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# AIR LIQUIDE

TM

# interactions

Air Liquide's letter to shareholders

Mar  
2009

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## IN BRIEF

### Air Liquide highlights from recent weeks

- Healthcare: homecare business acquisitions
- Investments in France and the Netherlands in carbon dioxide recovery units
- Major contracts signed worldwide with photovoltaic industry leaders

- Reinforcement of investments in Singapore: share acquisition of a joint venture
- Second generation biofuels: a new technological step
- Oxycombustion: major technological partnership in Australia

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## EDITORIAL

### Benoît Potier, Chairman and CEO

Ladies and Gentlemen, Dear Shareholders,

The 2008 performances demonstrate the Group's growth dynamism as well as its resilience, notably during the fourth quarter. Revenue rose to €13,103 million, an increase of +11% and net profit was 1,220 million, up +10.8%, at constant exchange rates.

2008 was notable for the sustained growth seen in emerging economies where 10 out of 19 production unit start-ups occurred, the continuing development in hydrogen and oxygen, as well as for the significant rise in photovoltaic activity.

These results confirm the soundness of Air Liquide's business model which draws its strength from a diversified and balanced customer portfolio covering many business sectors and geographies, a mix of products and applications which has broadened considerably over the past ten years, and the long-term nature of its contractual relationships with customers.

The last few months of 2008 saw the onset of an unprecedented economic downturn, resulting from dysfunctions in the international financial system. In reaction to the circumstances, the Group took immediate measures to minimize the impact of the economic slowdown upon the Company's fundamentals. In 2009, our priorities are going to be cash management, increased efforts in cost containment, and greater selectiveness in our investments. By doing so, Air Liquide aims to secure and finance growth in its revenue and net profit in 2009.

Launched just one year ago, the ALMA company program is a vector of the Group's growth momentum. Investments made in recent years have been directed primarily towards markets identified as promising and long-term, which will enable us, once the effects of the economic slowdown have been absorbed, to pursue a growth rate in line with our medium-term objectives.

Although challenges lie ahead in 2009, Air Liquide knows it can rely on the support of its shareholders. We remain firmly committed to increasing the value of their investments as we have over the past 30 years.

As the growing number of individual shareholders proves, you continue to place your trust in us and for this, dear Shareholder, I sincerely thank you.



The **ALMA** program states Air Liquide's ambition: to be the recognized leader of its industry. The Group's development is based on 5 growth drivers: Energy, Environment, Emerging economies, Healthcare and High Tech.

# Hygiene without concessions

Today, nosocomial infections have become a critical public health issue. Despite an overall decline, approximately 600,000 patients in France were infected in 2008.



In France, to account for changes in medical practices - longer treatment protocols and greater number of health care providers involved, diversification of health care settings, increase in prosthetic implants, etc. - public authorities decided to revise the classification of infections in 2006. Since then, nosocomial infections (NIs) have been considered to be part of the more general category of health care-associated infections (HAI).

## Sources and aggravating factors

Due to their numerous causes, NIs can affect not only patients in hospitals, but also hospital personnel and visitors. Depending on the method of transmission, the source of the infection is considered to be:

- endogenous if the patient is infected with his/her own microorganisms following an invasive procedure such as surgery, endoscopy or catheterization, and/or due to a particular vulnerability;
- exogenous if the infectious microorganisms are passed on from other sick patients or the hospital personnel (hand transmission), or the source of contamination is found in the hospital environment (water, air, equipment, etc.).

Among the risk factors for NI, some are considered to promote infection. The patient's medical characteristics (age, disease, treatment) are usually an indicator of susceptibility. The highest risk populations are premature newborns, elderly males, patients with impaired immunity or suffering from serious diseases, who have undergone surgery or other invasive procedures.

## Current situation in France

With a 5% average of infected hospital patients and some 4,000 deaths a year, France shows better rates compared to those observed in other European countries (up to 8.5% in Finland). Urinary

tract infections remain the most common (30%), followed by respiratory tract (15%) and surgical site infections (14%). The most heavily affected services are intensive care, surgery and medicine.

For twenty years, public authorities have acted to confront the human and financial stakes of NIs. In France, specific programs have been implemented in hospitals (such as committees to develop plans to reduce NIs (CLIN)). One of the primary objectives of the National Program for the Fight against NIs 2005-2008, created by the Ministry of Health, was to offer comprehensive and transparent information.

Over the past decade, figures have pursued a downward trend with a 12% decrease in the number of infected patients. There has also been a 38% drop in cases of community-acquired MRSA (methicillin-resistant *Staphylococcus aureus*).

Paradoxically, growing media coverage on this topic, and notably the publication of yearly independent surveys, has led two-thirds of the general population to perceive NI risks to be higher today than in the past.

Such media coverage has been fueled by increasing resistance of certain strains to antibiotics, further complicating cases and thereby urging the need for flawless hygiene.

## Prevention and hygiene

Hospitals around the world have become extremely conscious of this issue. Fighting against NIs lies first and foremost in prevention. A certain number of good practices and strict measures in hygiene exist and entail the use of specific products and materials. To underscore the importance of their proper use, training is provided to health professionals.

### The Professor Alexander Friedrich,

German specialist in hygiene, shares his expertise with us on nosocomial infections and MRSA.

Listen to his interview at

[www.interactions.airliquide.com](http://www.interactions.airliquide.com)



## Air Liquide's contribution

To bolster its involvement in hospitals, Air Liquide decided to expand its activities to include hygiene by acquiring 66% of Anios (France) and 100% of Schülke (Germany) in 1996. With disinfection and antiseptic products, prevention is their core business, complemented by training sessions for health professionals as well as their own teams. Each boasting one hundred years of experience, these companies are present worldwide (notably in Europe, Africa, Middle East and Asia-Pacific) and bring their expertise to the Group.

Air Liquide's Hygiene activity generated sales of 299 million euros in 2008 and is expected to grow sharply.

Sources: National Prevalence Study, 2006, and Definition of health care-associated infections, May 2007, French Ministry of Health, Youth and Sports.

### Jean-Marc de Royere

Senior Vice-President, Healthcare, explains how Air Liquide has become a pivotal player in hygiene in the medical field.

Watch his interview at

[www.interactions.airliquide.com](http://www.interactions.airliquide.com)



## Viewpoint



**Malika Sahnoun,**  
National Facilitator of Nurse  
Consultants, VitalAire

Malika Sahnoun answers our questions about the precautions required for home care patients.

### We know about infections in hospitals. What's the situation for home care?

The risk of infection does not stop at hospital doors. Patients receiving care in their homes, and especially those suffering from chronic diseases, are particularly vulnerable to pathogenic germs. The use of supplied medical devices (MDs) such as instruments, equipment and products can also be a source of contamination, just as well as health care procedures.

### What measures are taken?

Procedures for cleaning, decontaminating and repackaging materials have been established and set out in our quality control system, under the surveillance of regional pharmacists. Our technicians, patient assistants and nurses have the necessary products available in their vehicles at all times to perform even the simplest gestures of prevention, such as disinfectant hand washing.

### It is essential to coordinate with prescribing services. What is the underlying objective?

It allows us to identify those patients in our care who may be at high risk for infection, particularly if they suffer from a disease that is required to be reported (tuberculosis, whooping cough, etc.). All reported cases are then assessed by our pharmacists. The aim is to inform all personnel of the precautions to take for their own protection (in addition to standard hygiene precautions), as well as for cleaning and disinfecting MDs. The MDs that are found to present a high infection risk are isolated, labelled and wrapped until we receive the results of microbiological tests conducted by a medical laboratory.

**SEEN AND HEARD**

## Sustained momentum throughout 2008

**€13.1 billion**

Revenue up +11% as published

**+10.8%**

Net profit up to €1,220 million

**€2.25**

At the next Annual General Meeting of Shareholders, the Board of Directors will propose the payment of a dividend of 2.25 euros per share, an increase of +10.3%, adjusted for the one for ten bonus share issued in June 2008. This represents a pay-out ratio of around 50%.

The dividend will be paid on 18 May 2009. (Subject to the necessary approval by the next Annual General Meeting of Shareholders)

“ The 2008 performances demonstrate the Group’s growth dynamism as well as its resilience, notably during the fourth quarter when sales in Gas and Services, supported by volumes and pricing, grew by +7.9% on a comparable basis.

As a result of its strategy, Air Liquide has strong structural advantages, including diverse markets, a broad mix of products and applications, and the nature of its long-term contracts. Consequently, 80% of the Group’s revenue today comes either from long-term defensive markets or from products that are mostly unaffected by cyclical factors.

In addition, Air Liquide is now reaping the positive effects of positions recently taken in high-growth regions, plus an increasing number of start-ups and ramp-ups of new production units which should bring additional sales revenue of €1 billion over the period 2009-2010.

In 2009, our priorities are going to be cash management, increased efforts in cost containment, and greater selectiveness in our investments. Priorities within the ALMA company program have already been realigned accordingly, notably by raising our cost-savings target to more than €250 million in 2009. By thus strengthening its fundamentals, Air Liquide aims to secure and finance growth in its revenue and net profit in 2009.

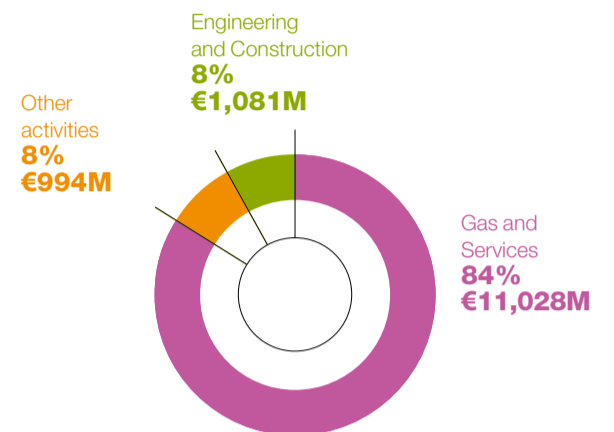
The Group has made investment commitments totaling around €7 billion over the past three years, setting a solid growth foundation for the years ahead. These investments have been directed primarily towards markets identified as promising and long-term, which will enable Air Liquide, once the effects of the economic slowdown have been absorbed, to pursue its growth rate in line with its medium-term objectives.”

**Benoît Potier, Chairman and CEO**

Watch the interview of Benoît Potier at [www.interactions.airliquide.com](http://www.interactions.airliquide.com)

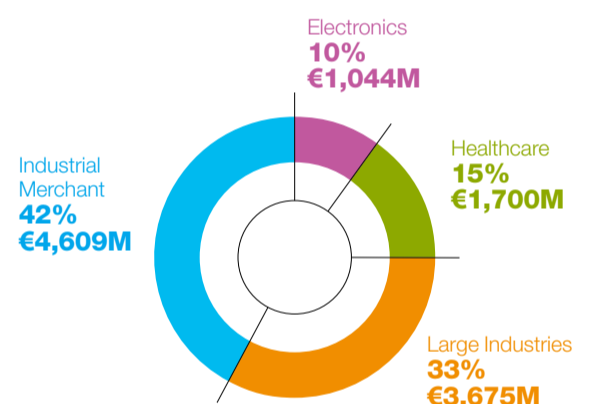


### Group revenue by activity



In 2008, growth came principally from new start-ups in Large Industries, solid demand and pricing in Industrial Merchant, resilience in Electronics and sustained growth in Healthcare.

### Gas and Services revenue



**AS AN ASIDE**

## Mission Handicap – Air Liquide’s commitment



The Group believes in the potential of each individual and acts to promote diversity and equal opportunities for all its employees.

The Group endeavors to encourage this diversity and better enforce the Law of February 11, 2005 on equal rights and opportunities, the participation and citizenship of disabled persons. This law introduces fundamental changes to meet the expectations of disabled persons.

Concretely, three company-wide agreements have been signed with social partners over 2007-2009 to promote the employment of the disabled. Applicable to the AL S.A. subsidiaries (Air Liquide Santé France, Bioxal, Taema), Orkyn' and VitalAire, their purpose is to encourage the integration of disabled workers. Yet, even beyond recruitment objectives, their implementation can also be gauged through significant efforts in training, awareness, communication

and partnership actions conducted in-house and with other organizations. In each of these subsidiaries, the Mission Handicap coordinates the Group’s undertaking on the national level.

As a civic-minded company, Air Liquide is committed to developing five main actions:

- hiring employees on open-ended or fixed-term contracts, contracts as part of classroom/work combined curricula, internships;
- training and managing the careers of disabled employees in their positions and on the labor market;
- ensuring job maintenance by adapting work stations, providing professional training;
- cooperating with organizations in the protected sector (work-based assistance ser-

vices and establishments (ESAT); adapted companies);

- raising awareness and communicating internally and with the public.

“By signing this agreement, we are confirming our determination to integrate disabled persons under the same conditions as all of our other employees”, said Augustin de Roubin, Group Vice President Human Resources.

**For more information:**  
[missionhandicap@airliquide.com](mailto:missionhandicap@airliquide.com)

Consult the testimonial of **Dorothee Fantodji, Air Liquide employee,** at [www.interactions.airliquide.com](http://www.interactions.airliquide.com)



## Viewpoint



**Laurent Cocquebert,**  
Executive Director of ADAPT

Laurent Cocquebert presents the situation in France on the professional integration of disabled persons and the main aspects of the Law of February 11, 2005.

Listen his interview on [www.interactions.airliquide.com](http://www.interactions.airliquide.com)

ADAPT, an association for the social and professional integration of disabled persons, was created in 1929. It acts and innovates in the health care and medico-social fields ([www.ladapt.net](http://www.ladapt.net)).



# The shareholder's page

## SHAREHOLDERS TAKE THE FLOOR



**"Even though the stock, along with all other CAC 40 shares, wasn't spared by the market crisis, Air Liquide reacts well and has proven solid resilience over time."**

The 11<sup>th</sup> annual Salon Actionaria (November 21-22, 2008) brought together over 32,000 visitors. The Air Liquide stand was noticed for its popularity and energy; many shareholders came to confirm their loyalty and salute the performance of our stock price, which **outperforms the CAC 40**.

Thank you, once again, for your trust and interest!

Many of you came to **speak with our Advisors** on the solid bases of the Group and the current financial context.

Others took the opportunity to ask questions about our activities and prospects, particularly thanks to our growth drivers, as well as about new tax issues and useful information on the transfer of assets.

During this fair, Air Liquide was honored twice:

- **A study on corporate governance**, conducted by InvestorSight and the French Institute of Administrators, placed the Group far ahead in the lead for good governance criteria. Transparency and respect for shareholders were highlighted.
- The Group received the **BoursoScan of Financial Communication (websites) Award** from Boursorama following a national study on websites of listed companies.

The high attendance at our stand and these two nominations bore witness to the quality of the relationship between Air Liquide and its shareholders and allowed us to reaffirm our search for excellence in shareholder communication and services.

Watch the films from Actionaria 2008 and the BoursoScan award ceremony at [www.interactions.airliquide.com](http://www.interactions.airliquide.com)

## REPORT

### Air Liquide on the stock market

Evolution of share prices over one year (from February 16, 2008 to February 16, 2009)



**Air Liquide - 23.4%**    **CAC 40 - 37.9%**

## In figures

**152,000** registered shareholders  
**Up 9%** compared to 2007

The number of registered shareholders is steadily rising. In 2008, many chose the advantages of **administered registered shareholding**, whereby portfolios of registered shares continue to be managed by banks. These shareholders now receive direct information from the Group as well as a loyalty bonus.

The loyalty bonus rewards two calendar years of registered shareholding (whether or not through a *Plan d'Epargne en Actions*, the French Stock Savings Plan) with an additional 10% on dividends and on free share allocations.

We know each other, you benefit!

Read more about registered shareholding in the "Shareholders" section at [www.airliquide.com](http://www.airliquide.com)

## FROM US TO YOU

Shareholder Services answers your questions

### How will I be affected by the new RSA contribution?

To finance the *revenu social d'activité* (RSA, the new French government welfare plan), a new contribution of 1.1% has been introduced. This is in addition to the social contribution already applied to income derived from transferable capital of residents. The total of these taxes will therefore increase from 11 to 12.1%. Payment methods are the same as for other social contributions: the account holder must

## Your reactions

**On the article "CO<sub>2</sub>, a new era begins" in the November 2008 issue of interactions**

Oxycombustion technology requires using significant quantities of oxygen. Is there a risk of oxygen rarefaction in the air? What would be the consequences on the environment?

The answer at [www.interactions.airliquide.com](http://www.interactions.airliquide.com)

## 2009 agenda

**April 28**  
First-quarter revenue

**May 7**  
Annual General Meeting of Shareholders (Paris)

**July 30**  
First-half revenue and results

Would you like to send us feedback on one of the subjects in this issue? Do you have any questions? Your opinions matter to us.

**Contact :** <http://contact.actionnaires.airliquide.com>

WEBZINE

[www.interactions.airliquide.com](http://www.interactions.airliquide.com)

For more information, contact us:

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

Toll-free number 0 800 166 179  
or + 33 (0)1 57 05 02 26  
(from outside France)

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