

Paris, February 15, 2011

Solid 2010 Performance

Strong increase in Sales and Net Profit

Investment cycle recovery

press release

Key figures

- Group revenue of € 13,488 million, up +12.6%
- Net profit of € 1,404 million, up +14.1%
- Proposed 2010 dividend of € 2.35 per share, up +11.4%

Highlights

- New production unit start-ups at a rate of two per month
- Expansion in Developing economies: new sites in Panama and Turkey, new contracts in India, China, Poland, Russia ...
- Acquisitions in Healthcare: Australia, South Korea, France
- Projects in Energy and Environment: Carbon Capture and Storage in the United States, hydrogen in Saudi Arabia

Air Liquide's Board of Directors, which met on February 14, 2011, adopted the 2010 financial statements which have been audited. A report with an unqualified opinion is in the process of being issued by the external Auditors.

2010 consolidated revenue amounts to € 13,488 million. The progressive recovery in Gas & Services, which increased +10.3% on a comparable basis, accelerated quarter-by-quarter in all regions, especially in the Developing economies (+29% on a comparable basis). Highlights of the year included strong growth in **Large Industries**, with a record number of start-ups and ramp-ups of new units; sustained performance in **Industrial Merchant**; confirmation of a rebound in **Electronics**; and solidity in **Healthcare**.

Net profit (Group share) posts an increase of +14.1%, above the Group's historical performance, and the **operating margin** reached 16.7%, up +40 basis points compared to 2009, in part due to continued efficiency gains totaling € 280 million for the year.

Net debt stands at € 5,039 million, down by € 183 million, at constant exchange rates, leading to a gearing ratio of 55%. **Return on capital employed** increased to 12.1%.

Commenting on the 2010 results, **Benoît Potier, Chairman and CEO of the Air Liquide Group**, stated:

"2010 highlights include the return to more sustained growth in all of our businesses and geographies, and stronger overall performance. The Group has expanded its positions in Developing economies, which represent 19% of Gas & Services sales for the year. This performance, together with our ongoing efficiency programs, led to further improvement in operating results and a strengthened balance sheet.

The recovery of the long-term investment cycle, as demonstrated by the signing of new contracts in all of our businesses, has led us to double the amount of our investment decisions compared to 2009, reaching € 2.2 billion. The new momentum is already established, spurred by the ALMA 2015 program, and supported by our five growth drivers (Energy, Environment, Developing economies, Health, High-Tech). This momentum will allow us to seize many growth opportunities and accelerate our long-term development.

In this context and assuming normal economic conditions, Air Liquide is confident in its ability to continue to generate steady growth of net profit in 2011."

At the next Annual General Meeting of Shareholders, **the Board of Directors** of Air Liquide will propose the payment of a dividend of **€ 2.35 per share**, an increase of +11.4%, taking into account the July 2010 free share attribution. The record date has been set for **May 11, 2011** and the payment date for **May 16, 2011**.

The Board also approved the draft resolutions to be submitted at the Annual General Meeting, and in particular the renewal, for a period of four years, of the terms of office, as Directors, of Mr. Gérard de La Martinière and of Mr. Cornelis van Lede, and the appointment as director of **Ms. Siân Herbert-Jones**, of British nationality, a trained chartered accountant and the Chief Financial Officer of the Sodexo group since 2001. Mrs. Siân Herbert-Jones will bring her financial expertise to the Board and her knowledge of the Service sector acquired in an international listed company. Furthermore, the Board set the compensation for the Executive officers for 2011: details will be published on the Air Liquide website.

Contacts

Corporate Communications

Anne Lechevranton
+33 (0)1 40 62 50 93
Corinne Estrade-Bordry
+ 33 (0)1 40 62 51 31

Investor Relations

Virginia Jeanson
+33 (0)1 40 62 57 37
Annie Fournier
+33 (0)1 40 62 57 18

Upcoming events

First quarter 2011 revenue

Tuesday April 26, 2011

Annual General Meeting of Shareholders

Wednesday May 4, 2011

First half revenue and results

Monday August 1, 2011

Air Liquide is the world leader in gases for industry, health and the environment, and is present in 80 countries with 43,600 employees. Oxygen, nitrogen, hydrogen and rare gases have been at the core of Air Liquide's activities since its creation in 1902. Using these molecules, Air Liquide continuously reinvents its business, anticipating the needs of current and future markets. The Group innovates to enable progress, to achieve dynamic growth and a consistent performance.

Innovative technologies that curb polluting emissions, lower industry's energy use, recover and reuse natural resources or develop the energies of tomorrow, such as hydrogen, biofuels or photovoltaic energy... Oxygen for hospitals, homecare, fighting nosocomial infections... Air Liquide combines many products and technologies to develop valuable applications and services not only for its customers but also for society.

A partner for the long term, Air Liquide relies on employee commitment, customer trust and shareholder support to pursue its vision of sustainable, competitive growth. The **diversity** of Air Liquide's teams, businesses, markets and geographic presence provides a solid and sustainable base for its development and strengthens its ability to push back its own limits, conquer new territories and build its future.

Air Liquide explores the best that air can offer to preserve life, staying true to its sustainable development approach. In 2010, the Group's revenues amounted to **€13.5 billion**, of which more than 80% were generated outside France. Air Liquide is listed on the Paris Euronext stock exchange (compartment A) and is a member of the CAC 40 and Dow Jones Euro Stoxx 50 indexes.

www.airliquide.com



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2010 performance

Due to the return to more sustained growth, a further improvement in operating performance and a recovery in the investment cycle, the Group achieved record levels in 2010 in terms of revenues and profits. This performance was due to the combination of strong growth in developing economies, many start-ups, the gradual yet steady recovery in advanced economies and efficiencies totaling 280 million euros. The new investment momentum was visible in an increase in both investment decisions and payments, based on confirmed growth drivers.

2010 KEY FIGURES

<i>In millions of euros</i>	2009	2010	2010/2009 published change	2010/2009 comparable change ^(a)
Total revenue	11,976	13,488	+ 12.6%	+ 7.0%
<i>of which Gas and Services</i>	10,192	11,886	+ 16.6%	+ 10.3%
Operating income recurring	1,949	2,252	+ 15.6%	
Operating income recurring as % of revenue	16.3%	16.7%	+ 40 bp	+ 50 bp ^(b)
Net profit (Group share)	1,230	1,404	+ 14.1%	
Net profit per share (<i>in euros</i>)	4.40 ^(c)	4.99	+ 13.4%	
Adjusted dividend per share (<i>in euros</i>)	2.11 ^(c)	2.35 ^(d)	+ 11.4%	
Cash flow from operating activities (before changes in working capital)	2,275	2,661	+ 17.0%	
Net capital expenditure ^(e)	1,440	1,738	+ 20.7%	
Net debt	4,891	5,039	+ 3.0%	- 3.7% ^(f)
Net debt to equity ratio	63%	55%		
Return On Capital Employed – ROCE after tax ^(g)	11.6%	12.1%		

(a) Excluding natural gas and exchange rate impacts

(b) Excluding the natural gas impact

(c) Adjusted for free share issues

(d) Subject to approval at the AGM on May 4, 2011.

(e) Including transactions with minority shareholders

(f) Excluding exchange rate impact

(g) Return On Capital Employed after tax: (net profit after tax before minority interests – financial income (expense) after taxes)/weighted average for the year of (shareholders' equity + minority interests + net indebtedness)

SUMMARY

Group revenue reached a record 13.5 billion euros. Gas and Services sales totaled 12 billion euros. Excluding exchange rate impacts and rising natural gas prices, Gas and Services sales were up +10.3% compared to 2009 and exceeded the 2008 pre-crisis level by almost +5%.

Group operating income recurring increased by +15.6% to 2,252 million euros, as a result of a further improvement in the operating margin which reached 16.7%, up 50 basis points excluding the natural gas impact.

Net profit (Group share) totaled 1,404 million euros, up +14.1% compared to 2009 and +10.5% excluding the exchange rate impact. Net profit per share amounted to 4.99 euros, up +13.4%.

The dividend per share to be submitted to the vote of the Annual General Meeting of May 4, 2011 is 2.35 euros, representing a 48.7 % pay-out ratio.

Cash flow from operating activities (before changes in working capital) amounted to 2,661 million euros, up +17.0%. Net capital expenditure rose by +20.7% to 1,738 million euros, thus returning close to pre-crisis levels. Net debt, which was heavily impacted by the appreciation of the yen and US dollar, increased by + 3.0%. Excluding exchange rate impact, net debt declined by -3.7%. Thus the debt to equity ratio fell significantly to 55%. Due to the improved operating performance and the contribution of several different asset optimization projects, return on capital employed (ROCE) was 12.1%, exceeding the original objective of between 11% and 12%.

2010 HIGHLIGHTS

For Air Liquide, 2010 was marked by a **return to more sustained growth**, a further **improvement in operating results** and a step-up in **capital expenditure**. Against a backdrop of gradual economic recovery, the Group was able to manage the end of the crisis and seize the increasing number of available growth opportunities, thus confirming the strength of its **five growth drivers**.

2010 was also marked by a sharp contrast between gradual recovery of advanced economies and the accelerated growth of developing economies. The year's investment decisions reflect this same contrast, with numerous decisions in developing economies stemming from the increase in customer capacities and the development of outsourcing, and a more limited number of decisions in advanced economies, focused on site takeovers and environmental trends.

In developing economies, 29% sales growth was underpinned by numerous start-ups, particularly in China, India, Singapore and Brazil. In addition, investment momentum accelerated in these regions. The Group signed a significant number of Large Industries contracts in developing economies. In particular, in **Saudi Arabia, the Group won the largest contract in its history**, totaling 450 million dollars, for the supply of hydrogen to the future refinery of Saudi Aramco in the Yanbu industrial basin. This project is significant as it is the first ever hydrogen outsourcing contract in this region and confirms the strategic advantage of Engineering and Construction expertise for the development of gas sales.

The Group actively pursued its investment policy in **China**. In Large Industries, in 2010, Air Liquide signed supply contracts with steel producers Bohai Steel in Tangshan, Jianbang in Linfen, Xilin Steel in Yichun, Dongbei Special Steel in Dalian and the chemical producer Tongmei Guangfa Chemical Industry in Datong. In the chemical, equipment sales for oxygen production units were recorded for chemical producers Yulin Energy and Chemical in the Yulin region and Shandong Hualu Hengsheng located in Dezhou. In Electronics, the Group recently signed a long-term contract with Nanjing CEC Panda LCD Technology Corporation for its new flat panel manufacturing plant located in the new Crystal Valley in Nanjing. The Engineering teams sold four large air separation units to chemical producers for the transformation of coal into chemicals. In **India**, Air Liquide signed an oxygen supply contract with steel producer Rashtriya Ispat Nigam Limited. In **Russia**, the Group strengthened its business relations with the steel producer Severstal and entered into a contract with RusVinyl which is outsourcing its gas supply for the first time. During the year, other projects started in Egypt, Qatar and Syria.

In addition to these substantial industrial investments, the Group invested in new liquid facilities and acquired several gas distribution companies in China, India, Poland, Panama and Turkey in order to develop its Industrial Merchant business.

In the advanced economies, the Group concluded several site takeovers in basins where it was already present. It acquired the Oxea syngas production plant in Germany, the utilities production units of Lion Copolymer in Louisiana as well as a hydrogen and carbon monoxide production unit in the Yeosu basin in South Korea. In all three cases, these new production units were connected to existing networks, therefore offering customers more reliable and flexible supply.

In the **Energy and Environment fields**, Air Liquide was chosen by the US *Department of Energy* to take part in a pilot project study, **FutureGen 2.0**, involving the conversion of a major electrical power plant from coal to oxy-combustion, thus facilitating the **capture and storage of CO₂**. In India, Air Liquide signed a research partnership with Tatva Renewable Energy in order to run telephone relays on fuel cells in regions with no access to an electricity network. In Canada, again in the hydrogen energy sector, Air Liquide won a contract to supply **the hydrogen, filling station and infrastructure** to power **Walmart's new fleet of fuel cell fork lift trucks** at its new distribution centre.

In **Health**, the Group pursued its acquisition strategy focused on the homecare sector. At the start of the year, it acquired **DinnoSanté**, a French company specializing in medico-technical services for the treatment of diabetes, and **Global Med**, a player in the treatment of sleep apnea in Brazil, **Snore Australia** which offers sleep apnea analysis services and **Medions Homecare**, the South Korean leader in home ventilation. In France, the Group obtained the extension to market the analgesic **Kalinox™** for better pain treatment outside of the hospital.

Finally, by signing new contracts in China, Malaysia, Taiwan, Japan and Italy, Air Liquide strengthened its position as leader in the supply of gas and precursors to **photovoltaic solar panel** manufacturers and confirmed its growth strategy based on **High Technologies**. The Group now supplies more than 120 photovoltaic solar cell producers worldwide, representing around 50% of the world's production capacity. In Japan, the Group supplied helium liquifiers to two Japanese universities.

In terms of financing, Air Liquide successfully carried out two **bond exchange offers** in June and October 2010 in order to refinance, under particularly favorable conditions, bonds amounting to 957 million euros with a 2012-2015 maturity that has now been extended to 2018-2020.

In 2010, the Air Liquide Foundation also continued its deployment with 33 additional projects financed during the year.

At the year-end, the Group announced its new ambition, its 2015 objectives and the launch of the **2015 ALMA program**.

2010 INCOME STATEMENT

Revenue

<i>In millions of euros</i>	2009	2010	2010/2009 published change	2010/2009 comparable change ^(a)
Gas and Services	10,192	11,886	+16.6%	+10.3%
Engineering and Construction	995	751	-24.5%	-27.0%
Other activities	789	851	+7.8%	+6.6%
TOTAL REVENUE	11,976	13,488	+12.6%	+7.0%

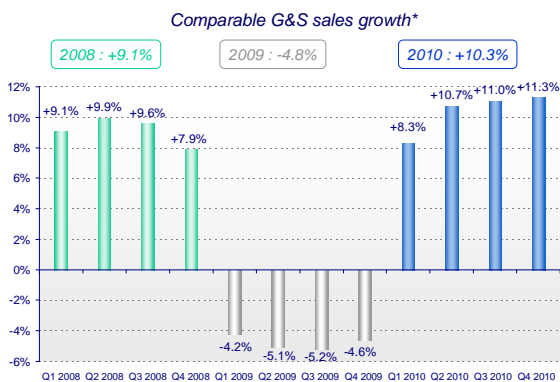
a) Excluding exchange rate and natural gas impacts.

UNLESS OTHERWISE STATED, THE CHANGES IN REVENUE OUTLINED BELOW ARE ALL BASED ON COMPARABLE DATA (EXCLUDING EXCHANGE RATE AND NATURAL GAS IMPACTS).

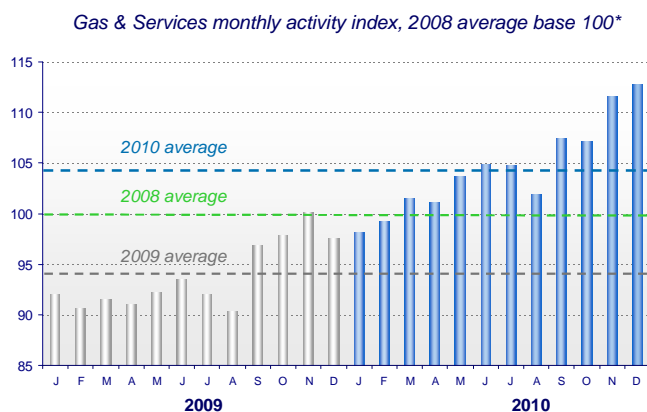
Group revenue totaled **13,488 million euros**, up +12.6% as published relative to 2009. **On a comparable basis**, it increased by **+7.0%**, year on year, excluding a positive exchange rate impact of +4.7%, or +566 million euros, and natural gas impact of +0.9%, or +110 million euros.

GAS AND SERVICES

Gas and Services revenue totaled **11,886 million euros**, up +16.6%. Positive exchange rate and natural gas impacts amounted to +5.2% and +1.1%, respectively. On a comparable basis, the increase amounted to +10.3% compared to 2009, and +5.0% compared to 2008. The turnaround in activity was gradually confirmed during the year, on a quarterly basis, with the second quarter of 2010 already exceeding the 2008 average.



* Comparable : excluding forex and nat gas



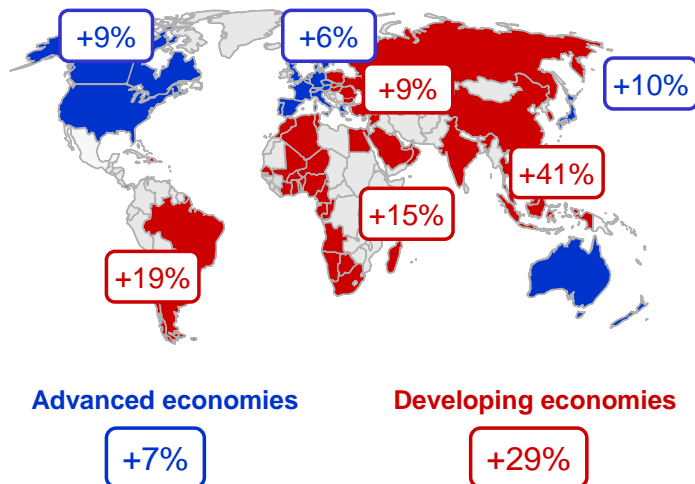
* Comparable revenue, adjusted for the number of days per month

This performance was attributable to:

- a +29% increase in sales in developing economies due to solid growth in demand and a significant number of plant start-ups,
- a +7% increase in sales in advanced economies where recovery was gradual,

The start-ups, ramp-ups, site takeovers and minor acquisitions contributed +4% Group sales during the year.

Comparable G&S sales growth
(2010 / 2009)



* Excluding forex and natural gas

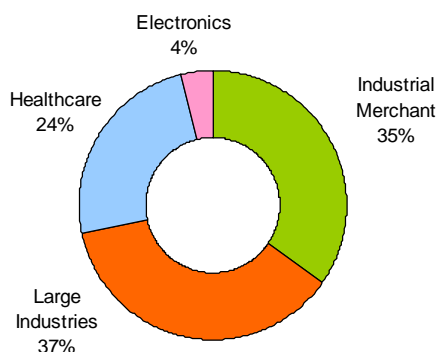
Revenue (In millions of euros)	2009	2010	2010/2009 published change	2010/2009 comparable change ^(a)
Europe	5,773	6,201	+7.4%	+5.9%
Americas	2,274	2,748	+20.9%	+10.3%
Asia-Pacific	1,909	2,644	+38.5%	+23.4%
Middle-East and Africa	236	293	+24.0%	+14.7%
Gas and Services	10,192	11,886	+16.6%	+10.3%
Industrial Merchant	4,277	4,753	+11.1%	+4.7%
Large Industries	3,219	4,019	+24.9%	+17.4%
Healthcare	1,824	1,937	+6.2%	+3.8%
Electronics	872	1,177	+35.0%	+25.3%

(a) Excluding exchange rate and natural gas impacts

Europe

Europe revenue totaled **6,201 million euros**, up **+5.9%**, with more significant growth in developing economies than in advanced economies. 2010 was marked by strong growth in Large Industries, boosted by start-ups, a site takeover and a substantial turnaround in Electronics. Growth by geography was more contrasted for Industrial Merchant.

EUROPE GAS AND SERVICES REVENUE



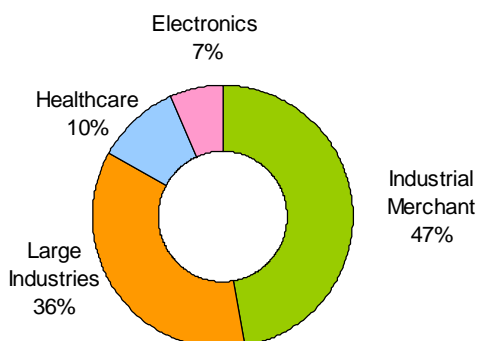
2010 revenue: 6,201 million euros

- **Large Industries** reported **+12.1% growth**, due to high levels of demand throughout the network, which improved quarter-on-quarter. It also benefited from the takeover of Oxea's synthesis gas production plant in Germany, two air gas plant start-ups, one in Italy for a steel producer and another in Poland for a customer in the chemicals industry. The demand for hydrogen for refining was steady throughout the year.
- **Industrial Merchant** sales remained stable on a comparable change basis (**-0.3%**), due to the predominant weight of advanced economies, where economic recovery was slower. Developing economies continued their double-digit growth. Liquid and cylinder sales trends were contrasted, with a progressive recovery in bulk sales and a cylinders activity stabilized at a low level, in advanced economies. Prices dropped slightly.
- **Healthcare**, covering mainly advanced economies, pursued its development. In 2010, growth totaled **+2.1%** for the full year, due to the widespread price pressures in the public sector public, and particularly an unfavorable comparison basis, relating to the exceptional sales of hygiene products in 2009 to curb the H1N1 flu pandemic. Excluding hygiene activity, Healthcare reported growth of **+4.8%**. Homecare continued to grow significantly (**+8.1%**), driven by the steady growth in demand and the initial contribution of DinnoHealthcare, a French player specializing in the treatment of diabetes at home, acquired in February. Medical gas sales increased at a slower rate, due to the absence of a winter epidemic and lower hospital attendance.
- **Electronics** revenue rose sharply by **+42.2%**. This performance was attributable to the sharp turnaround in the sector in 2010. Specialty gas sales, the consumption of which was in line with production levels in "fabs", increased substantially. The recovery of the investment cycle resulted in high sales of Equipment and Installations, particularly in the photovoltaic panel sector.

Americas

Gas and Services revenue in the Americas totaled **2,748 million euros**, up **+10.3%**. This performance was due to a solid turnaround in North America, particularly the United States, and sharp improvement in all activities in Latin America.

AMERICAS GAS AND SERVICES REVENUE



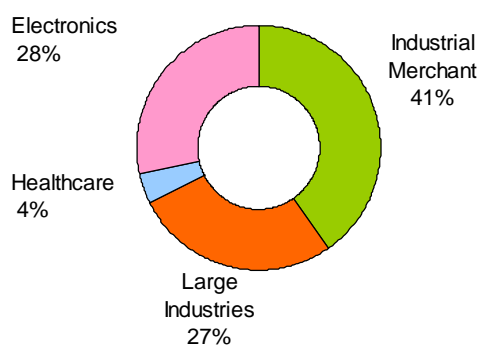
2010 revenue: 2,748 million euros

- **Large Industries** reported a **+14.2%** increase in sales, underpinned by the ramp-up of two hydrogen plants in the United States and Argentina, the start-up of an oxygen plant in Brazil and the takeover of steam units and other utilities in the Geismar basin network in Louisiana. The steady demand in the chemicals and refining sector in the Gulf of Mexico network resulted in an increase in hydrogen volumes by more than **+ 50%** in the United States. Due to the turnaround in the steel industry, oxygen volumes also increased, although at a slower rate, and despite a substantial slowdown in demand from the Canadian steel industry at the year-end.
- **Industrial Merchant** increased by **+6.3%** uniformly between North and South due to the solid recovery in demand in North America driven by a significant demand for bulk gases for drilling in Canada, and equipment sales. Demand remained steady in Latin America across all markets, particularly in the Food and Pharmaceuticals sectors. A slight increase was reported in the Cylinders and Rare Gas activity. Region-wide price increases offset the return of transport cost inflation.
- **Healthcare** revenue rose by **+13.9%** due to the steady growth of medical gases for hospitals and a significant rise in homecare in Latin America.
- **Electronics** reported **+13.9%** growth due to a turnaround in carrier and specialty gas sales in addition to significant Equipment and Installation sales following the construction of new fabs.

Asia-Pacific

Asia-Pacific revenue rose by **+23.4%** to reach **2,644 million euros**. Local demand increased substantially in all developing economies. The recovery in demand in the Electronics sector was as sudden as its decline in 2008. Nevertheless, industrial demand in Japan remained dull, despite the significant downturn reported in the previous year. 2010 was an exceptional year for the Group in China with eight start-ups in Large Industries and Electronics, the impact of the ramp-up of the units commissioned in the previous year, the sharp increase in Industrial Merchant facility load rates and the signing of numerous contracts in photovoltaics for Electronics. Finally, the Group also commissioned units in Singapore, India, Australia, Japan and Vietnam.

ASIA-PACIFIC GAS AND SERVICES REVENUE



2010 revenue: 2,644 million euros

- The rise in **Large Industries** revenue totaled **+46.4%**. Half of this increase was attributable to China, with six new start-ups in 2010 and the ramp-up of two plants started up in 2009. New air separation units also started up in India, Japan and Singapore. Air gas volumes doubled over the year. Hydrogen volumes also rose sharply due to the takeover of the synthesis gas distillation cold box in July in South Korea, and the start-up of a major hydrogen unit in Singapore in the fourth quarter.
- **Industrial Merchant** activity increased by **+13.7%** due to high demand and prices across the region, the sharp rise in the load rates of new facilities installed in the past several years, and a partial recovery in Japan. In China, the expansion of the offer continued with a significant increase in bulk and cylinder volumes, equipment sales and rapid take-off of rare gas sales in the Shanghai region.
- The **+23.3%** growth in **Electronics** was attributable to the turnaround in production and the investment cycle in semi-conductors, flat panels and the construction / start-up of new photovoltaic panel facilities, particularly in China. Specialty gas sales therefore rose by over a third and Equipment and Installation sales by more than +50%.

Middle East and Africa

Middle East and Africa revenue totaled **293 million euros**, up **+14.7%**, due to start-ups in Egypt. New bulk and cylinder distribution facilities, acquired in the Middle East, also resulted in commercial synergies in the Group's industrial basins.

ENGINEERING AND CONSTRUCTION

Engineering and Construction revenue totaled **751 million euros**. The **-27.0%** decline in sales results from the 2009 order intake that mainly comprised engineering studies. In 2010, orders increased sharply to reach 1.2 billion euros, thus regaining the pre-crisis level and reflecting the turnaround in the investment cycle and the continuation of major industrial projects in developing economies. A high full-year load rate is already guaranteed for 2011.

Orders in hand amounted to 4.1 billion euros at the end of December 2010.

OTHER ACTIVITIES

Revenue <i>(in millions of euros)</i>	2009	2010	2010/2009 published change	2010/2009 comparable change^(a)
Welding-Cutting	420	429	+2.0%	+1.1%
Specialty chemicals and Diving	369	422	+14.3%	+13.0%
TOTAL	789	851	+7.8%	+6.6%

(a) Comparable: excluding exchange rate impacts.

Other activities revenue totaled 851 million euros, up +7.8% compared to 2009.

Welding-Cutting revenue gradually stabilized over the year and regained growth as from the third quarter, ending the year at +1.1%, despite a sudden plunge in activity in 2009. Equipment sales, relating to the investment cycle, remained low, yet consumables increased slowly quarter-on-quarter, in line with the recovery of industrial activity in Europe.

The **Specialty Chemicals** activity (Seppic) recovered as from the first quarter of 2010, resulting in a +18.4% increase in sales for the year. **Diving** activities (Aqualung) reported sustained +5.3% growth for 2010, due to the development of highly innovative products.

Operating income recurring

Group operating income recurring (OIR) totaled **2,252 million euros** in 2010, up **+15.6%** compared to 2009, demonstrating once again positive leverage on revenue. The operating margin (OIR as a percentage of revenue) surpassed the 2009 record level by +40 basis points, amounting to 16.7%, i.e. **+50 basis points** excluding the negative impact of the rise in natural gas prices.

This performance was attributable to the positive impact arising from the growth of volumes, cost control and a further significant improvement in **efficiencies totaling 280 million euros**, which largely exceeded the year's target of 200 million euros. The combination of these three items helped to offset cost inflation and the virtual stability of prices at the Group level.

In 2010, efficiencies represented savings of 3.1% on the cost base. More than 50% of these savings was attributable to the reduction in energy consumption, the streamlining of logistics and numerous industrial optimization projects. A third is coming from procurement roll-out.

Operating income recurring before depreciation and amortization totaled 3,374 million euros, up **+13.7%**. Depreciation and amortization amounted to 1,122 million euros, up +10.0% reflecting the start-up of new entities.

Explanation of the natural gas impact

Natural gas is a raw material essential to the production of hydrogen and cogeneration units. All Large Industries hydrogen and cogeneration contracts have clauses indexing sales to the price of natural gas. Hence, when the price of natural gas varies, the price of hydrogen or steam for the customer varies according to indexation clauses.

When the price of natural gas increases, revenue and costs are inflated in a similar manner without impacting significantly the Operating income recurring. This mechanism has a negative effect on the operating margin.

Conversely, when the price of natural gas decreases, revenue and costs decrease, which has a positive effect on the operating margin.

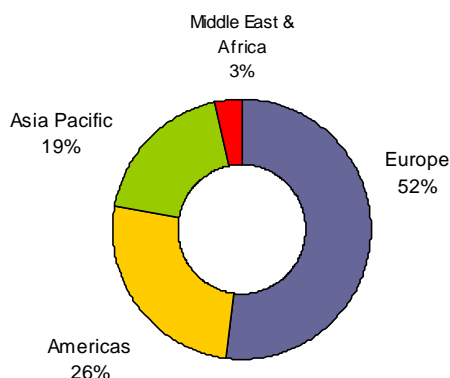
In both cases, the effects do not change the intrinsic profitability of the activity.

GAS AND SERVICES

Gas and Services operating income recurring totaled **2,281 million euros**, up **+14.4%**. The operating margin amounted to **19.2%**, down slightly by -40 basis points, and **-20 basis points** excluding the natural gas impact, relative to a record level in 2009. The stability of this high Gas and Services margin, despite the product mix effect in Large Industries, reflects a solid performance.

Efficiency gains, totaling 250 million euros for Gas and Services, offset the inflation in costs and the slight decline in prices.

GAS AND SERVICES OPERATING INCOME RECURRING BY GEOGRAPHICAL AREA



2010 operating income recurring: 2,281 million euros

2010 GAS AND SERVICES OPERATING MARGIN

Operating margin ^(a)	2009	2010
Europe	19.7%	19.1%
Americas	21.5%	21.5%
Asia-Pacific	15.9%	16.4%
Middle East and Africa	27.5%	25.0%
TOTAL	19.6%	19.2%

(a) Operating income recurring/revenue.

Europe operating income recurring totaled **1,183 million euros**, up **+4.1%**. The operating margin, excluding the natural gas impact, decreased by **-40 basis points**, thus marking the return to a standard Large Industries margin after a particularly high level in 2009.

Operating income recurring in the **Americas** totaled **590 million euros**, up **+20.7%**, in line with revenue. The operating margin, excluding the natural gas impact, rose by **+30 basis points**. The decline in the Large Industries margin was more than offset by the increase in the Industrial Merchant, Healthcare and Electronics margins.

In **Asia-Pacific**, operating income recurring totaled **434 million euros**, up **+42.7%**. The operating margin increased by **+60 basis points** excluding the natural gas impact, due to the growth of revenue and improved load rates in Industrial Merchant and Electronics. This positive impact was slightly attenuated by the numerous air separation unit start-ups.

Operating income recurring in the **Middle East and Africa** amounted to **73 million euros**, up **+12.8%**. Operating margin remained very high despite a **-250 basis point** decline, due to the ramp-up of Industrial Merchant activities.

Regarding estimated world business line operating margins, Industrial Merchant, Healthcare and Electronics operating margins rose by 1 point each to 17%, 19% and 13%, respectively. The Large Industries operating margin returned to a more normal level of 24%, given the prevailing product mix.

ENGINEERING AND CONSTRUCTION

Engineering and Construction Operating income recurring totaled **68 million euros**. **The operating margin reached 9.0%**, an increase compared to 2009 due to the solid work-load, and in the upper half of the targeted range.

OTHER ACTIVITIES

The Group's Other activities reported an operating income recurring of **81 million euros**, up **+88%**, mainly due to a sharp improvement in the profitability of the Welding-Cutting, and a return to growth in the Specialty Chemicals and Diving activities.

Research and Development and corporate costs totaled **177 million euros**, up slightly by **+4.1%**, as a result of an increase in research expenses, in order to maintain the growth momentum, and in corporate costs.

Net profit

Due to the high level of operating performance, **net profit (Group share)** rose by **+14.1%**, illustrating **strong positive leverage on sales**.

Other operating income and expenses amounted to 2 million euros. Other operating income mainly includes the amount received following the favourable outcome of litigation in 2010. Other operating charges include provisions for risks and, in particular, those related to litigations. In 2009, other operating income and expenses were related to a refund of the equalization charge paid previously and exceptional efficiency project costs.

Net finance costs increased slightly. The nominal increase results from exchange rate impacts. The average financing rate amounted to 4.9%, very close to that of the previous year. In 2009, other financial income and expenses were impacted by the recognition of interest on arrears related to the equalization charge receivable.

The **effective tax rate** amounted to **26.4%**. In 2009, the tax rate was at 24.9% due to the non-taxable character of the exceptional receivable.

Profit of associates totaled **27.8 million euros**, up 8 million euros compared to 2009 due to strong growth in profits of certain associate companies in Asia. **Minority interests** amounted to 54.5 million euros, down slightly due to the buy-out of minority interests during the year and the decline in Hygiene sales in France.

Overall, **net profit (Group share)** totaled **1,404 million euros** in 2010, up **+14.1%**, up +10.5% excluding the exchange rate impact.

Net profit per share amounted to 4.99 euros, up **+13.4%** compared to 2009, adjusted for the free share attribution in May 2010. The average number of outstanding shares used for the net profit per share calculation as of December 31, 2010 was 281,491,673.

CHANGES IN THE NUMBER OF SHARES

	2009	2010
Average number of outstanding shares ^(a)	261,495,542	281,491,673
<i>(a) Used to calculate net profit per share.</i>		
Number of shares as of December 31, 2009		264,254,354
Capital increase reserved for employees		712,958
Options exercised during the year		1,049,341
Free shares issued		18,078,440
Number of shares as of December 31, 2010		284,095,093

2010 CASH FLOW AND BALANCE SHEET

<i>In millions of euros</i>	2009	2010
Cash flow from operating activities before changes in working capital	2,275	2,661
Changes in working capital	165	(155)
Other	12	(86)
Net cash from operating activities	2,452	2,420
Dividends	(631)	(647)
Purchases of property, plant and equipment, intangible assets and long-term investments, net of disposals ^(a)	(1,440)	(1,738)
Increase in share capital	175	110
Purchase of treasury shares	(1)	3
Other	38	(296)
Change in net indebtedness	593	(148)
Net indebtedness as of December 31	(4,891)	(5,039)
Debt to equity ratio as of December 31	63%	55%

(a) Including minority interest transactions.

Cash flow from operating activities

Cash flow from operating activities before changes in working capital totaled 2,661 million euros, up +17% (+13% excluding currency impact). This improvement was directly attributable to the increase in results and proves the quality of the performance.

Changes in working capital requirement

In a context of confirmed recovery, the working capital requirement increased by 155 million euros in 2010 and represents 6.5% of sales. This increase was partly due to the activity cycle of Engineering and Construction. Regarding Gas and Services, pre-tax working capital rose at a more moderate pace in absolute terms, and the increase in productivity as a percentage of sales was substantial.

Total capital expenditure

In 2010, total capital expenditure, including transactions with minority shareholders, totaled 1.8 billion euros, up considerably compared to a deliberately restrained level in 2009, linked to tight cash management, signaling a return close to the pre-crisis level. Industrial investment amounted to 1,450 million euros, while financial investments, including minority interest transactions, totaled 332 million euros. Furthermore, disposals represented 44 million euros. The 2010 investment momentum was based on the relaunch of projects that had been put on standby in 2009, the realization of new projects, three site takeovers and a greater number of acquisitions in Healthcare and Industrial Merchant.

TOTAL INVESTMENT CAPITAL EXPENDITURE

<i>In millions of euros</i>	Industrial investment	Financial investment ^(a)	Total capex
2006	1,128	72	1 200
2007	1,359	1,308	2 667
2008	1,908	242	2 150
2009	1,411	109	1 520
2010	1,450	332	1 782

(a) Including minority interest transactions.

Industrial investment

Industrial investment totaled 1.4 billion euros in 2010, with the resumption of certain projects delayed in 2009, as well as major investment projects particularly in China. The takeover of a syngas production unit linked to a pipeline network in Germany was finalized in August.

GAS AND SERVICES INDUSTRIAL INVESTMENT CAPEX BY GEOGRAPHICAL AREA

<i>In millions of euros</i>	Gas and Services				Total G&S
	Europe	Americas	Asia-Pacific	Middle East and Africa	
2009	538	360	450	45	1,393
2010	521	370	465	69	1,425

Financial investment

Financial investment totaled 332 million euros, including the buy-out of minority interest for 93 million euros and involved two major site and activity takeovers in industrial basins where the Group already owns pipeline networks. The first, based in Louisiana in the United States in the Geismar industrial basin involves utilities, such as steam and demineralized water, while the other in South Korea concerns a carbon monoxide purification unit. The rate of acquisitions in Healthcare and Industrial Merchant accelerated significantly at the year-end. The Group also bought out the minority interests of its Gas and Services subsidiary in Switzerland.

CAPITAL INTENSITY

Capital intensity is the **ratio of capital required to generate one euro of supplementary revenue**. This capital is either invested into industrial assets (production units, storage, trucks, etc.), or used as working capital to finance the development of the activities.

Capital intensity on new projects varies significantly from one business line to another:

- **Air gases** in Large Industries have a capital intensity of **between 2 and 3**. It varies with the trend in electricity prices;
- **Hydrogen and Cogeneration** in Large Industries have a lower capital intensity of **between 1 and 1.5**, due to a relatively high proportion of natural gas in the cost of sales. It varies with the trend in natural gas prices;
- **Industrial Merchant** capital intensity to launch the activity in a new market is **between 1.5 and 2**;
- **Electronics and Healthcare** have a capital intensity of **around 1**, depending on product mix.

Whatever the capital intensity, any project must enable the Group to achieve, over the long-term its **Return On Capital Employed (ROCE)** objective.

Because of the differences in capital intensity among the various Group activities, **operating margins will vary accordingly**.

Net indebtedness

Net indebtedness as of December 31, 2010 totaled 5,039 million euros, up slightly compared to 2009. Excluding exchange rate impacts of 331 million euros, net debt would have decreased by 183 million euros. The debt to equity ratio amounted to 55% compared to 63% at year end 2009. This net improvement in the Group's financial structure, obtained in the context of a recovery in investments, was due to the high level of cash from operating activities, tight control over working capital requirements and improved asset management in the balance sheet.

ROCE

The return on capital employed after tax rose by + 50 basis points to reach 12.1%, marginally above the initial objective of between 11% and 12%.

Impact of acquisitions

Acquisitions in 2010 were focused on minor entities and therefore had no major impact on the Air Liquide balance sheet.

L'Air Liquide S.A. parent company figures

L'Air Liquide S.A. net profit totaled 822 million euros, compared to 816 million euros in 2009.

Dividend

At the Shareholders' Meeting of May 4, 2011, the payment of a dividend totaling 2.35 euros per share will be proposed to shareholders in respect of fiscal year 2010. This corresponds of a distribution rate of 48.7%.

The record date has been set for May 11, 2011 and the payment date for May 16, 2011.

Average annual dividend per share growth rate over 10 years: +9.7%

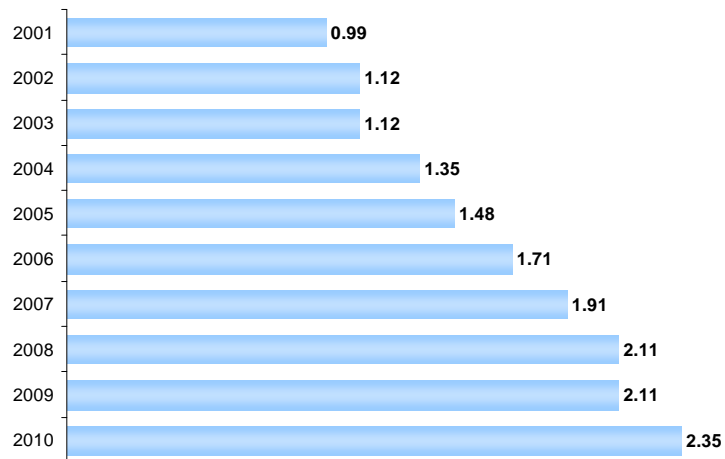
Total shareholder return over 10 years: +10.2%

Dividend yield at 2010 year-end: +2.5%

Total Shareholder Return (TSR) is the annualized rate of return for shareholders who purchased a share at the beginning of the period and sold it at the end of the period, including the contribution from both **the share price performance and dividends paid** (including loyalty shares), assuming that the dividend is immediately reinvested in shares.

ADJUSTED DIVIDEND PER SHARE OVER 10 YEARS

(in euros)



Dividends of previous years are adjusted to take into account bonus share issues and the two-for-one share split on June 13, 2007.

Funding policies

The Group's financing policy is regularly reviewed to provide support to the Group's growth strategy and take into account changes in financial market conditions, while respecting a gearing ratio in line with our A long-term rating.

In 2010, the prudential principles already in place have been maintained:

- diversification of funding sources and spreading of short and long-term debt maturities in order to minimize refinancing risk;
- backing of commercial paper with confirmed lines of credit;
- hedging of interest rate risk to ensure that funding costs are in line with long-term investment decisions;
- funding of investments in the currency of the operating cash flows generated, in order to create a natural foreign exchange hedge;
- further centralization of excess cash via Air Liquide Finance.

Diversifying funding sources

Air Liquide diversifies its funding sources by accessing various debt markets: commercial paper, bonds and banks. Air Liquide relies on short-term commercial paper: in France, through two French Commercial Paper programs up to a maximum of 3 billion euros, and in the United States, through a US Commercial Paper program (USCP), up to a maximum of 1.5 billion US dollars. To avoid liquidity risk relating to the renewal of funding at maturity, and in accordance with the Group's internal policy, the Group wishes to limit its debt short-term maturities to 2.2 billion euros, amount which is covered by committed credit lines.

In addition, Air Liquide can issue long-term bonds through its Euro Medium Term Note (EMTN) program totaling 8 billion euros, the utilization of which is delegated to the Board of Directors. At the end of 2010, outstanding notes under this program amounted to 3.8 billion euros (nominal amount). During the year, the Group conducted two bond exchange offers covering four EMTN bonds, in order to extend the average maturity of Group debt, smooth the bond maturity profile and benefit from attractive market conditions. The Group also obtains funding through bank debt (loans and lines of credit) and private placements.

Net indebtedness by currency

	2009	2010
EUR	47%	33%
USD	19%	25%
JPY	21%	24%
Other currencies	13%	18%
TOTAL	100%	100%

Investments are essentially funded in the currency of the cash flows generated, thus creating a natural foreign exchange hedge. Air Liquide's debt is thus mainly in euros, US dollars and yen, which reflects the weight of these currencies in the Group's cash flow.

Group net indebtedness converted into euros increased between 2009 and 2010, primarily due to foreign currency fluctuations (translation differences). Net indebtedness in euros as a percentage of total Group indebtedness mainly decreased, while indebtedness in other currencies increased, in line with the substantial rise in investments carried out by the Group in emerging countries.

Centralization of funding and excess cash

To benefit from economies of scale and facilitate capital markets funding (bonds and commercial paper), the Group uses a dedicated subsidiary, Air Liquide Finance. This subsidiary centralizes the Group's funding activities, particularly in Europe, Japan and North America. As of December 31, 2010, Air Liquide Finance granted, directly or indirectly, the equivalent of 4.7 billion euros in loans and received 3.2 billion euros in cash surpluses as deposits. These transactions were denominated in 13 currencies (primarily the euro, US dollar, Japanese yen, British pound sterling, Swiss franc and Singapore dollar) and extended to approximately 170 subsidiaries.

Because of the currency offsetting positions adopted by Air Liquide Finance, resulting from currency hedging of intra-group loans/borrowings, these intra-group funding operations do not generate any foreign exchange risk for the Group. Furthermore, in certain specific cases (e.g.: regulatory constraints, high country risk, partnership), the Group may decide to limit its risk by setting up independent funding for these subsidiaries in the local banking market, and by calling on credit insurance firms.

Air Liquide Finance also manages the Group's interest rate risk.

Debt maturity and schedule

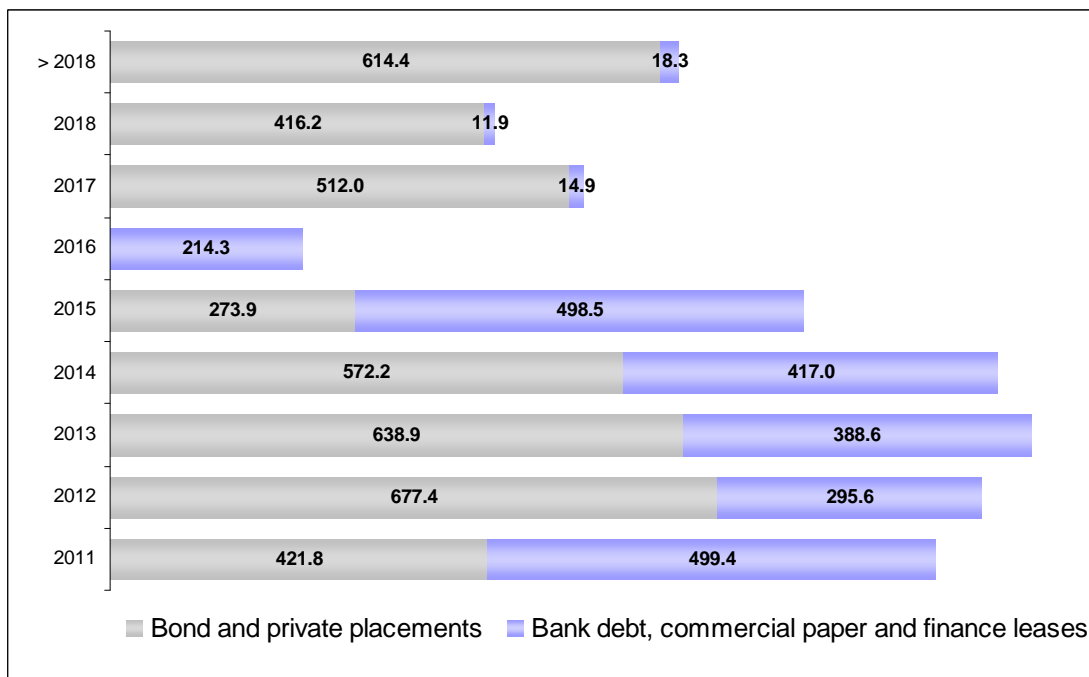
To minimize the refinancing risk relating to debt repayment schedules, the Group diversifies funding sources and spreads maturity dates over several years. This refinancing risk is also reduced by the steady cash flow generation from operations.

The two bond exchange offers in 2010 smoothed the Group's bond maturity profile, by reducing the total amount of medium-term bond maturities (less than 5 years), in return for new maturities of 8 and 10 years.

The following chart represents the debt maturity schedule. The single largest annual maturity represents approximately 16% of gross debt.

DEBT MATURITY SCHEDULE

(in millions of euros)



The maturity date for outstanding commercial paper coincides with that of confirmed credit back-up lines to support the program.

The average debt maturity stood at 4.4 years in 2010 compared to 4.1 years in 2009, reflecting the spreading of debt maturities. The increase in this maturity primarily stems from bond exchanges carried out in 2010.

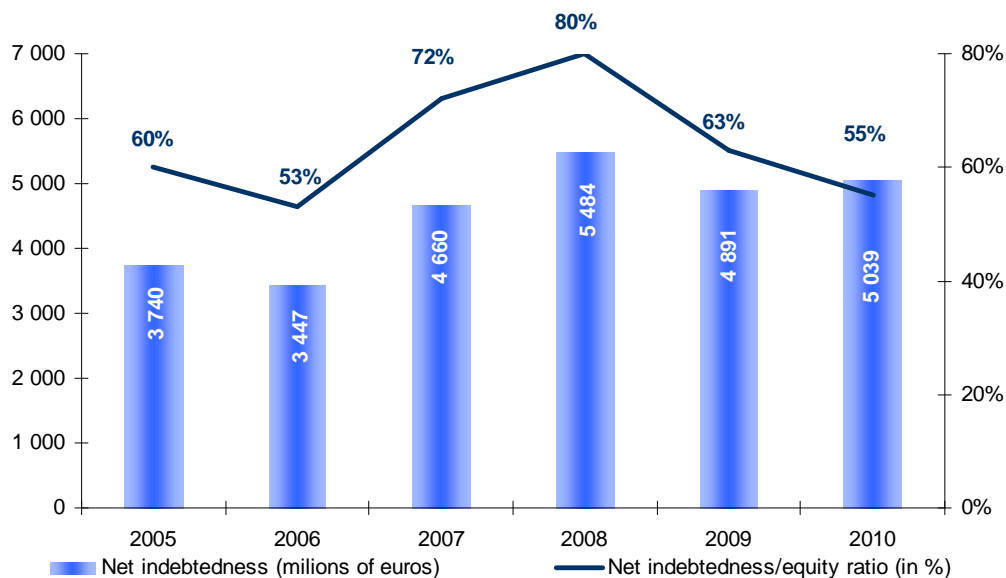
Change in net indebtedness

Net indebtedness stood at 5,039 million euros as of December 31, 2010 compared to 4,891 million euros as of December 31, 2009, for an increase of 148 million euros. This increase primarily reflects the negative impact of foreign currency fluctuations,

the Group's investments in 2010 having been backed by a significant level of cash generated from operations, combined with an effective management of the working capital requirement.

See *Statement of change in net debt in Appendix*.

NET INDEBTEDNESS AS OF DECEMBER 31



The **net indebtedness to equity ratio** was 55% at the 2010 year-end (compared to 63% at the 2009 year-end). The improvement in 2010 gearing is the result of a controlled increase in Group net indebtedness (+3%) combined with solid equity growth (+17%), driven by Group earnings in 2010. The equivalent ratio calculated using the US method: net indebtedness/(net indebtedness + shareholders' equity) reached 36% at the end of 2010 compared to 39% at the end of 2009. The financial expense coverage ratio (operating income recurring + share of profit of associates)/net finance costs stood at 10.0 in 2010, compared to 8.9 in 2009.

The **average cost of net indebtedness** stood at 4.9% in 2010, an increase compared to 2009 (4.6%). Cost of net indebtedness is calculated by dividing net finance costs for the fiscal year (253.9 million euros in 2010, excluding capitalized interest) by the year's average outstanding net indebtedness. The latter is calculated using a monthly average.

The average cost of gross indebtedness remained steady in 2010, due to the hedging of a significant portion of the debt at a fixed rate in recent years, pursuant to the principles of the Group's financial policy.

The increase in the average cost of net indebtedness in 2010 primarily stems from the increase in the average volume of cash in bank (with a low interest rate over the period), and the rise in the portion of the foreign currency debt at higher interest rates.

Bank guarantees

In connection with its Engineering and Construction activity, the subsidiaries of the Group grant bank guarantees to customers that run from the tendering period until the end of the guarantee period. They may incorporate advance payment guarantees and performance bonds. The projects for which these guarantees are granted are regularly reviewed by Management and, accordingly, when guarantee payments become probable, the necessary provisions are recorded in the Consolidated financial statements.

Long-term credit rating

The Air Liquide long-term credit rating from Standard & Poor's remained unchanged at "A/stable" in 2010. The short-term credit ratings from Standard & Poor's and Moody's also remained unchanged at "A-1/stable" and "P-1/stable," respectively. The main indicators analyzed by the rating agencies are the net indebtedness/equity ratio and the cash flow from operations before change in working capital/adjusted net indebtedness ratio, notably to take into account pensions liabilities.

Strategy, investments and outlook

STRATEGY

For many years, Air Liquide's development strategy has been founded on creating long-term value. The Group is committed to delivering sustainable growth in results and maintaining its strong pay-out policy year after year.

COMPOUND AVERAGE GROWTH RATE (CAGR) OVER 30 YEARS

Revenue: +7.2%

Cash flow from operating activities before changes in working capital: + 8.5%

Net profit per share: +8.6%

Dividend per share: +9.9%

ALMA: providing leverage for the medium-term strategy

As a result of the significant development of the portfolio of opportunities in 2006 and 2007, the ALMA program was launched at the beginning of 2008 to position annual Group sales growth at an average of between + 8% and + 10%, and improve competitiveness in order to generate a return on capital employed (ROCE) of between 11% and 12%. It was structured around four strategic initiatives:

- take leading positions;
- lower our cost base with both efficiency programs and competitive technologies;
- expand our portfolio of applications through innovation in new market segments; and
- prepare and empower the new generation of talents.

Five solid growth drivers

Identified in 2007, as the basis from which to launch of the ALMA program, the five growth drivers, Developing Economies, Energy, the Environment, Health and High Technology, have not been affected by the global economic slowdown.

- **Opportunities offered by developing economies:** These countries are investing heavily in their industrial infrastructures. This is driving oxygen demand, with production being increasingly outsourced. Industrial development in general generates growth in demand for gas in a variety of applications.

Air Liquide Gas and Services revenue growth in developing economies was +29% in 2010.

The share of Gas and Services revenue realized in developing economies continues to increase, reaching 19% in 2010 thanks to a record number of 18 start-ups in 2010 and 10 expected in 2011 in these regions. Further, 77% of the Group's investment opportunities and 54% of investment decisions are now located in developing economies.

- **Energy concerns and Environmental protection:** Industrial gasses can help customers improve their energy efficiency and are also used directly in the production of certain alternative energies. As an example, the biomass or coal gasification process and the development of renewable energies, such as photovoltaics, consume substantial volumes of gas. Further down the road, more potential for industrial gas consumption will come from the development of hydrogen fuel cell technology to supplement or replace fossil fuels for motor transportation and electricity supply in remote places. The majority of solutions to reduce CO₂ in the atmosphere require the supply of industrial gases and Air Liquide has the necessary proprietary technologies to offer innovative solutions to its clients. Three major trends were confirmed in 2010:
 - **Development of hydrogen sales:** Increasingly restrictive regulations on sulfur content in refined petroleum fuels, coupled with the use of heavier (and thus more sulfurated) raw materials by refiners has significantly boosted demand for hydrogen. In addition, the need to replace aging hydrogen production facilities and the existence of pipeline networks in key basins is helping to convince refiners to outsource this supply. Over the last 10 years, hydrogen volumes produced by the Group increased by close to +16% annually on average. Sales totaled 1.3 billion euros in 2010, representing 32% of Large Industries sales.

- The use of oxygen in certain industrial processes can improve combustion yields, thereby reducing energy consumption and consequently, CO₂ emissions. The combustion with pure oxygen, instead of air, of coal or other carbon-based fuels, produces highly concentrated CO₂ emissions that are ready for capture, storage or direct use in other applications, such as enhanced oil recovery.
- Certain countries with substantial coal reserves, wishing to secure their energy independence with regard to hydrocarbons, use gasification processes to create synthetic fuels or chemical products. These processes consume extremely high quantities of oxygen and are environmentally friendly when a CO₂ recovery unit is installed, facilitated by the purity of the CO₂ emission.

Energy challenges, combined with the desire to protect the environment, will therefore generate extremely high demand for oxygen and hydrogen and also other specialty gases, for example, for photovoltaic applications. The Group estimates the potential market for these processes at 30 billion euros in 2020.

- Regular growth in the **Healthcare** market is primarily led by an aging population, changes in lifestyle and the arrival of health insurance in developing economies. In addition, health system budget restraints are encouraging the development of homecare solutions that reduce the cost to the community. Air Liquide is strategically positioned in this sector, particularly as the leading player in Europe, providing an expanding range of therapies. Lastly, with respect to longer term projects, research teams are innovating in the area of therapeutic gases used for cardiac surgery, anesthesia and pain relief. The marketing of these gases has now been launched in Europe and will develop progressively, as authorizations to market are obtained.
- There has been significant development in the **High technology** market, driven by numerous consumer product innovations and, more generally, by the increasing complexity of our industries. Hence, the demand for high purity industrial gases has risen substantially to meet the needs of semi-conductor, flat panel or solar panel manufacturers, particularly in Asia. In addition, as a result of its expertise in very low temperature technologies, the Group is providing major contributions to large projects aiming at knowledge enhancement in many fields such as fundamental physics, space or energy (nuclear fusion, superconductivity).

Air Liquide is extremely well placed to benefit from all these growth opportunities. In addition to its position as the world leader in oxygen, the Group now has proprietary technologies in hydrogen and strengthened expertise in engineering, particularly since the acquisition of Lurgi in 2007, a leading position in the solar panel sector and a highly promising R&D portfolio, with 60% of research projects focused on improving the environment and preserving life.

The Group also participated in pilot CO₂ sequestration projects, such as the major FutureGen project with the US Department of Energy.

Launch of ALMA 2015

In 2010, there was a return to sustained sales growth. Added to this, project signatures provided confirmation of the solidity of the five growth drivers which the Group had identified. Within this context, at the end of December, the Group launched its new ALMA 2015 program. At the same time, the Group reaffirmed its ambition to be industry leader through performance and responsibility over the long-term, reinforcing the commitment to responsibility.

Based on growth estimates for the industrial gas market of between + 7% and + 8% by 2015, the Group has set new ambitious **performance objectives for 2015**:

- revenue growth of between +8% and +10% per annum on average, in a normal environment, based on an investment budget of 12 billion euros for the 2011-2015 period,
- continued operational efficiencies of more than 200 million euros each year,
- improved ROCE which should rise to between 12% and 13% by 2015.

In the framework of the **ALMA 2015 program**, Air Liquide is placing **performance and responsibility at the heart of its ambition**. The Group has undertaken a reflection to define objectives for the 2011-2015 period concerning **Key Responsibility Indicators**. These Responsibility objectives, which will take into account a certain number of elements in the Sustainable Development approach, will be an integral part of the Group's strategy in the same way as the performance objectives of sales growth, efficiency and returns on invested capital.

To meet these objectives, the Group maintains its four existing strategic axes:

- Establish **leading positions** in developing economies, emerging technologies and new markets;
- Strengthen its operational **competitiveness** through efficiency and investment optimization;
- Expand its offering through constant product and process **innovation**;
- Develop the **talents and expertise** in order to support growth.

Four enablers have been introduced to increase the Group's capacity to develop its four strategic axes in a dynamic and responsible manner:

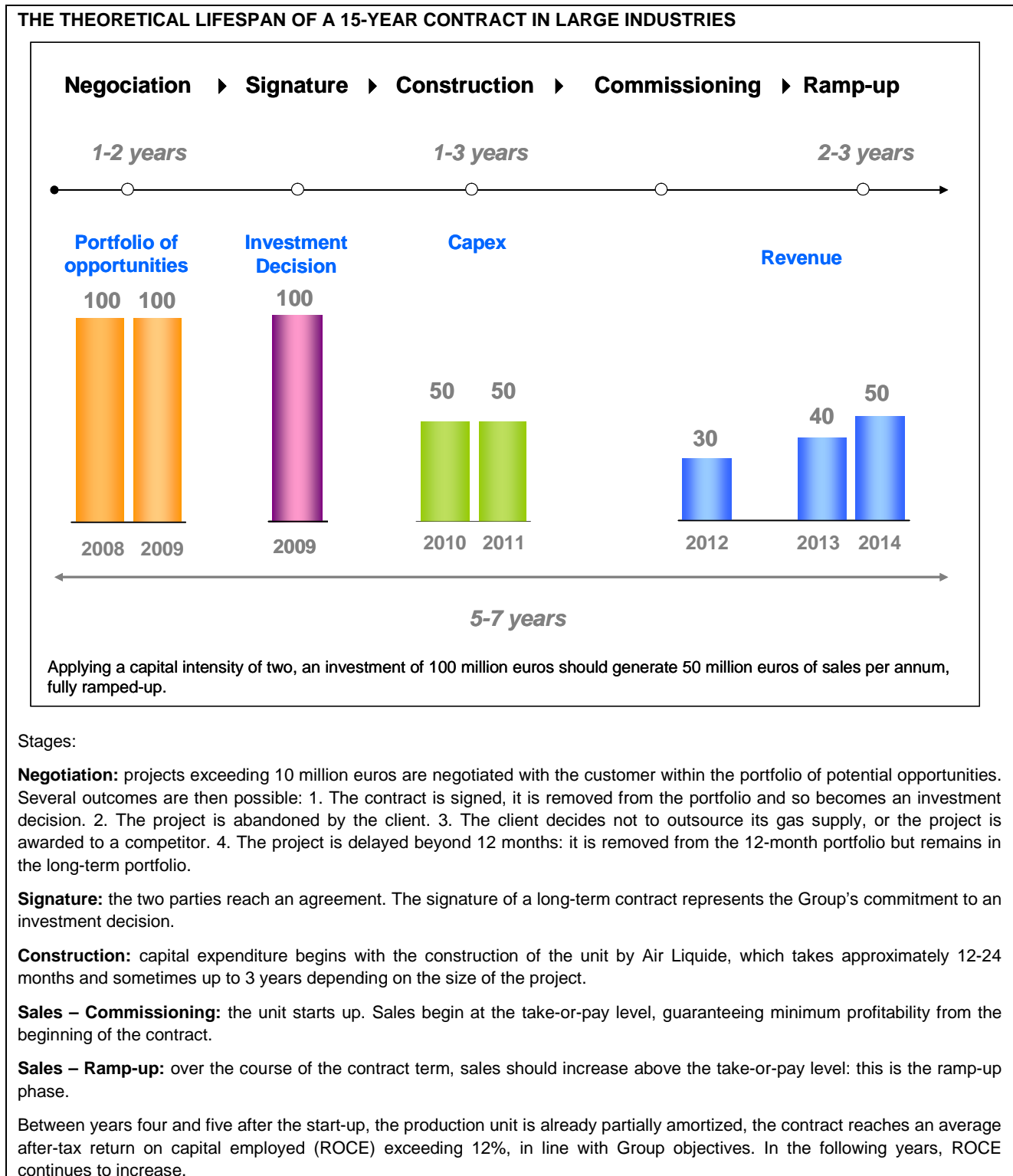
- Improve our customer mindset
- Increase the Group's attractiveness
- Behaving responsibly towards all our stakeholders
- Cultivate a corporate culture.



ALMA 2015 will be implemented via a series of projects in all countries and regions and in each global business division in order to deliver a high level of performance in a responsible manner over the long-term.

INVESTMENTS

The long-term nature of industrial gas activities is a key characteristic. It is particularly evident in the investment cycle, where there is approximately a 5-year span between the study of a new construction project for a Large Industries customer and the first corresponding gas sales. The following flow-chart sets out each stage in this process.



Portfolio of opportunities

Despite the significant number of signatures in 2010, the 12-month portfolio of opportunities remains at a high level, standing at 3.9 billion euros at the end of 2010, compared to 3.7 billion euros at the end of 2009, thereby confirming the recovery of the investment cycle of its clients. The size of projects in developing economies remains stable, while the portfolio increase stems from projects in advanced economies.

Most of the projects exceeding 10 million euros naturally fall under the Large Industries activity, as the Industrial Merchant, Healthcare and Electronics projects fall below this level. Energy, refining and conversion, is the leading sector concerned, followed by metals and chemicals.

More than 77% of the projects in the 12-month portfolio of opportunities are in developing economies, such as China, Middle Eastern countries, Russia, or India. The development of infrastructures in these countries often results in the rationalization of small and sub-par production tools and their replacement by much more significant plants and, therefore, the outsourcing of gas supply contracts.

The increase in outsourcing is also visible through the 11 site takeover projects in the portfolio at the end of 2010. The economic context has in fact encouraged the outsourcing trend. For the customer, the outsourcing of gas supplies to an industrial gas producer, amongst other things, frees up his capital, allowing him to focus his resources on his core business. Outsourcing also provides greater supply reliability and flexibility, better energy efficiency and more competitive pricing due to asset pooling. Three clients have thus agreed to sell their gas production assets to Air Liquide, following the economic crisis, in return for a long-term gas supply contract.

Due to significant investments by the steel and, to a lesser extent, the chemical sector, two thirds of the projects involve air gas production units.

Investment decisions

The Investment decision process is at the heart of the Group's growth strategy providing the backbone to all future investment plans concerning:

- internal and external growth projects;
- improved efficiency and reliability;
- industrial safety performance.

Strict discipline drives investment decisions, as they commit the Group over the long term. A dedicated process involving top management is in place to ensure that projects selected comply with the Group's golden rules and sustain long-term growth with a required minimum return on capital employed.

INVESTMENT DECISIONS PROCESS

An investment decision over 2 million euros is subject to a careful evaluation process, undertaken at Group level by the Resources and Investment Committee. Each meeting is chaired by the Executive Committee member in charge of the World Business Line concerned and brings together the Director of the business and regions concerned by the investment, the Group Chief Financial Officer, the Management Control Director, as well as the Group Human Resources Director (when HR subjects are examined).

Decisions are based on rigorous assessment of individual projects, using the following criteria:

- **location of the contract:** the analysis will take into account whether the project is based in an industrial basin with high potential, whether it is connected to an existing pipeline network, or whether it is in an isolated location;
- **competitiveness of the site:** based on size, production process, cost of raw materials and access to markets;
- **customer risk;**
- **country risk;**
- **contract clauses;**
- **type of product;**
- **quality of the technical solution.**

The return on capital employed (ROCE) for a major Large Industries long-term contract will change over the term of the contract. It is lower in the first 4 to 5 years, due to customer ramp-up in demand, relative to straight-line depreciation over time. Return on capital increases rapidly thereafter (refer to "The theoretical lifespan of a 15-year contract in Large Industries" above).

INVESTMENT DECISIONS

<i>(in billions of euros)</i>	Industrial investment decisions	Financial investment decisions	Total investment decisions
2006	1.5	0.6	2.1
2007	2.1	0.9	3.0
2008	2.2	0.2	2.4
2009	1.0	0.1	1.1
2010	1.8	0.4	2.2

In 2010, industrial and financial investment decisions, representing Group commitments to invest, totaled 2.2 billion euros, following an exceptionally low 1.1 billion euros in 2009 due to the economic slowdown and the global downturn in the investment cycle. The Group has thus returned to pre-crisis levels.

For the first time, the majority of decisions (54%) concern projects in developing economies.

Large Industries decisions accounted for 1 billion euros, equally distributed between air gas and hydrogen and synthetic gas production units. These decisions included 153 million euros for site takeovers, which immediately contributed to 2010 sales. Site takeovers are recorded as financial or industrial investments according to the structure of the transaction.

Industrial Merchant decisions are equally spread between developing and advanced economies. Total industrial and financial investment decisions in Healthcare amounted to more than 230 million euros, including four acquisitions which are already finalized: DinnoSanté, Snore Australia, Medions Homecare and GlobalMed. Homecare represented 70% of the year's Healthcare investment decisions. The Electronics activity returned to the pre-crisis decision level, for projects involving the manufacture of integrated circuits, solar panels and flat screens, mostly in Asia.

Capital expenditure

In 2010, capital expenditure amounted to 1.8 billion euros and disposals of assets to 44 million euros, bringing the net capital expenditures to 1.7 billion euros. Gas and Services capex represented 14.7% of revenue. This figure takes into account the recovery in industrial investments, three site takeovers, acquisitions and purchases of minority interests. It has risen compared to the 1.5 billion euros reached last year, when the economic context imposed a highly selective investment strategy.

Start-ups

Fiscal year 2010 was a record year with 24 start-ups, as a result of the numerous decisions taken in 2007 and 2008. Developing economies accounted for 18 of the start-ups, including eight in China. Air gas units accounted for 20 of the start-ups. Although fewer in number, hydrogen start-ups contributed substantially to sales. Start-ups for 2011 are estimated at 19 units, broken down evenly between advanced and developing economies.

OUTLOOK

The recovery of the long-term investment cycle, as demonstrated by the signing of new contracts in all of the Group's businesses, has led to the doubling of the amount of investment decisions compared to 2009, reaching € 2.2 billion.

The new momentum is already established, spurred by the ALMA 2015 program, and supported by the five growth drivers (Energy, Environment, Developing economies, Health, High-Tech). This momentum will allow the Group to seize many growth opportunities and accelerate its long-term development.

In this context and assuming normal economic conditions, Air Liquide is confident in its ability to continue to generate steady growth of net profit in 2011.

Appendices

Consolidated Income Statement

For the year ended December 31

<i>In million of euros</i>	2009	2010	Change
Revenue	11,976.1	13,488.0	+12.6%
Purchase	(4,563.3)	(5,240.0)	
Personnel expenses	(2,236.5)	(2,378.3)	
Other income and expenses	(2,207.3)	(2,495.4)	
Operating income recurring before depreciation and amortization	2,969.0	3,374.3	+13.7%
Depreciation and amortization expense	(1,020.0)	(1,122.1)	
Operating income recurring	1,949.0	2,252.2	+15.6%
Other non-recurring operating expenses	10.1	2.0	
Operating income	1,959.1	2,254.2	+15.1%
Net finance costs	(221.7)	(228.9)	
Other net financial expenses	(52.9)	(82.3)	
Income taxes	(419.1)	(512.7)	
Share of profit of associates	19.8	27.8	
Profit for the period	1,285.2	1,458.1	+13.5%
Minority interests	55.2	54.5	
Net profit (Group share)	1,230.0	1,403.6	+14.1%
Basic earnings per share (in euros)	4.40	4.99	+13.4%
Diluted earnings per share (in euros)	4.40	4.97	+13.0%

Consolidated balance sheet (summary)

For the year ended December 31

<i>In millions of euros</i>	December 31, 2009	December 31, 2010
ASSETS		
Goodwill	4,002.9	4,390.8
Intangible assets and property, plant and equipment	10,596.8	11,706.8
Other non-current assets ⁽¹⁾	940.1	973.0
TOTAL NON-CURRENT ASSETS	15,539.8	17,070.6
Inventories and work-in-progress	709.7	741.7
Trade receivables and other current assets	2,931.5	3,150.4
Cash and cash equivalents including fair value of derivatives (assets) ⁽¹⁾	1,444.6	1,574.9
TOTAL CURRENT ASSETS	5,085.8	5,467.0
TOTAL ASSETS	20,625.6	22,537.6

<i>In millions of euros</i>	December 31, 2009	December 31, 2010
EQUITY AND LIABILITIES		
Shareholders' equity	7,583.7	8,903.5
Minority interests	168.2	209.0
TOTAL EQUITY	7,751.9	9,112.5
Provisions, pensions and other employee benefits & deferred tax liabilities	2,777.5	2,930.0
Non-current borrowings	5,528.9	5,680.8
Other non-current liabilities ⁽¹⁾	280.8	336.1
TOTAL NON-CURRENT LIABILITIES	8,587.2	8,946.9
Provisions, pensions and other employee benefits	222.4	216.4
Trade payables & other current liabilities	3,197.1	3,298.2
Current borrowings (liabilities) ⁽¹⁾	867.0	963.6
TOTAL CURRENT LIABILITIES	4,286.5	4,478.2
TOTAL EQUITY AND LIABILITIES	20,625.6	22,537.6

(1) Including derivatives

Consolidated statement of cash-flows

For the year ended December 31

<i>In million of euros</i>	2009	2010
Operating activities		
Net profit (Group share)	1,230.0	1,403.6
Minority interests	55.2	54.5
Adjustments :		
- Depreciation and amortization	1,020.0	1,122.1
- Changes in deferred taxes	69.2	130.2
- Increase (decrease) in provisions	25.0	(34.2)
- Share of profit of associates (less dividends received)	(3.5)	(10.6)
- Profit / loss on disposal of assets	(30.1)	(4.7)
- Equalization charge receivable	(91.3)	
Cash flow from operating activities before changes in working capital	2,274.5	2,660.9
Changes in working capital	165.5	(154.9)
Other	11.8	(86.1)
Net cash flows from operating activities	2,451.8	2,419.9
Investing activities		
Purchase of property, plant and equipment and intangible assets	(1,411.0)	(1,449.8)
Acquisition of subsidiaries and financial assets	(109.2)	(239.9)
Proceeds from sale of property, plant and equipment and intangible assets	78.5	43.0
Proceeds from sale of financial assets	1.9	0.8
Net cash flows used in investing activities	(1,439.8)	(1,645.9)
Financing activities		
Dividends paid		
- L'Air Liquide S.A.	(601.9)	(609.0)
- Minority interests	(28.8)	(37.8)
Proceeds from issues of share capital	175.1	110.3
Purchase of treasury shares	(1.1)	2.8
Increase (decrease) of borrowings	(416.6)	99.3
Transactions with minority shareholders		(92.5)
Net cash flows from (used in) financing activities	(873.3)	(526.9)
Effect of exchange rate changes and change in scope in consolidation	45.7	(90.8)
Increase (decrease) in cash and cash equivalents	184.4	156.3
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,141.5	1,325.9
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,325.9	1,482.2

The analysis of net cash and cash equivalents at the end of the period is as follows:

<i>In million of euros</i>	2009	2010
Cash and cash equivalents	1,385.3	1,523.1
Bank overdrafts (included in current borrowings)	(59.4)	(40.9)
Net cash and cash equivalents	1,325.9	1,482.2

Net indebtedness calculation

<i>In million of euros</i>	2009	2010
Non-current borrowings (long-term debt)	(5,528.9)	(5,680.8)
Current borrowings (short-term debt)	(826.4)	(921.2)
TOTAL GROSS INDEBTEDNESS	(6,355.3)	(6,602.0)
Total cash and cash equivalents	1,385.3	1,523.1
Derivative instruments (net assets) – fair value hedge of borrowings	79.2	39.6
TOTAL NET INDEBTEDNESS AT THE END OF THE PERIOD	(4,890.8)	(5,039.3)

Statement of changes in net indebtedness

<i>In million of euros</i>	2009	2010
NET INDEBTEDNESS AT THE BEGINNING OF THE PERIOD	(5,484.4)	(4,890.8)
Net cash flows from operating activities	2,451.8	2,419.9
Net cash flows used in investing activities	(1,439.8)	(1,645.9)
Net cash flows used in financing activities excluding increase (decrease) of borrowings	(456.7)	(626.2)
Total net cash-flow	555.3	147.8
Effect of exchange rate changes, change in scope of consolidation and others	38.3	(296.3)
Change in net indebtedness	593.6	(148.5)
NET INDEBTEDNESS AT THE END OF THE PERIOD	(4,890.8)	(5,039.3)

Segment reporting

Revenue and Operating Income Recurring by activity

<i>In millions of euros</i>	2009	2010
Gas and Services	10,191.8	11,885.7
Engineering and Construction	994.6	751.3
Other activities	789.7	851.0
REVENUE	11,976.1	13,488.0
Gas and Services	1,994.1	2,280.7
Engineering and Construction	82.1	67.8
Other activities	43.1	81.0
Reconciliation	(170.3)	(177.3)
OPERATING INCOME RECURRING	1,949.0	2,252.2

Gas and Services revenue and operating income recurring by geography

<i>In millions of euros</i>	Europe	Americas	Asia-Pacific	Middle-East and Africa	Total
2010					
Revenue	6,201.1	2,748.5	2,643.6	292.5	11,885.7
Operating income recurring	1,182.8	590.2	434.4	73.3	2,280.7
2009					
Revenue	5,772.6	2,274.1	1,909.1	236.0	10,191.8
Operating income recurring	1,135.9	488.8	304.4	65.0	1,994.1