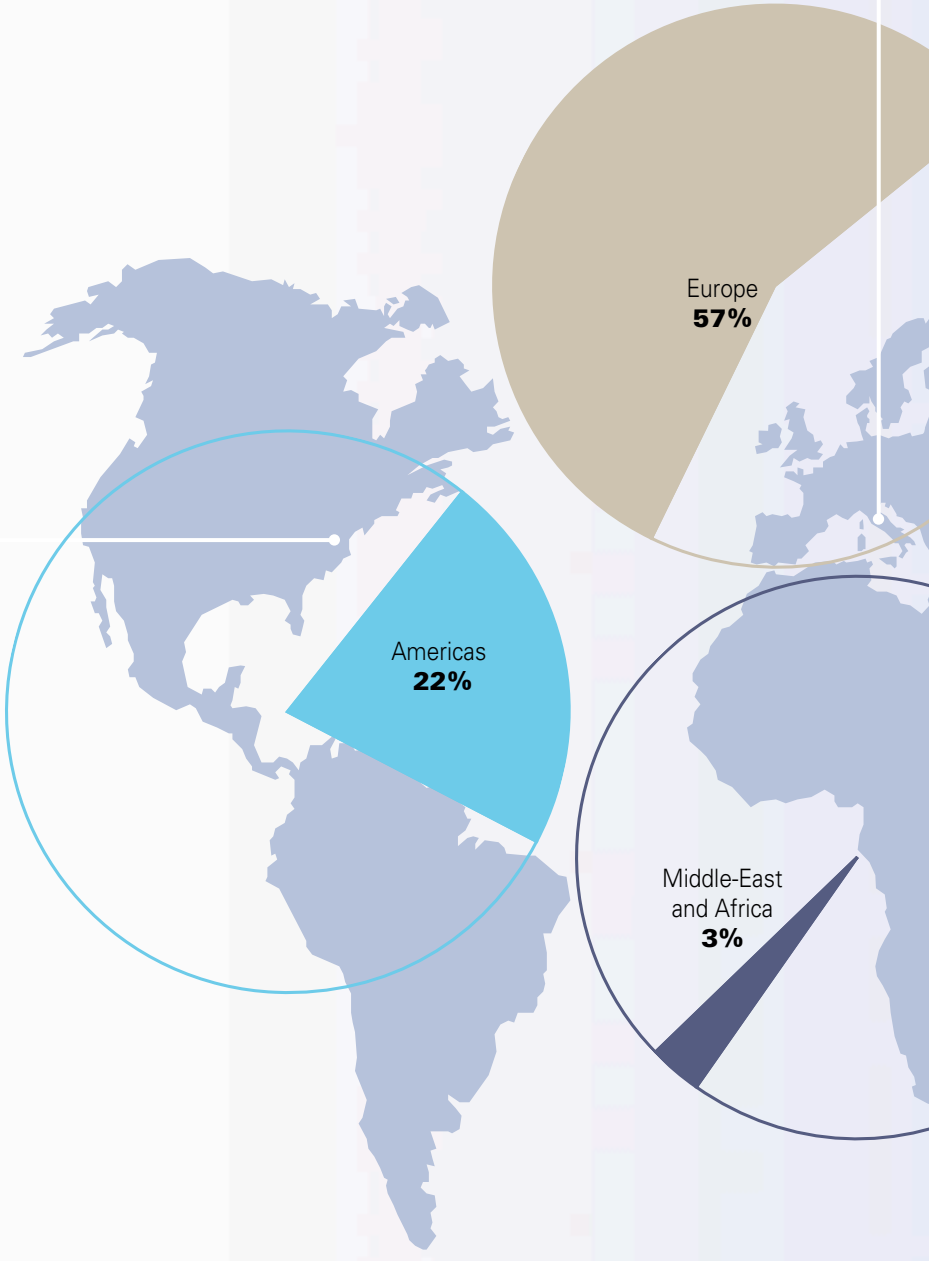
Britta Glogau
Training, Development, Communication and Competitive Intelligence Manager, Delaware Research and Technology Center (DRTC, Newark, Delaware, United States)

A PASSION FOR CULTURE

"My career path reflects the way that Air Liquide encourages mobility in its employees. First, "mobility" from a professional perspective: in seven years, I've gone from being a communication manager to being a training, development, communication and competitive intelligence director. I also worked as an industrial processes marketing manager along the way. Quite an unusual career path for an engineer! At Air Liquide, we have the opportunity to change fields regardless of our initial training and professional experience. Alongside any additional training we receive, there's a real focus on "learning by doing" and we can always count on our colleagues for help.

Of course, geographical mobility is also important. Thanks to the Group's international presence, Air Liquide employees enjoy a lot of opportunities to work abroad, whether on long-term assignments or occasional projects. That is one of the reasons why I decided to join the Group back in 2001, when I was living in Germany, my native country. In 2007, with the support of my manager and the human resources and R&D departments, I was given the chance to join the training and communication team at the DRTC in the United States. It was an easy decision to make! Human resources and competitive intelligence are new fields for me and the challenge was a key motivating factor. I also appreciate the varied, international environment: 16 different nationalities work here. One of our assignments is to set up short- or long-term training courses to help our new talents achieve their full potential.

The cherry on the cake is the opportunity to get to know the United States and the American way of life. It is a particularly enriching cultural experience. Once I've made a little more progress in English, I'll be completely at ease in my new role!"

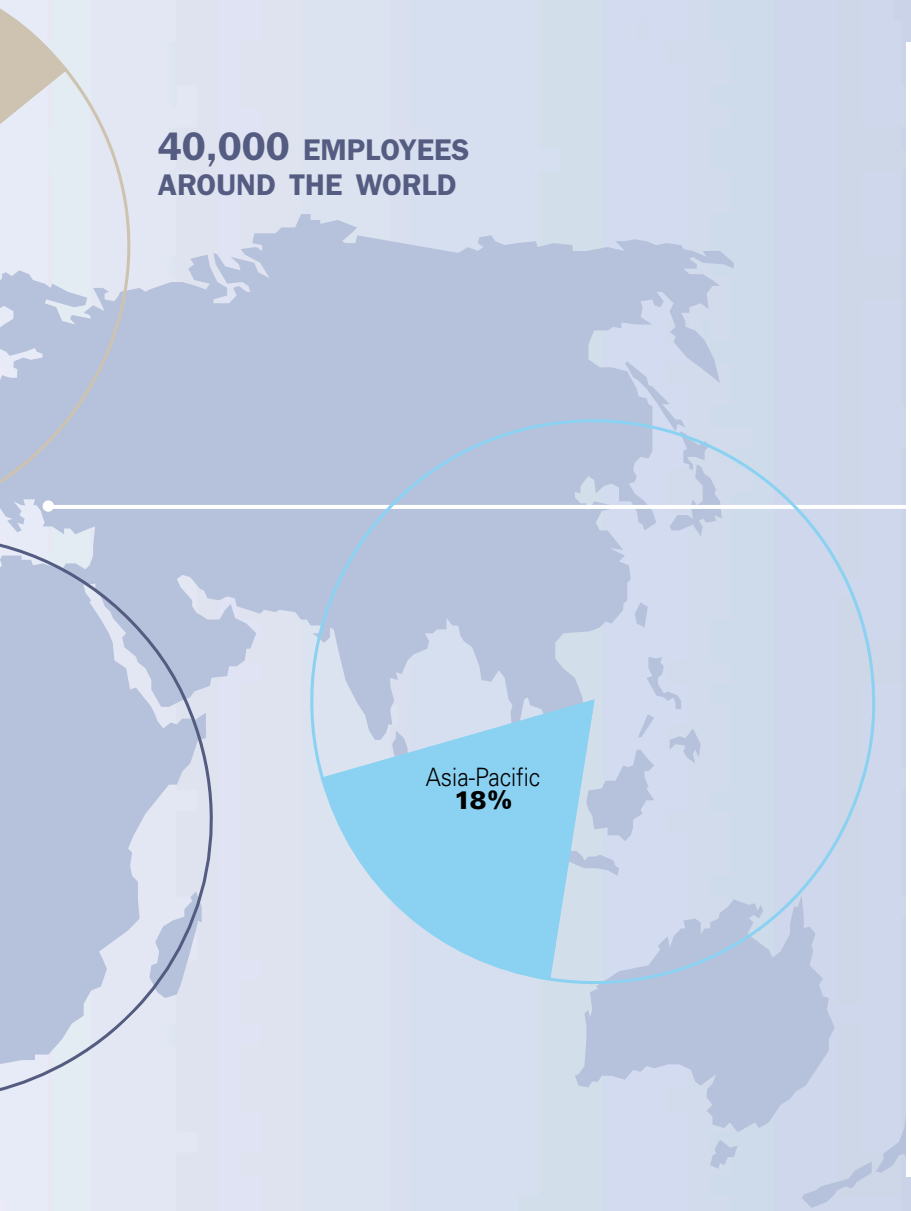


A PASSION FOR A PROFESSION

"I've had an unusual career! A physician by training, I started my career in 1975 in the anesthesia-intensive care department of the Raphaël Hospital in Milan. However, being in operating theatres didn't really suit me, so I changed direction and went into research in the pharmaceutical industry, where I worked on the development of new products. I stayed there for 12 years until, in 1995, I was appointed CEO of a 600-bed public hospital in Milan. At that point, my growing interest in homecare led to my joining Medicasa, a company that was acquired by Air Liquide in 1997. That's how I came to work for the Group and take responsibility for developing homecare and remote medicine. One thing led to another and, in 2000, I was appointed health director of Medicasa and VitalAire. My background in medicine, in the pharmaceutical industry and in public service is a great help to me as I work to understand the logistical and technical issues inherent to homecare. It's an exciting profession that has a real future!

In Western European countries, the population is aging and patients increasingly require medical follow-up in their homes. In this context, I believe that homecare will become the treatment method of the future. However, to follow a patient at home, an organization must have impeccable healthcare credentials. I'm proud of the private structure that has been set up in Italy: it is one of the largest and most efficient when it comes to developing this type of service. In this respect, the five physicians who are in charge of our structure in the clinics provide invaluable support when it comes to meeting the challenges of homecare."

40,000 EMPLOYEES AROUND THE WORLD



Cécile Perraud
Managing Director of SOAL, Air Liquide's subsidiary in Beirut (Lebanon)

A PASSION FOR CHALLENGE

"I graduated from EDHEC (School of Higher Commercial Studies of the North, France) in 1995. I joined Air Liquide in 2002 as sales manager at Athelia (traceability solutions) and went on to become Managing Director for France for this subsidiary. Having managed Athelia's transfer to Spain, I was appointed a global account manager at Gaz Industriels Services. Spending a year in this position allowed me to learn all about the industrial gases activity that lies at the heart of Air Liquide's operations.

In October 2007, I was given the opportunity to run SOAL, an Air Liquide subsidiary in Lebanon with 60 employees. I thought about it long and hard before making the move with my husband and two children.

For some time now, Air Liquide has been appointing managing directors from a wider range of backgrounds. It's quite unusual for someone who was trained in sales to be offered this type of position: previously, senior management jobs were generally reserved for experienced engineers. I think that my earlier experience played in my favor. I worked in Africa for two years right after I graduated and I also have experience of managing an operational unit. At SOAL, I have two key responsibilties: to supervise the subsidiary's development according to the Group's management rules, and to maintain a permanent link between the teams in the Middle East and corporate headquarters. It's a new challenge for me, in an entirely Lebanese environment."

ACTIVITIES

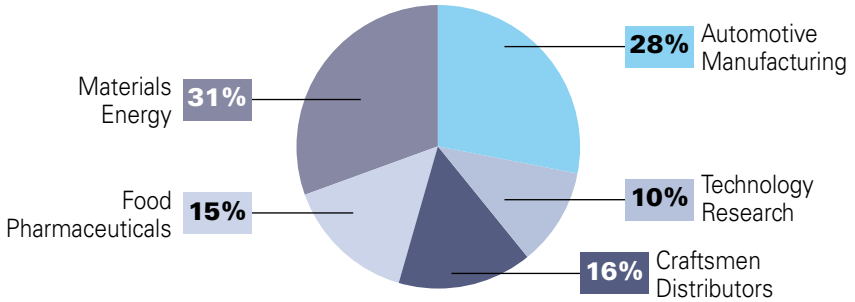
Serving OUR CUSTOMERS THROUGHOUT THE WORLD

INDUSTRIAL MERCHANT

GASES IN OUR DAILY LIVES

AIR LIQUIDE PLAYS AN INTEGRAL PART IN THE EVERYDAY LIFE OF EACH ONE OF US. FROM PRESERVING THE FRESHNESS OF FOOD TO MANUFACTURING ENGINE PARTS FOR CARS, A MULTITUDE OF ACTIVITIES AND PROCESSES REQUIRE INDUSTRIAL GASES. THROUGHOUT THE WORLD, THE GROUP OFFERS A WIDE VARIETY OF SOLUTIONS TAILORED TO DIFFERENT USER CATEGORIES.

INDUSTRIAL MERCHANT REVENUE BY CUSTOMER SEGMENT



4,439 MILLION EUROS REVENUE
or 44% of Gas and Services revenue

+4.8% GROWTH IN 2007

To deliver strong and regular growth, the Industrial Merchant World Business Line's primary objective is to accompany changes within the various industrial markets. In emerging economies, traditional sectors (metal construction, automobiles, and so on) are growing strongly and rapidly, while lifestyles are changing radically. On the other hand, in mature economies, industrial companies are seeking out solutions which are innovative, more efficient and environmentally friendly. In the next few years, the most important challenge for the Industrial Merchant World Business Line will be to move in close step with the major changes affecting societies and the transformation of underlying industries.

WORLDWIDE: MORE EFFICIENT SERVICE

In order to build closer relationships with its customers throughout the world, Air Liquide works continuously to improve the quality of its service. A particular priority is the simplification of dealings between customers and the Group. This has notably given rise to a wide-reaching program of harmonization: ranges of solutions, contractual terms, monitoring and maintenance procedures, administrative formalities, and so on. Greater convergence is also supported by a single, high-performance information system.

The ECO program (European Cylinder Offer) provides cylinder gas customers with a personalized Web portal (myGas) and gives them access to SERVITRAX, an information and traceability system for gas cylinders. The cylinder offer has been structured to respond to three different levels of customer need. This allows better fulfillment of customers' requests, including those which are extremely specific (in the food and pharmaceutical sectors, for example). The liquid gas offer has evolved along the same lines, thanks to the ELO program (European Liquid Offer).

In addition, the Industrial Merchant World Business Line has reviewed the segmentation of all its customers. They have been divided into 54 industrial sectors, grouped into five main areas: automotive and manufacturing, craftsmen and distributors, food and pharmaceuticals, materials and energy, and technology and research. Paired with a new sales analysis tool, this reorganization gives the Group's employees a clearer vision of the market, allowing the offer to be better adapted to specific needs.

EMERGING ECONOMIES

The accelerated growth of emerging countries in Asia and Central and Eastern Europe has created a massive increase in demand for solutions that have previously proven their worth in mature economies, in traditional industrial sectors. To meet this tremendous demand, Air Liquide has decided to increase its industrial gas production capacity in the zones concerned. The Group is also bolstering its sales teams, as well as the technical teams responsible for implementing solutions on customer sites.

One of the most dynamic sectors in emerging economies is the automotive industry. Gases are used at every stage of the vehicle production process, from design to production line assembly. Manufacturing and thermal treatment of metal and plastic parts, tires, lights, windows, are just a few examples.

The welding and cutting of metals, vital throughout the automotive industry and more generally in all operations involving the assembly and transformation of metal components (for example in shipbuilding), also make use of specific gases. Manufacturers, like craftsmen, need products which are versatile, practical and safe to use. Air Liquide ensures that an efficient distribution network is available in each country and that it is adapted to the needs of the local market.

IN MATURE ECONOMIES: TECHNOLOGY AND THE ENVIRONMENT

In these countries, where the Group's traditional Industrial Merchant solutions have been used for many years, Air Liquide's growth strategy relies foremost on technology. The objective is to make the product or the solution "smarter", so as to make the customer's life easier. To this end, all liquid gas storage facilities on customer sites will be equipped with a remote monitoring system that will communicate to the Air Liquide center how much product is left. The restocking will be done as needed, without the customer having to take any action. For cylinder gases, over time all cylinders will be equipped with the new generation TOP range valves that include on/off levers.

THE TOP RANGE: JUST ONE SIMPLE MOVEMENT...

TOP constitutes real progress in terms of safety and ease of handling: a simple touch on the cylinder's on/off lever opens or closes the gas valve. In certain circumstances – a fire, for example – there is no time or opportunity to turn a valve tap until it is completely closed.
This patented innovation, exclusive to Air Liquide, has given rise to several ranges of equipment. The main ones are the SMARTOP range, with its on/off lever and a gas level gauge on the cylinder, and the ALTOP range, which also has a built-in regulator.
By 2012, more than 2 million of the Group's cylinders will be equipped with one of these systems.

TOP range.

Environmental imperatives such as to limiting energy consumption and reducing the ecological impact of industrial processes are also important growth drivers in developed countries. Oxycombustion solutions (combustion using pure oxygen in industrial furnaces), which enable CO_2 emissions to be reduced, are enjoying growing success. The Industrial Merchant World Business Line has also identified the strengthening of its position in hydrogen energy as a priority.

A further example of the importance of environmental issues in mature economies is the phenomenal expansion of the photovoltaic industry (electricity production via solar panels). It is recording worldwide annual growth of more than 30%, one of the fastest rates of any industry.
The ALUX offer, launched at the end of 2006, has been a great success with this industry. This global solution encompasses personalized services on customer sites, waste treatment solutions and recycling systems. In 2007, ALUX experienced significant success in Europe (notably in Germany), Asia and the United States.

Scott Specialty Gases

In September 2007, Air Liquide signed an agreement for the acquisition of Scott Specialty Gases. This American company is a leading producer and supplier of pure gases and mixtures for use in the laboratory and analytical, medical and electronics sectors. Scott Specialty Gases also makes equipment for the implementation of high-performance specialty gas distribution systems.

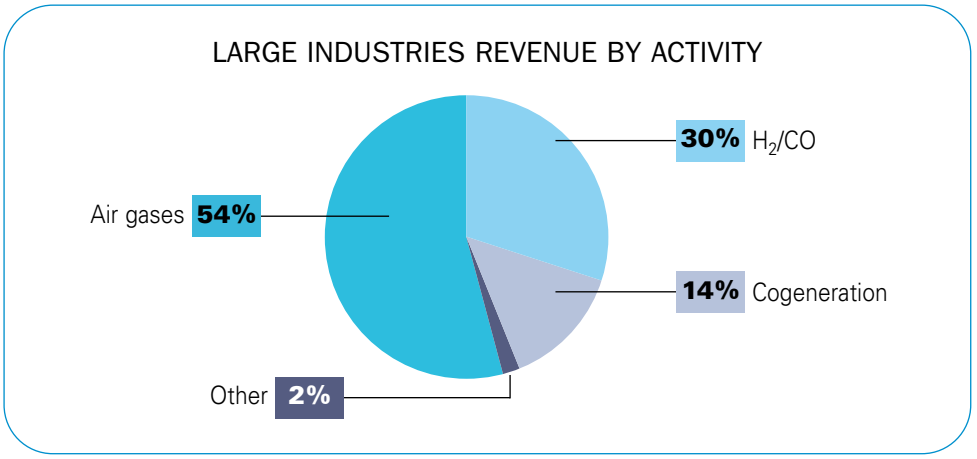
The complementary fit of Scott and Air Liquide's activities in this high-growth specialty gas market will give the Group new growth opportunities as well as a presence throughout the US, notably on the east coast and in the north.

This acquisition will also reinforce Air Liquide's significant activities in markets in Europe, Taiwan and the Middle East.

LARGE INDUSTRIES

PROJECTS ON A GRAND SCALE

THROUGHOUT THE WORLD, AIR LIQUIDE IS A PRIVILEGED PARTNER OF THE LEADING INDUSTRIAL COMPANIES IN REFINING, CHEMICALS, ENERGY AND METALS, SUPPLYING INDUSTRIAL GASES WHICH ARE INDISPENSABLE TO THEIR PROCESSES. AIR LIQUIDE DEVELOPS GAS- AND ENERGY-RELATED SOLUTIONS TO IMPROVE ITS CUSTOMERS' PRODUCTIVITY AND HELP MAKE THEIR PRODUCTION PLANTS MORE ENVIRONMENTALLY FRIENDLY.



3,024 MILLION EUROS REVENUE
or 30% of Gas and Services revenue

+7.1% GROWTH IN 2007

The Group has organized its resources to seize a maximum number of growth opportunities and reinforce its market share in the coming years.
Consequently, in the industrial regions where it enjoys a strong presence, Air Liquide is increasing its gas production capacities, and developing its pipeline networks to keep pace with existing customers' growing needs, and supply new customers. New opportunities are also emerging in energy conversion and the standardization of production plants, carried out in partnership with the Group's Engineering & Construction division. The reinforcement of sales teams in the field, and the development of teams of international experts specialized in specific markets (chemicals, metals, refining, energy), also contribute to this growth strategy.

The Large Industries World Business Line was particularly dynamic during 2007. It signed numerous contracts in all market segments and all geographic zones. To honor these contracts, the Group is investing around 1.3 billion euros in gas production units, twice as much as in 2006. In 2008, this momentum should intensify.

ACCOMPANYING THE GROWTH OF EMERGING ECONOMIES…

Today, Air Liquide's Large Industries business is facing an unprecedented number of opportunities. Self generation still accounts for 70% of the global consumption of industrial gases. But industrial companies are increasingly outsourcing their air gas procurement. This allows them to concentrate on their core businesses, and to reduce costs, particularly those related to equipment and maintenance. The expertise provided by Air Liquide also enables them to benefit from the most modern and efficient technologies, as well as globally recognized know-how.
As is the case for other Group businesses, the rapid development of emerging countries is a fundamental source of growth for the Large Industries World Business Line. In Asia in particular, the very strong demand for basic industrial goods is stimulating the steelmaking, metallurgy and chemical sectors, which all consume gases in large quantities. China, for example, represents a spectacular potential market for Air Liquide, since 60% of its steel sector companies have not yet externalized their gas procurement! India, the second fastest growing economy after China within the world's 20 largest economies, is also one of the most promising markets. India's estimated domestic steel needs could quadruple over the next decade, due to massive public investment in railway and port infrastructures. Another key factor contributing to this dynamism is the high price of oil and natural gas, which stimulates the use of alternative energy resources such as coal, oil sands and biofuels. All of these energy sources require large quantities of oxygen and, depending on the segment, hydrogen, making for a particularly promising outlook for Air Liquide.

…WHILE RESPECTING THE ENVIRONMENT

The increasing weight of environmental concerns is another powerful driving force for the Group. Take for example the production of fuels with lower sulfur content. Hydrogen is used in the desulphurization process, leading to lower emissions of sulfur dioxide (SO_x), a molecule which limits the performance of catalytic converters used in vehicles. This represents important opportunities for Air Liquide, which has comprehensive experience with hydrogen, ranging from research and production, to use and distribution.

LARGE INDUSTRIES

In October 2007, Air Liquide announced an investment program of 140 million euros to increase its hydrogen production, distribution, and storage capacity in the Gulf of Mexico area (North America). This investment should enable the Group to increase its production capacity in the region by one third, thereby serving new customers. Over the last three years, Air Liquide has increased its global hydrogen production capacity by 50%!

Oxygen is an essential gas for all businesses within the scope of the global Large Industries World Business Line. Oxygen consumption is constantly increasing, because it enhances the efficiency of industrial processes while also making them cleaner. For example, injecting oxygen into steel-mill blast furnaces reduces coke consumption, thus improving productivity. Oxygen is also essential for gasification processes, for example to transform coal into synthesis gas for further conversion into chemical products (CTC – Coal to Chemical) or liquid fuels (CTL – Coal to Liquid). Oxycombustion (a process in which oxygen is used to replace air in industrial furnaces) decreases the emission of nitrous oxide (NO_x) into the atmosphere. In addition, it helps to obtain more concentrated CO_2 from industrial processes, facilitating the capture of this greenhouse gas for direct industrial use or storage underground (Air Liquide is involved in an industrial pilot program of this type at Lacq, in southern France, in partnership with Total).

At the end of 2007, Air Liquide signed a contract with ArcelorMittal, the world's biggest steelmaker, to renew and extend its supply agreement for all oxygen, nitrogen, argon and compressed air needs at sites in Dunkirk and Mardyck in northern France. The Group will also accompany this important customer in its development for 15 years, thanks to a new ASU (air separation unit) with a capacity of 1,100 tonnes of oxygen per day, scheduled to go into service in 2009.

Air Liquide's environmental contribution to these industries goes beyond supplying gases. The air separation units which Air Liquide installs throughout the world often replace older, less energy-efficient ones. As Air Liquide's solutions consume less energy, they help to reduce the volume of CO_2 emissions resulting from electricity generation.
Air Liquide also offers particularly efficient cogeneration energy solutions. Cogeneration, the simultaneous production of thermal energy (steam) and mechanical energy (electricity) from a single fuel source, offers an increased energy yield (15 to 30% more efficient than separate production techniques!), while reducing CO_2 emissions. This makes it particularly attractive to an increasing number of industrial companies. In 2008, for example, a cogeneration unit will go into service in Rotterdam (Netherlands), for the Shell subsidiary, SNR. The contract, one of the most important for the Group in this field, extends for a period of 15 years.

Hydrogen production

Air Liquide operates 200 hydrogen production units around the world, of which 50 are very large-scale producers. Thanks to its pipeline networks, the Group serves Large Industries customers in numerous industrial regions: the Gulf of Mexico and lower Mississippi Valley in the United States, Antwerp/Rotterdam, the Rhine/Ruhr, South Korea, Thailand, Singapore and China.

First step in Russia

For a first step, it's a giant one! This is an excellent illustration of the Group's integration into new territories. In 2007, Air Liquide Severstal inaugurated the largest air separation unit in Russia, with a production capacity of 3,000 tonnes of oxygen per day. It is also the largest unit in the world intended for steel production. Located at Cherepovetz, between Moscow and St. Petersburg, it will supply the rapidly expanding Severstal steel plant.

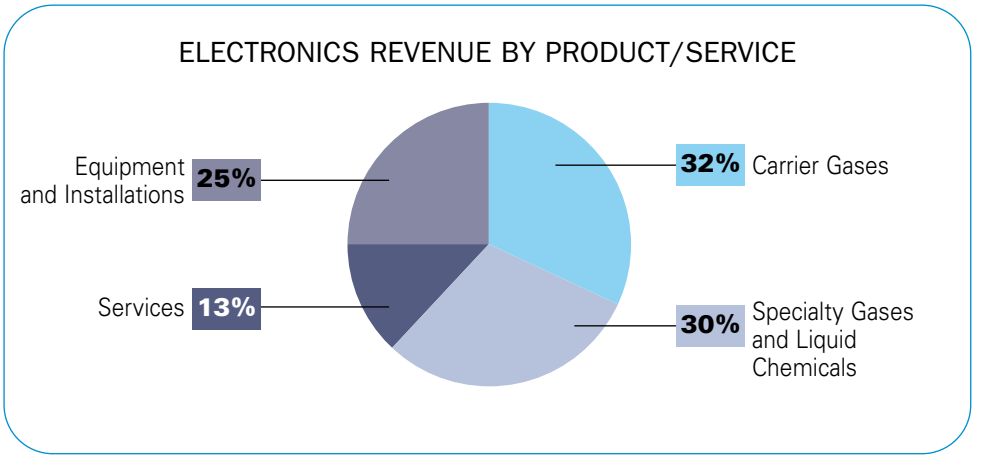
Thanks to Air Liquide technologies, it will help reduce energy consumption, while preventing the release of 50,000 tonnes of CO_2 per year, equivalent to the emissions of a city of 10,000 inhabitants.

To illustrate its commitment and contribution to a sustainable environment, Air Liquide Severstal symbolically planted nearly 100 trees on the Cherepovetz site on the day of its inauguration.

ELECTRONICS

THE WORLD OF THE MIGHTY MICRO-CHIP

WE LIVE IN A DIGITAL WORLD: COMPUTERS, CAMERAS, TVS, PORTABLE MUSIC PLAYERS, GPS SYSTEMS… CHIPS LIE AT THE CORE OF ALL THESE PRODUCTS AND AIR LIQUIDE IS INTIMATELY INVOLVED IN THE WHOLE ADVENTURE. THE GROUP WORKS CLOSELY WITH ITS ELECTRONICS CUSTOMERS THROUGHOUT THE WORLD, PROVIDING CUTTING-EDGE TECHNOLOGIES AND VERY HIGH ADDED-VALUE SERVICES.



944 MILLION EUROS REVENUE
or 10% of Gas and Services revenue

+16.6% GROWTH IN 2007

Over the years, Air Liquide has established privileged relationships with the major names in electronics. The Group constantly strengthens these partnerships, growing with customers as they expand existing sites or helping them set up in new regions. For example, in 2007, Texas Instruments confirmed the confidence it has in the Group when it built a new site in the Philippines. SMIC, the Chinese leader in semiconductors, did likewise for its new plant in Wuhan, China.
Today, 100% of all flat panel displays and 60% of all semiconductors are made in Asia. Looking ahead, 80% of all new electronics projects will be based there. Air Liquide is doing its all to meet the demand of this extremely dynamic market and to take advantage of a maximum of opportunities. Since 2004, the headquarters of the Group's Electronics World Business Line has been located in Tokyo and in 2007, the Group started an ambitious development program in Asia: strengthening its teams, especially in sales, investing in new ultra-pure fluid production and filling units, and creating equipment manufacturing centers in Japan, in China and in Taiwan. At the same time, Air Liquide is positioning itself in new territories opening to the electronics industry, as contracts won in 2007 in Russia, India, the Philippines and Vietnam demonstrate.

THE CHALLENGE OF DEVELOPING MARKETS: INNOVATING TO STAY COMPETITIVE

Electronics is a cutting-edge sector in which chip manufacturing technologies constantly progress and require ever more sophisticated molecules. Thanks to its in-depth knowledge of its customers' processes and its ability to innovate, Air Liquide is developing the latest-generation molecules for its customers: the ALOHA range.
To respond even more efficiently and competitively to the tremendous growth in demand for specialty gases, linked especially to the development of flat panel displays, Air Liquide recently remodeled its offer. In particular, the Group reorganized its logistics chain to improve the availability of special gases and set up a new delivery method for large volumes. It also centralized its worldwide purchases of specialty gases in Asia to optimize this function.
This centralized purchasing increased the Group's negotiating power vis-à-vis its suppliers. As most specialty gases come from Asia, the central purchasing team has been based in Taiwan. It manages about 200 suppliers and over 70 different molecules. To keep the Group at the cutting edge of innovation, this team constantly looks for new sources of specialty gases and has established regular audits of its suppliers.

Air Liquide also implemented a new delivery method for specialty gases, better suited to large volumes. Thanks to the "Jumbo" solution, specialty gases are delivered in ISO containers of several tonnes, while associated services guarantee customer safety and reliability right through gas use. Launched in 2005, this offer has been a resounding success, especially with the main semiconductor and flat panel display manufacturers in Asia.

Backed by this success, in February 2007 the Group inaugurated a gas filling and monitoring center for electronics (Electronics Materials Center, EMC) in Taiwan. The Jumbo containers are filled, checked and analyzed there before shipment. Being close to customers' semiconductor manufacturing plants (known as "fabs") is a major competitive edge for Air Liquide.

Analytical expertise: 1 out of 1 million billion...

When the size of a chip's transistor is measured in hundreds of atoms, the tiniest impurity can be disastrous: a micro-contamination can cost a fab millions of dollars. Detecting these impurities in gases, liquid chemicals or the chips themselves is the job of the 550 people who work in the analysis activity at Air Liquide Electronics.

In certain cases, the detection threshold can reach 1 out of 1 million billion, the equivalent of trying to identify a speck of dust on the sun's surface when you're standing back on Earth! The Group gained this cutting-edge expertise by acquiring Balazs (in the United States) in 2002, and, more recently, Toshiba Nano Analysis (in Japan). The objective is to meet the growing needs of manufacturers in the analysis field, a new market with enormous potential.

NOTHING LESS THAN ULTRA-PURITY

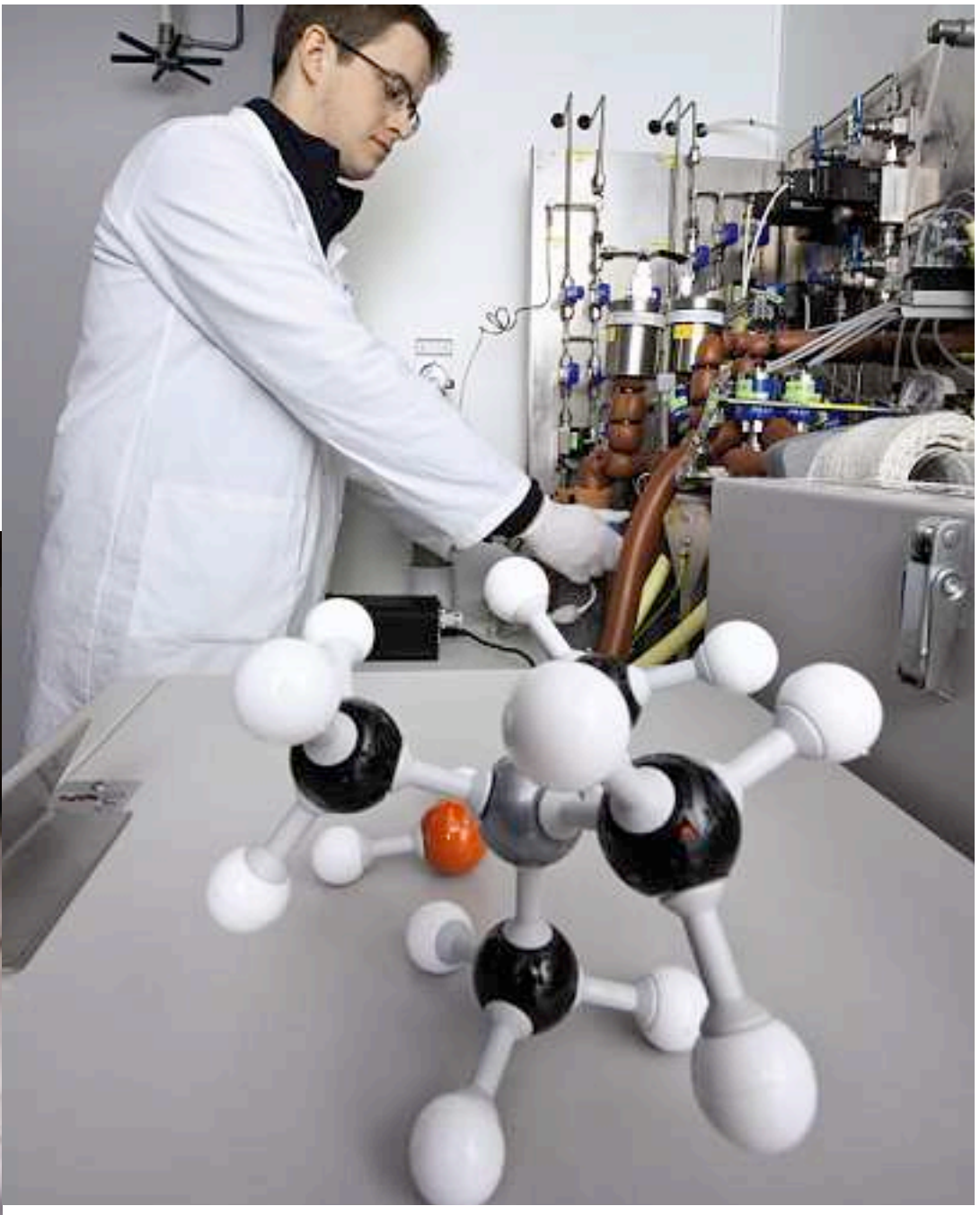
The renewed partnership between the Group and STMicroelectronics, a world leader in the semiconductor chip market, illustrates the richness and originality of the Electronics activity. For the last 20 years, STMicroelectronics has been using Air Liquide gases to produce its chips. This long-standing partnership is built mainly on high value-added services. All the STMicroelectronics production sites, for example, have turned over the complete management of their ultra-pure gases to Air Liquide, choosing the TGCM (Total Gas and Chemical Management) offer. More than 200 of the Group's employees work full time on this customer's sites around the world. Gas purity analysis services have also been implemented on several major STMicroelectronics sites and the two groups are conducting joint research projects. All these initiatives show that the Electronics activity is based not only on supplying gases, but also on the know-how of its teams, which allow the Group to differentiate itself in a very competitive market.

Gases and molecules

Ultra-pure nitrogen, oxygen and hydrogen are used in fabs to carry the materials that are part of the chips' composition. Called "carrier gases", they are also used to create the controlled atmospheres critical to the engraving phase and for the deposit of components on the silicon wafers. Finally, they contribute to processes which clean the semiconductors.

Specialty gases like silane, ammonia and tungsten hexafluoride are used directly in chip and flat panel display manufacturing processes. Flat panel displays in particular consume very large quantities of these gases. There has been a strong increase in demand and in response, the Jumbo offering provides an especially well-adapted solution.

In their constant race toward miniaturization, semiconductor manufacturers use new processes that required custom-made molecules. The ALOHA range, which encompasses molecules called "advanced precursors" developed by Air Liquide



researchers, meets this need and gives the customer very high added value. In 2007, this high-tech offer included 15 different molecules. Among recent success stories is the ZyALD molecule, which is used to make memory chips of 32 nm (millionths of a millimeter). This molecule enables a zirconium oxide film to be deposited on the chip's surface, at high temperatures and with extreme precision.

Know-how

To complete its global offering, Air Liquide manufactures and installs equipment to distribute fluids in the "fabs". To better meet strong demand in Asia and to be close to its customers, the Group invested in a new manufacturing site in Taiwan.

Service is a fundamental part of the Electronics offer: 1,000 people, more than a third of the activity's headcount, are totally integrated into customers' teams. They handle the complete management of fluid use in the fabs and provide many complementary services, especially in analytical expertise (see box).

New filling center in Japan

The demand for electronics specialty gases is rising constantly, driven by the growth of semiconductor and flat panel display manufacturing, and the solar panel industry.

To adequately meet the needs of these sectors, Air Liquide has invested in a new filling center, the third one in Japan. By doing so, it has reinforced the reliability of supply and its logistical efficiency. This new center will be dedicated to silane filling, as well as high value-added molecules, thus enabling it to respond to future needs.

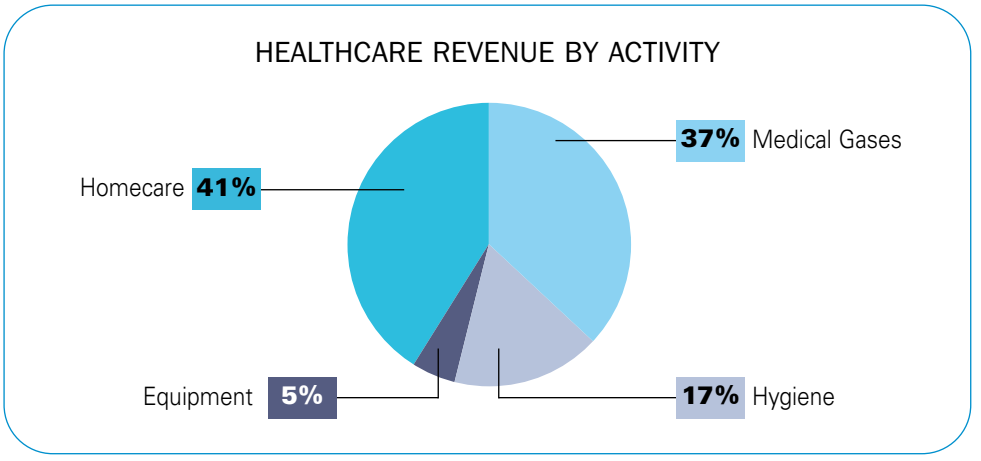
Japan accounts for 40% of the total sales of the Electronics World Business Line and fulfills an important role as a technological platform serving the other countries in the Asian region in a worldwide market.

Japan Air Gases (100%-owned subsidiary of Air Liquide) is dedicated to supplying the Japanese market with industrial and medical gases and associated services.

HEALTHCARE

IMPROVING PEOPLE'S QUALITY OF LIFE

PRIOR TO 1980, THE GROUP'S INVOLVEMENT IN HEALTHCARE CONSISTED MAINLY OF SUPPLYING HOSPITALS WITH OXYGEN. TODAY, AIR LIQUIDE PLAYS A CRITICAL ROLE IN IMPROVING THE QUALITY OF LIFE FOR HUNDREDS OF THOUSANDS OF PEOPLE THROUGHOUT THE WORLD, ASSISTING BOTH IN THE TREATMENT OF "ACUTE" CASES IN THE HOSPITAL AND "CHRONIC" CONDITIONS IN THE PATIENT'S OWN HOME. THAT'S SIGNIFICANT PROGRESS IN JUST 30 YEARS!



1,592 MILLION EUROS REVENUE
or 16% of Gas and Related Services revenue

+8.7% GROWTH IN 2007

It was in the 1980s that homecare, a new activity, first emerged in Europe. It was during the following decade, the 1990s, that Air Liquide set up a dedicated business line and began its development beyond Europe, notably in Canada and Australia. It also added a medical hygiene business to complement its portfolio. In recent times, Air Liquide has consolidated its European base, increased investment in research, and set off to conquer emerging markets…

NEEDS WITHOUT BORDERS

Thanks to acquisitions made in 2007, Air Liquide has strengthened its leading position in homecare. In Germany, the successful integration of five homecare companies has made the Group no. 1 in the sector, with a country-wide presence. Successive acquisitions of Linde UK and Allied Respiratory have moved the Group into second place in the British homecare market.

Air Liquide is also positioning itself in emerging markets: in July 2007, the acquisition of Celki, an important player in the Hong Kong homecare market, gave the Group a strategic entry point into southern China. In this region, rises in living standards, an aging population, and the proliferation of pollution-related respiratory ailments have increased the demand for homecare to significant levels.
To remain competitive in regulated markets that are characterized by complex reimbursement systems and strong price pressures, Air Liquide continues to focus on the patients' needs and the efficiency of its teams. As it moves into these new regions, Air Liquide can take full advantage of all its best practices, enabling it to optimize logistics and purchasing strategies.

INNOVATION: MAKING LIFE MORE COMFORTABLE

Air Liquide devotes increasing resources to research and innovation in Healthcare, which is of major importance to the Group. Much research is focused on developing new therapeutic applications for gases, more efficient medical respiratory equipment, and special packaging for gases. In hygiene, the focus is on strategies to combat infection risks. The Group is particularly attentive to the patients' experience of their home-based treatment, a factor which helps to reduce "relapses" (or "exacerbations").

Highlights in 2007 include the launch of LENOXe™, the treatment of Parkinson's patients in France, and the resounding success of alcohol-based antiseptics to combat infections spread by hand contact.

AT THE HOSPITAL: EXCELLENCE AT EVERY LEVEL

The expertise of the Group's Healthcare World Business Line goes to work for patients in emergency rooms, intensive care units and operating theatres, and has made Air Liquide an important provider to hospitals throughout the world.
Medical oxygen and medicinal nitrous oxide (a widely-used anesthetic) are always within reach when patients' lives are at stake. These and other medical gases are subject to very strict pharmaceutical regulations and the Group has developed very high levels of expertise in production and distribution. Air Liquide's involvement is not limited to the supply of gases: it also supplies the medical respiratory equipment necessary for administering them. Its subsidiaries Taema and Markos Mefar develop distribution systems for medical gases, equipment for anesthetics and resuscitation, and aerosol therapy devices.
In addition, liquid nitrogen is increasingly being used as a preserving cryogenic agent in hospital organ and tissue banks.
Clinical research, conducted in partnership with world-renowned physicians, allows Air Liquide to

develop new indications for gases. In 2007, LENOXe™ received marketing authorization in 12 European countries. This anesthetic provides better blood pressure stability during surgical procedures and allows a much faster patient recovery. The purpose-built FELIX DUAL machine ensures that it is administered under the best conditions. The Group continues to develop its analgesic gas KALINOX™, widely used in emergency rooms, and KINOX™, employed in intensive care, especially pediatric. Marketing authorization requests for these products continue to be filed in various markets, particularly outside Europe.

Finally, Air Liquide continues to increase its expertise in hospital disinfection. The European leader through its subsidiaries Schülke & Mayr and Anios, Air Liquide contributes to patient safety at the hospital with disinfectant and antiseptic products, and related services. The Group's experts work closely with hospitals to help them reduce the risk of nosocomial infections and contamination. They can also be mobilized rapidly in the event of large-scale emergencies or epidemics.

AT HOME: BOOSTING WELL-BEING EVERY DAY

Beyond the hospital environment, Air Liquide works closely with patients suffering from chronic diseases (respiratory ailments, diabetes, blood diseases, etc.) in the privacy and comfort of their home, under optimal hygienic conditions.

Respectful of patients' well-being, this treatment method improves long-term management of their health. Less onerous than hospitalization, homecare is finding favor with an increasing number of governments faced with aging populations and increasing incidence of respiratory ailments. Homecare includes the supply of oxygen, special respiratory equipment that is simple enough for patients to use at home, insulin drips for diabetics, equipment for intravenous treatments, and nutritional assistance services.

HOMECARE

In Europe, more than a million patients receive home-based treatment for respiratory ailments, including sleep apnea.

Air Liquide has also developed services for other chronic pathologies, such as diabetes, which it treats in France.

Such treatments are increasing and are complementary to hospital-based treatments. They enable a better quality of life for the patient, as well as lower costs for the government concerned.

Xenon, the innovative anesthetic

Xenon is a colorless and odorless rare gas, present in very small quantities in the air. Its first therapeutic effects were observed in 1951. Since 1998, many pharmacological, toxicological and clinical studies carried out in Europe have demonstrated that the properties of this gas make it a particularly effective anesthetic. Providing a powerful analgesic effect, it is administered via the patient's respiratory tract. It does not affect the metabolism, enabling the patient to recover more easily and quickly. In addition, its secondary effects are minimal. These factors make it particularly attractive for long anesthetic procedures.

Air Liquide obtained the first marketing authorization for xenon for Germany in 2005. In March 2007, LENOXe™, a xenon-based anesthetic, received marketing authorization in 12 European countries, making it the Group's first "therapeutic gas" to be registered using a European procedure. Its first use in a hospital occurred in Germany in July 2007.

Air Liquide is continuing its research in order to expand the use of xenon to other patient populations and is studying its use in new fields, such as neuroprotection.

Air Liquide's homecare teams work under the international VitalAire brand (as well the Orkyn' brand in France and a few smaller national brands resulting from acquisitions). They are available 24/7 to guarantee uninterrupted treatment for over 300,000 patients worldwide – a number that should increase, especially following a series of acquisitions made in the course of 2007.

First moves into China

Air Liquide made its first healthcare acquisition in China during 2007, bringing Hong Kong-based Celki International on board.

With operations in southern China, this company will act as a platform for growth, enabling opportunities in the nascent Chinese homecare market to be identified and seized.

ENGINEERING AND CONSTRUCTION

THE STRENGTH BEHIND OUR PRODUCTION UNITS

THE ENGINEERING & CONSTRUCTION DIVISION DESIGNS, MANUFACTURES AND INSTALLS GAS PRODUCTION UNITS FOR THE GROUP AND ITS EXTERNAL CUSTOMERS. CENTRAL TO AIR LIQUIDE'S STRATEGY, THIS DIVISION PROVIDES ESSENTIAL SUPPORT FOR THE GROUP'S GROWTH, AS WELL AS THAT OF ITS CUSTOMERS WORLDWIDE.

831 MILLION EUROS REVENUE
or 7% of Group revenue

14 CENTERS THROUGHOUT THE WORLD (EUROPE, THE UNITED STATES, JAPAN, CHINA AND INDIA)
of which 4 are equipped with manufacturing workshops

2,800 EMPLOYEES

The range of gas production units designed and built by the Engineering & Construction division is extremely broad. Adsorption, permeation (membranes), cryogenics, Engineering & Construction's teams are constantly improving gas production technologies. They also offer services including training modules and the maintenance of installations.
However, these solutions alone will not guarantee sustainable growth for Air Liquide at a time when the worldwide market and customer needs are changing very rapidly. Air Liquide has therefore decided to invest heavily in its engineering capacity, to strengthen and extend the Group's history of technological independence and meet the market's new challenges more effectively. As a result, 2007 was a year of considerable change for Engineering & Construction. Here is an overview of the year's highlights…

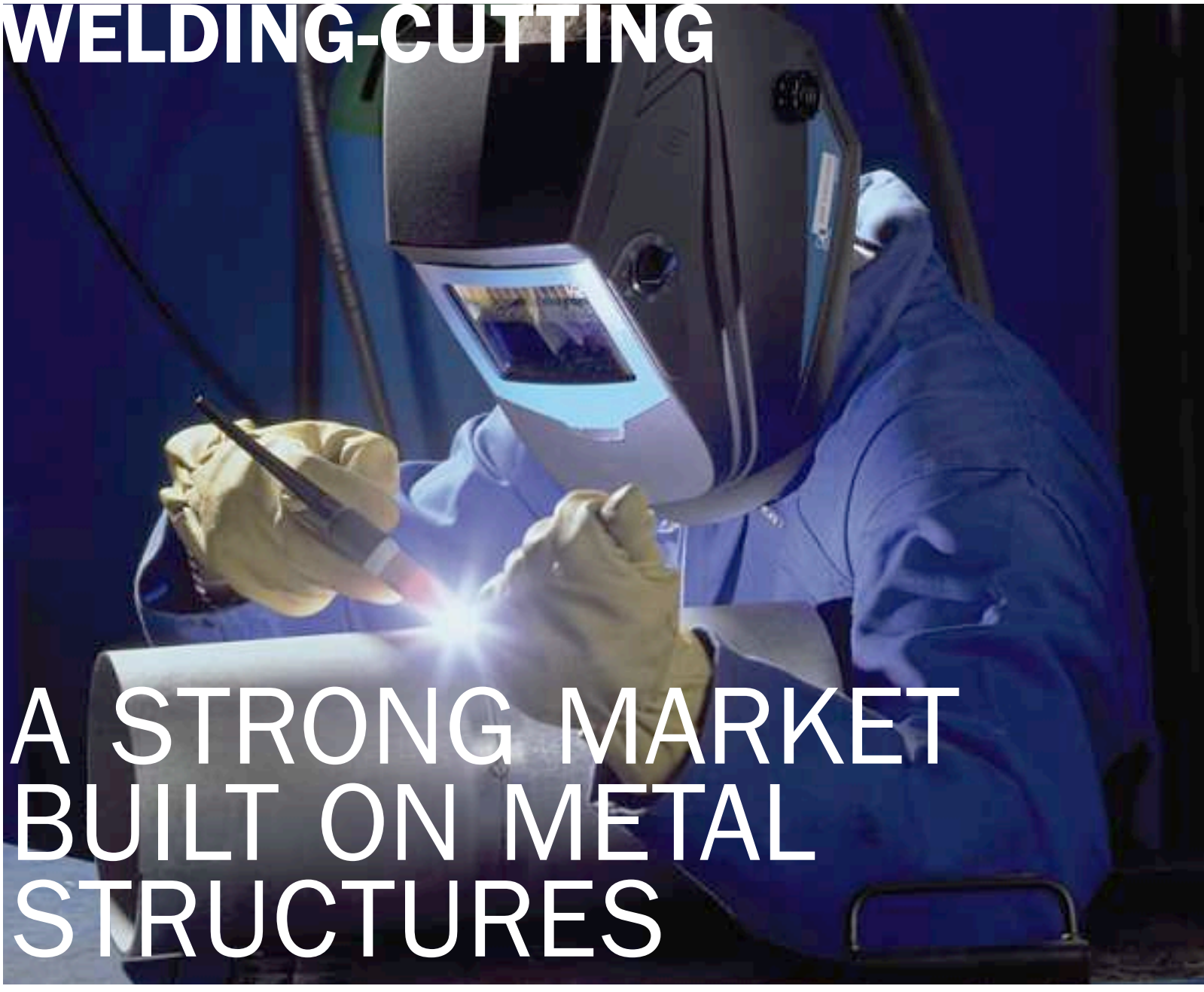
ACQUISITION OF LURGI: NEW MOMENTUM

In July 2007, the acquisition of German company Lurgi, a major actor in engineering worldwide, enabled the Group to pass a decisive milestone. First, Lurgi is established in countries (notably Germany, Poland, the United States, India and South Africa) that are complementary to Air Liquide's own geographic presence. Moreover, the company has a wealth of talent with nearly 1,300 employees and a broad range of expertise. With this successful integration, Air Liquide has doubled its engineering capacity and has considerably enriched its technology portfolio. This is particularly strategic and coherent, coming at a time when the Group is planning to double its investments over the next five years. In this context, it will be more important than ever for Air Liquide to have the support of more teams and more diversified skills.
In particular, Lurgi brings technological advances in the fields of biofuel (biodiesel and bioethanol) production, hydrogen production and gasification. Gasification involves transforming certain sources of energy, like coal, into synthesis gases, and then into electricity, biofuels (CTL, Coal to Liquid) or chemical products (CTC, Coal to Chemicals). This process, which requires large quantities of oxygen, will become increasingly important over the next 20 to 30 years owing to the depletion of oil reserves. Air Liquide is already involved in this gasification market through the sale of oxygen. With the arrival of Lurgi, one of the sector's international leaders, the technological side of this process has been brought into the Group, considerably strengthening Air Liquide's position.

STANDARDIZATION OF PRODUCTION UNITS: LOOKING TO THE EAST

Increasing its competitiveness and agility, Air Liquide has launched a standardization program with the goal of offering modular production units that are more compact, less expensive, faster to build and easier to transport. This program was designed and developed in the Hangzhou engineering center in China. Air Liquide will be able to offer a range of options tailored to customers' specific needs throughout the world. The Group is capitalizing on its presence in this particularly dynamic region: 2007 saw a doubling of the Hangzhou center's workforce, surface area and production capacity.
Air Liquide is also anticipating equipment needs by preordering the various components necessary (exchangers, compressors, valves, piping, spare parts and so on) in 12-unit batches. This preordering, combined with the standardization of its range of solutions, should enable Air Liquide to dramatically shorten the time needed to install its production units. As there is very strong demand for these solutions, the Group expects to see excellent returns on this large-scale investment in engineering.
At the same time, Air Liquide is setting up a worldwide team to supervise the installation of these standard production units in different countries.

WELDING-CUTTING



A STRONG MARKET BUILT ON METAL STRUCTURES

AIR LIQUIDE WELDING IS A WORLD LEADER IN WELDING AND METAL-CUTTING TECHNOLOGIES. AIR LIQUIDE WELDING CONSTANTLY INNOVATES IN THESE MARKETS, WHICH ARE GROWING IN BOTH MATURE AND EMERGING ECONOMIES.

598 MILLION EUROS REVENUE

+6.4% GROWTH IN 2007

The Group's welding and cutting activities are brought together within Air Liquide Welding, which designs, manufactures and markets equipment (welding stations, metal cutting machines and so on) and consumables (flux-cored wire, coated electrodes, flux, etc.). Air Liquide Welding relies on an international presence with 5 brand names. Two of them are for industrial markets: SAF-FRO and Oerlikon. The third, Cemont, is for the semi-professional market (mechanics, plumbers, craftsmen). The fourth, Weldline, addresses the welder's environment (gloves, individual protection, etc.). The last, Weldteam, is aimed at the general public.

Air Liquide Welding has reorganized its offer and rationalized product outlets. The resulting organization is supported by a single information system.

In terms of international presence, the subsidiary generates 90% of its revenue in Europe. Air Liquide Welding also has sales offices outside Europe (notably in China, South America and the United Arab Emirates) and an equipment plant in Hangzhou (China).

The welding activity is achieving sustained growth, in particular due to the dynamic environment in the international transportation and energy sectors. In energy, for example, welding is indispensable for building metal infrastructures such as onshore and offshore platforms, pipelines to transport natural gas and oil, and structures like hydraulic and wind turbines. These structures use special steels to withstand the harsh conditions they are subject to (seawater corrosion, high pressure, extreme temperatures, etc.). Air Liquide Welding has developed a complete range of solutions to meet the specifications of these new materials. Strong demand in emerging countries is also an important growth factor for Air Liquide Welding, in Eastern Europe as well as in Asia and Latin America.

Another important market trend: customers are always looking to increase productivity. To this end, automated welding and cutting solutions developed by Air Liquide Welding are attracting a growing number of customers, as are new consumables like flux-cored wire that accelerate welding speed. Finally, more and more customers are struggling to find qualified welders. To help them overcome this problem, Air Liquide Welding has developed technologies that simplify the use of equipment and machines, notably through "smart" interfaces.

Among 2007's highlights, to help it meet customer demand, Air Liquide Welding announced new investments in production units for welding consumables. These investments, totaling about five million euros, are earmarked for the Cittadella (Italy) flux-cored wire production entity and the flux production site for submerged arc welding in Eisenberg (Germany). Since mid-2007, production capacity at Cittadella has increased by a third, while Eisenberg's should rise by 65% from January 2008.

TWO LARGE-SCALE PROJECTS IN CHINA

In 2007, Shanghai Electric Group, a major Chinese electricity company, chose Air Liquide Welding to supply the welding consumables needed for two large construction sites: a nuclear energy plant and a coal gasification unit. To meet the particularly high strength and quality requirements for such welds, Air Liquide Welding specialists worked with the customer's engineers to adapt certain types of products. Coated electrodes and welding flux were also delivered in vacuum packaging, an innovative method that makes it possible to keep these products for five years without risk of deterioration.

RELATED ACTIVITIES

GASES IN MANY DIFFERENT STATES

AIR LIQUIDE HAS EXTENDED ITS EXPERTISE IN THE GAS BUSINESS TO INCLUDE A NUMBER OF COMPLEMENTARY ACTIVITIES. AERONAUTICS AND SPACE, CRYOGENIC SYSTEMS, SPECIALTY CHEMICALS, DIVING EQUIPMENT: THE GROUP APPLIES ITS INNOVATION STRATEGY TO THESE FIELDS TOO.

AERONAUTICS AND SPACE

Between sky and space

Aeronautics is a major activity of Air Liquide's Advanced Technologies Division (DTA). DTA has developed onboard oxygen (OBOGS) and nitrogen (OBIGGS) generating systems that have contributed to air transportation safety for the last 20 years. For example, OBOGS supplies oxygen masks for the European transport aircraft Airbus A400M, while OBIGGS is used for fuel tank inerting. Contracts won in 2007, especially in Spain, Italy, Germany, the United Kingdom, India and the United States, are clear proof of DTA's growing success.

Aiming even higher, Air Liquide accompanied the first steps of the European space adventure. This experience has continued and now involves a number of Group entities. Cryospace (55% owned by Air Liquide) builds hydrogen and oxygen tanks for the Airane rocket's main stage and the hydrogen tank for its upper stage. DTA manufactures oxygen tanks for the upper stage and liquid helium sub-systems that pressurize the main oxygen tank. In 2007, DTA practically doubled its production rhythm to keep pace with the increased number of Ariane 5 launches. Air Liquide also supplies the Kourou (French Guiana) Space Center with all the fluids and services needed for the Ariane launches.

Again for space, Air Liquide designed MELFI, a cryogenic refrigerator that was installed onboard the International Space Station in July 2006. It preserves samples at up to -95°C before their return to earth. DTA has also delivered cooling systems with infrared detectors, to be carried onboard Planck and Herschel, two European observation satellites that will be launched in 2008. Planck will literally become the coolest thing in space!

CRYOGENICS

Reproducing the Big Bang with helium's help

Many scientific and technical fields call on the cryogenic solutions Air Liquide has developed. These solutions mainly use helium, hydrogen and nitrogen. Among other things, extreme cold makes it possible to expand current knowledge about the state of matter. One example of an application: at the end of 2006, Air Liquide delivered to CERN (European Center for Nuclear Research), near Geneva in Switzerland, an immense liquid helium distribution system that completes previously installed liquefaction and cooling systems. This equipment is used in a particle accelerator capable of producing magnetic fields 100,000 more intense than the earth's. In 2008, the first particle beam will be activated, recreating the extreme conditions of the Big Bang and increasing our knowledge of the origin of the universe.

Discovering the origin of matter, validating theories on the universe: these are the objectives of CERN's LHC (Large Hadron Collider) and of the Planck satellite.

Air Liquide is a common denominator of these extraordinary cosmological projects, both of which will be up and running at the end of 2008, confirming the Group's capacity to successfully meet major technological challenges!

SPECIALTY CHEMICALS

Ingredients for the cosmetics and pharmaceutical industries

Chemical specialties and biological products with high added-value for the cosmetics and pharmaceutical sectors and for special industrial applications make up the wide range designed and manufactured by Air Liquide's subsidiary SEPPIC. Among the world leaders in this sector, SEPPIC has a strong innovation policy and is expanding rapidly, especially in Asia and Latin America. The main growth drivers are cosmetics ingredients and animal vaccine adjuvants. Due to strong demand for these adjuvants, SEPPIC built a new plant in Shanghai, the first outside Europe for this subsidiary. Adjuvants destined for therapeutic human vaccines are currently undergoing clinical trials.

To serve its pharmaceutical customers, SEPPIC has launched a new range of capsule coating products and has started construction of a new excipient manufacturing unit in Castres, in the south of France. In addition to studying human vaccine adjuvants, SEPPIC has also innovated in cosmetics, with the development of active ingredients for slimming products that are used by major laboratories.

To help its customers develop their new products, technical assistance and training teams have been set up in France, China and the United States. A customer training center was inaugurated at the new Air Liquide research center in Delaware (United States), while research teams elsewhere have also been strengthened.

DIVING

Focus on snorkeling and swimming

The world's leading diving equipment manufacturer, Air Liquide's Aqua Lung International subsidiary designs equipment for competitive, recreational, military and professional diving, and swimming. Aqua Lung relies on an efficient distribution network of about a dozen entities in Europe, North America and Japan, and around 50 distributors in other regions.

As well as enjoying success in its core business – such as the recent equipping of the French Navy in gas recycling respiratory devices – Aqua Lung has diversified. The subsidiary is banking on swimming and snorkeling to attract new customers, through its brands Aqua Sphere (goggles and other swimming accessories) and Aqua Lung Sport. In the military sector, Aqua Lung strengthened its market share with "Aviation Life Support Equipment" through the acquisition in 2006 of a mid-sized American company that produces emergency breathing equipment and life jackets for helicopter pilots and crews.

In 2007, over half of Aqua Lung International's sales were in the recreational diving sector and a third were in swimming and snorkeling. Its revenue in every sector has increased, reinforcing the subsidiary's leadership position.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Year ended December 31

In millions of euros	2006	2007
Revenue	**10,948.7**	**11,801.2**
Purchases	(4,240.6)	(4,547.9)
Personnel expenses	(1,939.5)	(2,037.8)
Other income & expenses	(2,201.2)	(2,485.5)
Operating Income Recurring before depreciation and amortization	**2,567.4**	**2,730.0**
Depreciation and amortization expense	(908.2)	(935.9)
Operating Income Recurring	**1,659.2**	**1,794.1**
Other non-recurring operating expenses	2.6	(5.3)
Operating Income	**1,661.8**	**1,788.8**
Net finance costs	(155.4)	(179.4)
Other net financial expenses	(42.2)	(54.3)
Income taxes	(419.8)	(411.8)
Share of profit of associates	27.7	26.7
Net profit from discontinued operations	–	–
Profit for the period	**1,072.1**	**1,170.0**
• Minority interests	69.8	46.9
• Net profit (Group share)	1,002.3	1,123.1
Basic earnings per share (in euros)	**4.17**	**4.69**
Diluted earnings per share (in euros)	**4.14**	**4.66**

CONSOLIDATED BALANCE SHEET (summarized)

Year ended December 31

In millions of euros	2006	2007
ASSETS		
Goodwill	2,614.7	3,642.7
Intangible assets and property, plant and equipment	8,358.9	9,098.2
Other non-current assets	814.2	718.5
Total non-current assets	**11,787.8**	**13,459.4**
Inventories and work in progress	694.3	795.9
Trade receivables and other current assets	2,883.2	3,240.0
Cash and cash equivalents including fair value of derivatives (assets)	930.0	796.4
Total current assets	**4,507.5**	**4,832.3**
Total assets	**16,295.3**	**18,291.7**

In millions of euros	2006	2007
EQUITY AND LIABILITIES		
Shareholders' equity	6,285.8	6,328.3
Minority interests	281.0	148.1
Total equity	**6,566.8**	**6,476.4**
Provisions, employee benefit commitments & deferred tax liabilities	2,635.6	2,755.6
Non-current borrowings	3,674.9	4,992.7
Other non-current liabilities	160.0	163.0
Total non-current liabilities	**6,470.5**	**7,911.3**
Provisions and employee benefit commitments	122.9	168.9
Trade payables and other current liabilities	2,438.8	3,304.9
Current borrowings including fair value of derivatives (liabilities)	696.3	430.2
Total current liabilities	**3,258.0**	**3,904.0**
Total equity and liabilities	**16,295.3**	**18,291.7**

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended December 31

In millions of euros	2006	2007
Cash flow from operating activities before changes in working capital	**1,889.3**	**2,054.4**
Changes in working capital	(108.8)	93.6
Other	(13.8)	(45.9)
Net cash from operating activities	**1,766.7**	**2,102.1**
Purchases of property, plant & equipment and intangible assets	(1,128.2)	(1,359.3)
Acquisition of subsidiaries and financial assets	(72.3)	(1,308.2)
Proceeds from sale of property, plant & equipment, intangible and financial assets	104.8	199.8
Proceeds from sale of divested activities	–	–
Net cash used in investing activities	**(1,095.7)**	**(2,467.7)**
Dividends paid		
• L'Air Liquide SA	(432.0)	(496.9)
• Minority interests	(47.1)	(33.3)
Proceeds from issues of share capital	108.1	91.4
Purchase of treasury shares	(131.1)	(533.9)
Increase (decrease) in borrowings	64.2	1,111.3
Net cash used in financing activities	**(437.9)**	**138.6**
Effect of exchange rate changes and change in scope of consolidation	28.5	59.9
Net increase (decrease) in cash and cash equivalents	**261.6**	**(167.1)**
Net cash and cash equivalents at the beginning of the period	**559.4**	**821.0**
Net cash and cash equivalents at the end of the period	**821.0**	**653.9**

STATEMENT OF CHANGES IN NET INDEBTEDNESS

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

glossAry

BUSINESS GLOSSARY

Adsorption

Retention of gas molecules on the surface of a solid, called an adsorbent. This process is used in gas separation and purification.

Advanced precursors

The introduction of new elements such as tantalum and hafnium in semiconductor manufacturing enables increasingly small and more powerful chips to be produced. To integrate these elements into the latest generation of chips, Air Liquide provides its customers with new molecules, called advanced precursors. They are generally in a liquid state and add the required active element to silicon wafers.

Aerosol therapy

Treatment by inhalation of medications in the form of very fine particles mixed with a breathable gas.

Carrier gases

Carrier gases (nitrogen, oxygen, hydrogen, etc.) are used to transport and dilute process gases or to protect semiconductors from minute dust particles.

CERN

CERN is the European Organization for Nuclear Research. It is a laboratory where scientists explore the components of matter and the forces that provide its cohesion. It is located on either side of the French-Swiss border, near Geneva.

Chronic obstructive pulmonary disease

Patients with this ailment, also known as "smokers' disease", cannot breathe properly and have trouble oxygenating their organism.

CO_2

A mixture of carbon and oxygen, CO_2 is the chemical formula for carbon dioxide. It is produced when living beings breathe, and during combustion and fermentation. CO_2 is found in very small quantities in the atmosphere, about 0.035%. Its impact on the greenhouse gas effect is at the heart of one of the main environmental challenges.

Cogeneration

The simultaneous production of steam and electricity. Cogeneration enables more efficient use of primary energy and produces less air pollution, specifically fewer carbon dioxide (CO_2) emissions.

Cryoconservation

Conservation, mainly of organic products, at very low temperatures in cryogenic fluids such as liquid nitrogen.

Electronics specialty gases

Specialty gases (silane, arsine, etc.) or process gases are used in every stage of the wafer manufacturing process to create molecular-scale deposits.

Enteral nutrition

Enteral nutrition is the supply of nutriments to the digestive tract via a catheter to cover daily nutritional needs or to help prevent malnutrition.

Euro 5

European emission standards that set maximum levels for polluting emissions from vehicles. The increasingly strict Euro standards are applied to new vehicles.

Their objective is to limit air pollution from transportation. The Euro 0 standard was applied to new vehicles in 1988. The Euro 5 standard targets new vehicles to be sold in 2009.

Expert/Senior Expert/Fellow/Senior Fellow

The Group has created a formal recognition system for its technicians and engineers called the "Technical Career Ladder". This system has four expertise levels: Expert, Senior Expert, Fellow, Senior Fellow.

Fab

A plant that makes semiconductors.

Fuel cell

A device that combines a hydrocarbon or hydrogen with another element, usually oxygen, to produce electricity. A hydrogen fuel cell produces electricity and only discharges water.

Gas quenching

Traditional "quenching" consists of plunging metal parts into oil, after they have been heated to a high temperature, to modify their mechanical properties. The parts then have to be washed and the oil recycled. Gas quenching, which uses nitrogen, is an environmentally friendly alternative as it eliminates washing and recycling.

Greenhouse effect

Just like a greenhouse's glass structure, the atmosphere allows penetration of the sun's rays. When heated by these rays, the earth in turn emits infrared radiation, some of which passes back through the atmosphere. The rest is reflected back to the earth by "greenhouse" gases in the atmosphere. The main greenhouse gas is carbon dioxide (CO_2).

The infrared radiation that is sent back to the earth maintains the planet's surface temperature. More and more scientists believe that the current warming of the planet is probably due to the increase in the concentration of greenhouse gases in the atmosphere.

Know-AL

A program designed to mobilize experienced employees to be "lent" for up to six months to a Group subsidiary for a specific need.

Membrane

Through a phenomenon similar to the filtration of a liquid through a fabric, gas mixtures can be separated by filtration through a polymer-based membrane. This permeation process is often used to recover hydrogen from a refinery's waste gases.

NO_x

Nitrous oxides are among the pollutants that cause acid rain. They are found in motor vehicle emissions and are also produced during all high-temperature combustions that use air. Air is mainly composed of oxygen and nitrogen, which can recombine to form nitrous oxides.

Replacing air with oxygen prevents these oxides from forming by removing nitrogen from the equation.

On-site

Industrial or medical gas production unit installed on the customer's site and operated by Air Liquide.

Oxygen therapy

The treatment of chronic respiratory insufficiency by administering extra oxygen to the patient.

Plasma

A gaseous medium in an excited state. It is the fourth state of matter, after solid, liquid and gas. Plasma is produced when an electrical charge is set off in a gas at a very high temperature (several tens of thousands of degrees).

Rare gases

Rare gases are natural, inert products found in very small quantities in the air we breathe: argon (0.9% of air), neon (0.002%), krypton (0.0001%), xenon (0.00001%).

Sleep apnea

Sleep apnea occurs when respiration stops temporarily during sleep. It is one of the most frequent sleep problems and affects 2 to 4% of the adult population. Over 100,000 sufferers today are helped by Air Liquide equipment.

Steel with high elastic limit

Very high strength steel.

Surfactant

A surfactant is a chemical that can combine with both a fatty substance and water, enabling a wide range of fat-in-water mixtures to be produced. Soap is the most common surfactant. Surfactants have many applications in industry, cosmetics and healthcare.

Synthesis gas or syngas

A mixture produced by natural gas or naphtha (a petroleum byproduct) reformers.

It contains hydrogen, carbon monoxide and carbon dioxide in variable proportions depending on the process used. It generally cannot be used as such, but after being purified, hydrogen and/or carbon monoxide are produced. It is mainly used by the chemical and refining industries.

TGCM

TGCM (Total Gas and Chemical Management) is a service offer for gases and liquid chemicals, both upstream (procurement, quality control, measurements, maintenance) and downstream (gas and waste recycling) of semiconductor production.

TGM

TGM (Total Gas Management) is a service identical to TGCM, but only for gas products.

Wafer

A slice of silicon cut from a silicon ingot with a diameter of 150, 200 or 300 mm and used as a semiconductor base.

FINANCIAL GLOSSARY

Adjusted price

Share price adjusted to take account of changes in capital (issue of new shares, share split, etc). The adjusted share price is used to produce meaningful comparisons of price changes over time.

Basic earnings per share (EPS)

Consolidated Net Profit divided by the number of shares in circulation.

Bond

Tradable security issued by a public or private company, a group or a government. Bonds carry fixed interest for a specific period and are redeemable on maturity.

Bonus dividend

Dividend increased by a maximum of 10%, granted to loyal shareholders for all direct shares held continuously for more than two calendar years.

Bonus share allocation

Transaction by which a company issues new shares at no cost to shareholders in proportion to the number of shares already held. Air Liquide has allocated bonus shares on a regular basis.

CAC 40

Stock market index, weighted by the free float, which tracks the 40 most actively traded stocks on the Euronext regulated markets in Paris. Inclusion is based on size and liquidity criteria.

Capital employed

Financial resources used by a company to develop its business. It is the sum of equity, minority interests and net debt.

Capital gain

Gain realized on the sale of a security, that is, the difference between its sale price and its original purchase price, or book value.

Cash flow

Cash generated by a company's operations. It is either reinvested or distributed to shareholders (dividends). Cash flow corresponds roughly to after-tax earnings plus depreciation and amortization, less minority interests.

Custody account fees

Fees charged by a financial intermediary for maintaining share records. They generally represent a percentage of the portfolio or a set fee per line of shares held. Air Liquide's Shareholder Services provides this service free of charge for shares held in a direct registered account.

Deferred settlement service (SRD)

Service available for the most traded stocks through which settlement for orders or delivery of shares is deferred to the last trading day of the month. Air Liquide shares are eligible for this service.

Dividend

The part of the company's Net Profit that is distributed to shareholders. Shareholders determine the dividend at the Annual General Meeting of Shareholders after approval of the financial statements and the allocation of earnings proposed by the Board of Directors.

Euronext Paris

Name of the firm which organizes, manages and develops the securities market, and acts as market regulator (financial transactions, monitoring of companies listed on the stock market) with the delegated authority of France's Financial Markets Authority.

Euro stoxx 50

Stock exchange index composed of 50 of the highest capitalizations and most actively traded stocks listed in the Eurozone.

Fractional right

Part of a share that cannot be distributed in the case of a bonus share allocation or subscription where the number of shares held is not a multiple of the transaction. Example: in a 1 for 10 bonus share allocation, a shareholder holding 125 shares is allocated 12 new shares and 5 fractional rights (i.e., the equivalent of half a share).

Free float

The part of a company's capital in public ownership and tradable on the stock markets. The higher the free float, the greater the liquidity of the shares. 100% of Air Liquide's capital is floated.

Free grants of shares

Means of remuneration that grants free shares of a company to all the employees or a specific employee category. The employee only becomes the owner of the shares after a given acquisition period and according to the plan's conditions. The employee must then keep his/her shares for a blocked period defined by the allocation plan. The shares may only be sold after a minimum period of 4 years.

French Financial Market Authority (AMF)

It governs and oversees the conduct and professional ethics of the markets and protects the interests of investors and shareholders.

Goodwill

Difference between the purchase price of a company and its net tangible assets on the day of the acquisition.

IFRS (International Financial Reporting Standard)

Put into effect on January 1, 2005 to facilitate the comparison of companies' financial statements.

Investment club (in France)

Group of 5 to 20 individuals that jointly manages a securities portfolio by making regular payments and sharing the resulting income and capital gains.

ISIN code (International Securities Identification Number)

Code used to identify financial products quoted on the spot market on the stock exchanges (Air Liquide ISIN code: FR00000120073).

Liquidity

Ratio of the volume of shares traded over the total number of shares in circulation.

Market capitalization

A company's market value equal, at any given time, to the quoted share price multiplied by the number of shares in circulation.

Market sheet

The market sheet presents all the buy and sell orders for a share, as well as the latest orders executed. Investors can only have access to the five best offers (sales) and the five best demands (purchases).

Net Profit

Profit or loss made by a company. It is calculated by adding operating income recurring, other non-recurring operating expenses, net finance costs, other net financial expenses, share of profit of associates, profit (loss) from discontinued operations, and then subtracting taxes and minority interests.

OPCVM (pooled investment funds)

A savings product that makes it possible to hold part of a collective security portfolio handled by a professional, such as a SICAV (open-ended investment company) or FCP (mutual fund).

Operating income recurring

Annual sales minus the cost of producing, distributing and selling products and the depreciation or amortization of capital expenditure. It indicates a company's ability to generate the margins necessary for its operation and growth.

Par value

The issue price of a share as defined in a company's Articles of Association. A company's total capital is the face value of the share multiplied by the number of shares in circulation.

PER (Price Earnings Ratio)

The ratio of the market price of a share over earnings per share. It is a measure of how many times the share price capitalizes earnings.

Preferential subscription right

Tradable right giving shareholders priority in subscribing to a number of new shares proportional to the number of shares already held, in the event of a share issue.

Quorum

Minimum percentage of shares with voting rights required to be present or represented for an Annual General Meeting of Shareholders to be validly constituted.

ROCE (Return On Capital Employed)

The ratio of Net Profit before interest expenses and after taxes over average capital employed. It reflects the net return on funds invested by shareholders and those loaned by banks and financial institutions.

ROE (Return On Equity)

The ratio of Net Profit over shareholders' equity. It represents the net return on money invested by shareholders.

Share

Tradable security representing a portion of the company's capital. The owner of a share, the shareholder, is a part-owner of the company and enjoys certain rights.

Share buyback

Transaction by which a company buys its own stock on the market, up to the limit of 10% of its capital. The transaction requires shareholder approval at the company's Annual General Meeting of Shareholders.

Shareholders' equity

The part of the company's capital belonging to its shareholders. It includes the value of issued shares, retained earnings and Net Profit for the financial year.

Stock option

A subscription option that offers the right to buy a company's shares, at a price set in advance, for a fixed period.

Stock split

Split of a share's par value to improve its liquidity. A stock split leads, in the same proportions, to a split in the share's market value and the multiplication of the number of shares comprising the capital.

Volatility

The degree of variation of a share over a given period. It is a risk indicator: the greater the volatility, the higher the risk.

Yield

Ratio of dividend per share over market price.

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L'Air Liquide

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