

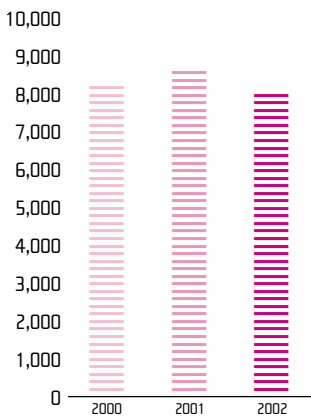


**AIR LIQUIDE** > ANNUAL REPORT 2002



## Sales (in million euros)

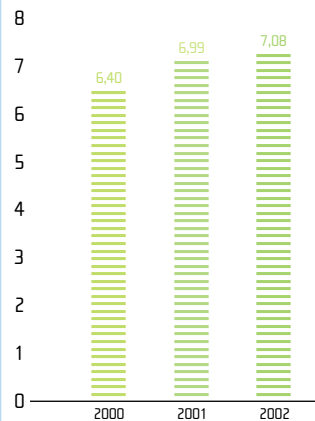
**+0.2%**  
excluding foreign currency  
and natural gas



> Group sales in 2002 reached 7,900 million euros. Adjusted for negative currency effect (295 million euros) and for variations in natural gas prices (153 million euros), they were essentially equivalent to 2001 figures

## Adjusted earnings per share<sup>1</sup> (in euros)

**+1.3%**  
in 2002



> Due to efficiency efforts, earnings per share increased +1.3%, +5.4% excluding foreign exchange

<sup>1</sup> Taking into account the 1 for 8 bonus share issue in 2002

	2000	2001	2002	2002/2001
	in million euros			in % (excluding foreign exchange)
Sales	8,099	8,328	7,900	+ 0.2 <sup>1</sup>
of which Gas and Services	7,113	7,256	6,887	+ 1.0 <sup>1</sup>
Operating income*	1,116	1,178	1,162	+ 2.5
Net earnings*	652	702	703	+ 4.3
Cash flow*	1,564	1,627	1,514	- 3.0
Investment commitments	1,015	1,102	940	
Dividend distribution	282	298	330.5	
Shareholders' equity*	5,286	5,353	5,219	
Net debt	2,280	2,583	2,022	
Market capitalization	14,528	14,295	12,673	

<sup>1</sup> Excluding natural gas

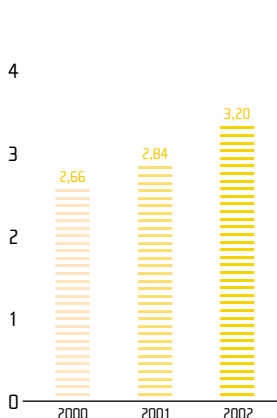
## Other ratios in %

	2000	2001	2002
Operating income before depreciation / sales <sup>2</sup>	24.0	24.9	25.5
Operating income* / sales <sup>2</sup>	14.2	14.6	15.0
Net earnings / sales	8.0	8.4	8.9
Cash flow* / sales	19.3	19.5	19.2

<sup>2</sup> At 1999 natural gas price

## Adjusted dividend per share<sup>1</sup> (in euros)

**+12.5%**

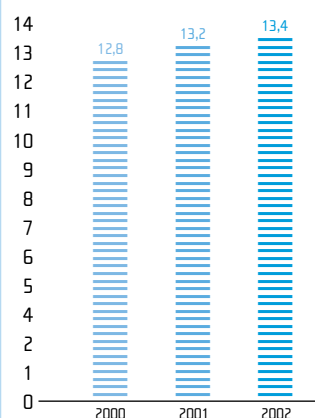


> The average distribution rate over 10 years has been 40%

<sup>1</sup> Taking into account the 1 for 8 bonus share issue in 2002

## Return on equity (ROE)\* (in %)

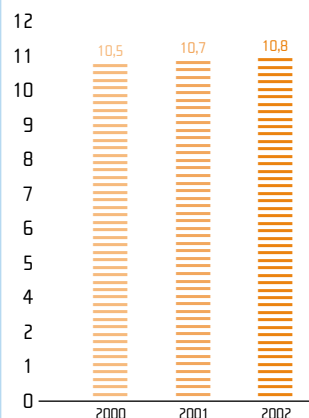
**13.4%**



> These results were achieved while ensuring continued profitability and shareholders' equity

## Return on capital employed (ROCE)\* (in %)

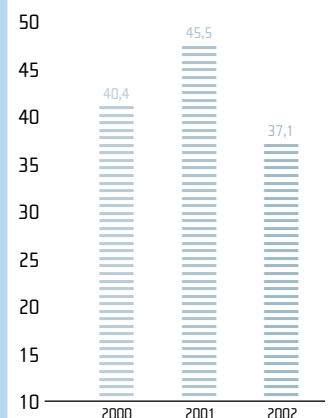
**10.8%**  
after tax



> The objective of the Group is to achieve sustained ROCE\* after tax of 12%

## Net Debt / Shareholders' equity (in %)

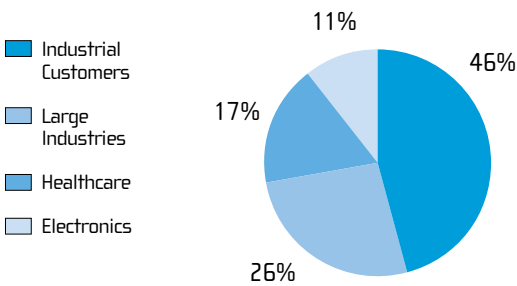
**37.1%**



> Net debt has decreased by more than 550 million euros. This level will allow the Group to seize opportunities

## FOCUSED ON OUR CORE BUSINESS: INDUSTRIAL AND MEDICAL GASES

### Gas and Services sales



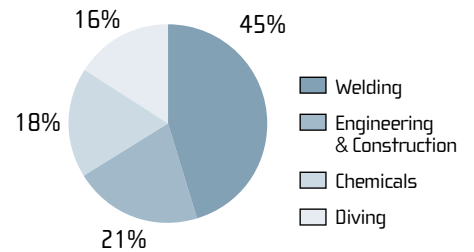
> Gas and Services sales: 6,887 million euros

87%  
Gas and Services

13%  
Related activities

Consolidated sales: **7,900** million euros

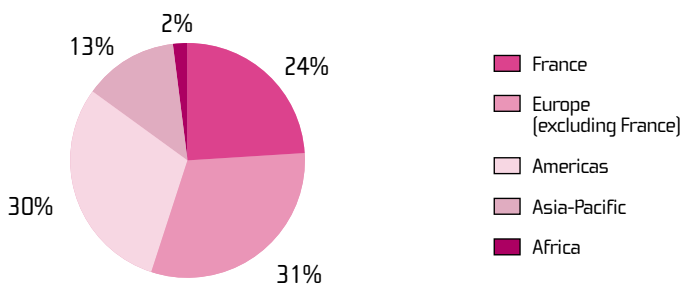
### Related activities sales



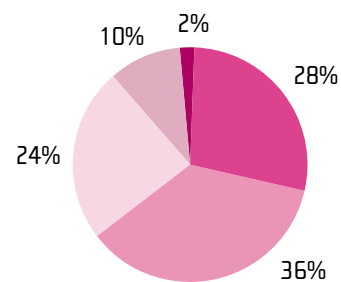
> Related activities sales: 1,013 million euros

## A WELL-BALANCED GLOBAL PRESENCE

### Share of sales by geographic zone



### Share of operating income by geographic zone<sup>1</sup>



<sup>1</sup> Excluding R&D centers and corporate overhead.

## > In over 65 countries

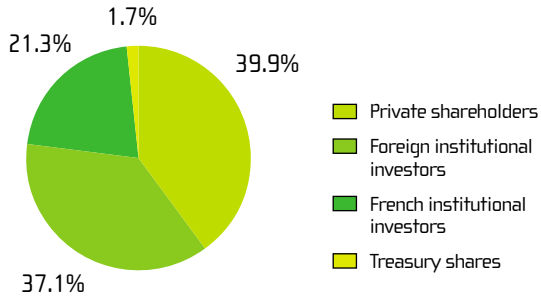
> In 2002, Air Liquide achieved new advances in all business lines and in many countries: Canada, Brazil, Chile, Poland, Japan, Korea, China, and South Africa. The Group also established a presence in new regions of the world (Egypt, Central America).

> Operating income is increasing (excluding foreign exchange). Despite a challenging economic environment, the Group improved its operating margins once again.

## SHARE OWNERSHIP

### Distribution by type of shareholder

> **350,000** shareholders

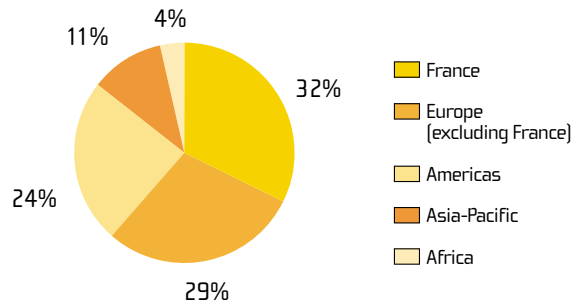


> Balanced shareholder distribution

## MEN AND WOMEN

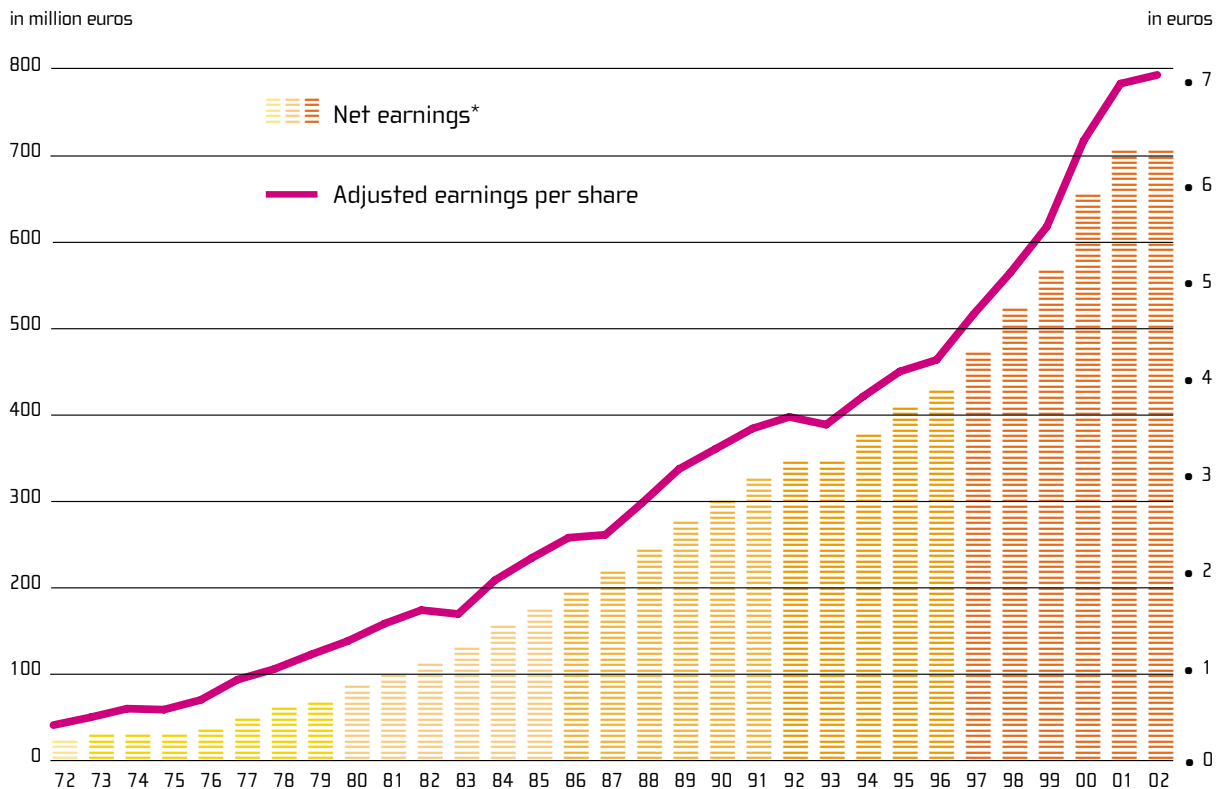
### Employees by geographic zone

> **30,800** employees in 2002



> Innovative, motivated and competent men and women

## SOLID AND SUSTAINED EARNINGS GROWTH OVER 30 YEARS





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— **The world leader in industrial and medical gases**

— Founded in 1902, Air Liquide today combines the resources of an international group, a powerful local presence and customer focused teams.

— Present in more than 65 countries, Air Liquide's 30,800 employees provide specialized technological expertise and innovative solutions that improve customers' performance and respect the environment.

— The Group bases its growth on a policy of respect for customers, employees and shareholders.



> **7.9** billion euros total sales

> **76%** international (over 65 countries)

> **1** million customers

> **6,300** current patents and **1,800** protected inventions

> **30,800** employees

> **350,000** shareholders

Alain Joly / Chairman of the Supervisory Board

# “CONTINUITY AND TRANSPARENCY”



The Group has also seized opportunities; the alliance with BOC, which led to the creation of Japan Air Gases, represents a major growth opportunity, as does the decision to buy out most of our minority shareholders.

— Effective management of these initiatives and control of working capital have reduced net debt to 37% of shareholders’ equity, further strengthening the Group’s solid financial structure.

— The Supervisory Board fully supports the Management Board’s commitment to shareholders, which is evident through Air Liquide’s insistence on clear and transparent communication, consistent financial statements, concentration on developing the core business and solid financial management.

— The strong performance of Air Liquide’s share price in 2002 in comparison with the leading stock market indices visibly indicates that shareholders recognize and appreciate the Group’s values. They understand that our long-term positions in key markets ensure sustained growth in the years ahead.

Dear Shareholders,

— The new management structure adopted in late 2001 proved highly effective in 2002. The clear division of responsibilities between the Management Board and Supervisory Board established by the articles of incorporation and internal rules has been a clear success. The new Management Board team, chaired by Benoît Potier, has clearly demonstrated its ability to lead Air Liquide effectively in a challenging economic environment. Large-scale efficiency programs have been imple-

mented, while the Group has reinforced its solid financial structure and continued to develop in high growth markets.

— The Group’s success in maintaining net earnings (up +4.3% excluding foreign exchange) despite a weaker economy effectively illustrates Air Liquide’s resilience and ability to adapt. Investment commitments were adjusted in line with economic conditions, but with added emphasis on high-growth sectors (hydrogen in particular).

“The Supervisory Board fully supports the Management Board’s commitment to shareholders.”

Benoît Potier / Chairman of the Management Board

# “PURSUING THE GROWTH OF OUR MARKETS”

## How would you summarize the Group's performance in 2002?

— Air Liquide's growth momentum continued despite a challenging global economic environment. Group sales were maintained on a comparable basis with net earnings up +0.2% and earnings per share up +1.3%. We also signed a significant number of major contracts and reinforced our global presence by expanding our businesses into countries with high development potential. We can therefore view the medium-term outlook

tomers. They are used in a broad range of fields and in the most diverse industries. Therefore, the Group's activities are fundamentally balanced. In 2002, we were able to seize good opportunities in a number of high growth markets, such as hydrogen for refining, the food industry, glass, and homecare.

The efficiency program launched in 2001 (procurement, IT systems, quality, industrial and administrative processes) has been reinforced and is on target. Additionally, the Group is now benefiting

year! This is the secret of our extraordinary growth: around 30% of our sales result from innovative applications developed over the last ten years.

## Where do you see further growth?

We have a clear strategy: to continue to develop our markets while focusing on opportunities in three major areas: sustainable development and the environment, healthcare and hygiene, and advanced technologies. Our continued development will be achieved through

ance of the CAC 40 index in 2002.

Safety of people and assets, always a top priority, remains the focus of an ongoing program. In 2002, despite clear improvements in certain areas, our accident rate rose slightly after significant improvement in recent years. In response we have increased our regular monitoring of safety performance and intensified our overall safety efforts.

## How has the Group remained so strong during a period of economic slowdown?

— The Group's key strength lies in its core business of industrial and medical gases, which are essential to our cus-

tomers. Our global presence is extremely strong, but there are still regions that offer significant growth potential. China, where GDP is growing at an annual rate of 8%, is one such example. Others include areas with large deposits of natural resources. The second approach is to continuously enlarge our offer in terms of gas applications and services. The notion of service is widely understood throughout the Group; services are integrated into enlarged offers adapted to each market segment. Services develop from an intimate knowledge of customer processes, which is enriched by the Group's expertise and strengthened through the application of information

## The Group celebrated its 100-Year anniversary in 2002...

— 2002 was a historic year for Air Liquide. Our 100-Year celebrations were an opportunity to show the world something of the culture and strength that make up the Group: the competence and motivation of our teams, the quality of our relationships with shareholders, customers and partners, and above all the spirit of innovation that has inspired Air Liquide for the past 100 years. During the Group's Innovation Contest, employees submitted 331 innovative ideas. On average we file one patent every day of the

“2003 marks the start of a new century for Air Liquide. I sincerely hope that the rich accomplishments of the last century will continue, providing the men and women of the Group the chance to live through an ongoing industrial adventure that will bring our shareholders the growth and financial return that they have come to expect.”



technology. A third source of internal growth lies in accelerating the diffusion of our know-how and our enlarged offers on a global basis, above all for our industrial and healthcare customers.

**What are your thoughts on external growth?**

— As a result of our financial strength, we are ideally placed to pursue growth and to seize interesting acquisition opportunities. In 2002, Air Liquide finalized the acquisition of the activities of Messer in a number of countries, enhanced its offer in Electronics (Intega), consolidated its operations in Japan (JAG), and made further services acquisitions. Over the last four years the Group has allocated around 25% of capital expenditures to acquisitions.

**What is the Group's position on sustainable development?**

— Sustainable development is a principle I support completely. For a company that has just celebrated its 100-Year anniversary, which signs 15-year contracts with large customers, whose employees have been with the Group for an average of 15.7 years, and whose individual shareholders (80%) are loyal, long-term investors, development inevitably means sustainable development.

We will start to measure our progress in this area using specially formulated indicators. This report contains many examples of Air Liquide's policy in respect to environmental protection, research and development, and the personal and professional development of our teams.

In terms of sustainable development, there have always been three essential elements that define Air Liquide's responsibility to shareholders: information, remuneration, and consideration. These concepts are so important to the Group that we decided to formalize them in a

written charter this year. Receiving the 2002 Crystal Prize for the quality and transparency of our financial communication has been a major encouragement to our efforts.

**What is the outlook for 2003?**

— The geopolitical climate remains uncertain and the economy has yet to stabilize. However, I am both realistic and confident in our ability to achieve further growth. 2003 marks the start of a new century for Air Liquide. I sincerely hope that the rich accomplishments of the last century will continue, providing the men and women of the Group the chance to live through an ongoing industrial adventure that will bring our shareholders the growth and financial return that they have come to expect.



“To stay at the vanguard of technological leadership in industrial and medical gases, we are committed to provide industrial and healthcare customers, as well as employees and shareholders with innovative value-creating solutions that respect people and the environment.”

# our mission

— Sustainable Development, a concept introduced 15 years ago, combines development, meaning the long-term creation of wealth, with social improvement and environmental conservation. These principles have been at the heart of Air Liquide's corporate strategy for over a century. Today, Sustainable Development at Air Liquide includes four dimensions:

> **Responsibility to the shareholder:** long-term development of the business and company performance coupled with transparency

> **Safety** for people and assets, preservation of the **environment** and of natural resources in Group operations and at customers' sites

> Social and ethical commitment of company **employees** to common objectives

> **Innovation and technological progress** to guarantee the advancement of both the company and its customers

Within each of these four dimensions, there are concrete examples that demonstrate Air Liquide's commitment to Sustainable Development.



Benoît Potier  
Chairman of the  
Management Board

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> Responsibility  
to Shareholders

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> Safety  
and Environment

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> Men and  
Women

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> Innovation and  
Technological Progress

# RESPONSIBILITY TO SHAREHOLDERS

— The Group adopted a joint board structure with a Management Board and Supervisory Board on November 14, 2001.

## MANAGEMENT BOARD

— The Management Board is a collegiate body with two members: Benoît Potier, Chairman of the Management Board, and Jean-Claude Buono, Member of the Management Board and Executive Vice-President, assisted by a secretary. The Management Board is responsible for management of the company in compliance with legal and statutory provisions.

— Each time the Management Board meets, a written report is produced and submitted to the Chairman of the Supervisory Board. The Management Board also submits a quarterly report to the Supervisory Board as well as important strategic developments, proposals for capital increases, and makes decisions on capital expenditures and disposals, where the sums involved exceed certain levels. It is supported in matters of overall coordination and implementation by an Executive Committee, currently composed of 11 members, including the mem-

In 2002

### Share dealing

The company has decided to implement the recommendations of the French Securities and Exchange Commission (COB) relating to the declaration by company officers of dealings in company shares. The company has decided to identify the shareholdings of company officers. A biannual procedure has been established by which company officers declare any dealings in company shares. An overall declaration with the names removed is then sent to the Securities and Exchange Commission for publication.

prevention of insider trading which provided for a period of 21 days prior to the date of publication of the Group's full-year and half-year results during which insiders are not allowed to deal in the company's shares.

### Respect of Legal Regulations

In an effort to emphasize the importance it attaches to compliance with legal rules and principles, in 2002 Air Liquide updated the principles applied within the Group by publishing a guide to legal competitive practices in all countries of the European Union. Similar documents and procedures based on local law exist in other regions, particularly in the United States and Canada.

## SUPERVISORY BOARD

— The Supervisory Board is a controlling body with 10 members, two of whom are retired top executives of the Group. Besides holding this office, the other eight members are independent of the Group. The articles of incorporation of Air Liquide SA dictate that each member of the Supervisory Board must hold at least 500 company shares in registered form.

— Members are chosen for their expertise, integrity, independence and determination to consider the interests of all shareholders. They all share acknowledged experience and knowledge of at least one aspect of the company's business: international development, industry, healthcare, marketing, research, finance, and services. Members of the Supervisory Board are fully briefed on subjects appearing on the agenda of Supervisory Board meetings a number of days prior to the meeting.

— The Supervisory Board is subject to internal rules governing its principles of operation and its relationship with the Management Board.

— The Supervisory Board has an Audit and Accounts Committee and a Selection and Remuneration Committee.

In 2002

The Supervisory Board met four times in 2002. The attendance rate of members was 86%.

The Supervisory Board paid particular attention to the following points:

### Appraisal

The Supervisory Board carried out an appraisal of its activities by means of individual questionnaires. A number of potential improvements were identified and are to be implemented in 2003.

### Independence of members of the Supervisory Board

The Supervisory Board examined the principles and criteria by which certain of its members are considered "independent", and in particular the principles and criteria set out in the "Bouton" report. The following criteria were adopted as a guide in assessing independence:

- > members must not be or have been an employee or director of the company,
- > members must not hold office in a company of which the Chairman of the Supervisory Board or a member

of the Air Liquide Management Board is a director or member of the Supervisory Board,

- > members must not have business relationships with the Air Liquide Group that represent a significant share of Air Liquide's activity or the activity of the company of which the member of the Supervisory Board is a director,
- > members must not have a close family tie with a member of the Management Board.

On this basis, the following members were considered independent: Ms. Majnoni-d'Intignano, Mr. Owen-Jones, Mr. Bellon, Mr. Bon, Mr. Desmarest, Mr. de Gennes, Sir Christopher Hogg and Mr. Weatherstone.

Accordingly, three of the four members of the Audit and Accounts Committee were considered independent, as were two of the three members of the Selection and Remuneration Committee.

### Committees

In 2002, the Supervisory Board reviewed the role and composition of the Audit and Accounts Committee and revised the principles by which it operates.

# AUDIT AND ACCOUNTS COMMITTEE

E. de Royere – Chairman of the Committee, – M. Bon, Sir C. Hogg, D. Weatherstone

## Mission

— The Audit and Accounts Committee must be composed of 3 or 4 members of the Supervisory Board, at least 2/3 of who must be “independent”.

— According to internal rules, the Committee is reported to on a joint or individual basis, the purpose being to collect different points of view from the Finance and Administration, Legal and Internal Auditing departments and from the external auditors. On the basis of this information and drawing on the professional experience of its members, the Audit and Accounts Committee makes considered decisions in matters relating to the accounts and accounting methods, the existence and implementation of internal auditing mechanisms, the selection of external auditors, the nature of their work and the fees they receive.

— The Committee meets three times a year and before any meetings of the Supervisory Board during which the Management Board is to submit annual or half-year accounts. The Committee reports on its work to the Supervisory Board.

— The Committee may draw on the expertise of external advisors.

## In 2002

The Audit and Accounts Committee met three times in 2002. The attendance rate of members was 90%.

> The Committee examined the annual and half-year accounts and heard the reports of the Statutory Auditors. It studied non-recurring and off-balance sheet items, provisions, taxation and control of customer, country and exchange risk.

> In addition, the Audit and Accounts Committee reviewed the administrative and accounting organization of the company, the Group's control mechanisms, the accounting methods used by the company and the Group's cash management. It also reviewed the com-

pany's pension obligations and corresponding provisions made.

> The committee also reviewed for all consolidated companies the fees paid to the Statutory Auditors for the 2001 financial year, distinguishing between the fees paid for legal auditing services and the fees paid for other undertakings.

> The Committee heard the Vice-President for Finance and Administration, the Statutory Auditors, the Vice-President for Internal Auditing, the Vice-President for Cash Financing and a member of the Management Board.

# SELECTION AND REMUNERATION COMMITTEE

A. Joly – Chairman of the Committee, – P. Bellon, T. Desmarest

## Mission

— The mission of this committee is to regularly monitor developments within the Supervisory Board and to make suggestions for new members for final approval at the Annual General Shareholders' Meeting. In addition, the committee examines the remuneration and selection policy for the Management Board members, including the granting of stock options and pension plans. It also makes regular reviews of the developing profile and performance of Management Board members.

— The committee also reviews the remuneration policy for other top management and studies proposals from the Management Board relating to the granting of stock options, making relevant recommendations to the Supervisory Board. The remuneration policy implemented by the Group for senior management takes into account current market practices. Granting of stock options is intended to focus management on the mid- and long-term interests of shareholders.

— The Committee is also kept informed of plans for the development of upper management.

## In 2002

The Selection and Remuneration Committee met twice in 2002. The attendance rate of members was 100%.

> The committee proposed to the Supervisory Board the level of basic remuneration fixed for members of the Management Board and the variable proportions established in line with the Group's objectives and current market practices. The level of variable pay is directly linked to the Group's performance and may equal or exceed total annual compensation.

> In early 2003, the Committee appraised the performance of members of the Management Board over the previous year and made recommendations to the Supervisory Board concerning the definitive level of variable pay for the year 2002 in light of the Group's performance and its environment.

> The Management Board advised the committee of the objectives and performance appraisal criteria employed

for other upper management and of how objectives were set to take account of both Group and individual performance.

> In 2002, the committee proposed to the Supervisory Board the granting of stock options to members of the Management Board. It also studied the option plans proposed by the Management Board and recommended their approval by the Supervisory Board in compliance with the articles of incorporation and internal rules. The price of these options is based on the average price of the past twenty sessions of the stock market as a minimum. Subject to local rules, these options can be exercised after a minimum period of 4 years and within a maximum period of 7 years.

> The committee studied the composition of the Supervisory Board and recommended that it propose to the Annual General Shareholders' Meeting the appointment of two new members.



> General Shareholders' Meeting, April 30, 2002, Paris-Bercy

# MEMBERS OF THE SUPERVISORY BOARD

## Alain Joly > Chairman of the Supervisory Board

- > Member of the Supervisory Board since November 2001 (term of office expires: 2005)
- > Director from 1982 to November 2001
- > Chairman and Chief Executive Officer from 1995 to 2001
- > Chief Executive from 1985 to 1995

- > Director of SOAEO
- > Director of American Air Liquide Inc. and of Air Liquide International Corporation
- > Director of Lafarge and of BNP-Paribas

*Born 1938 (number of shares: 33,031)*

## Edouard de Royere > Honorary Chairman

- > Member of the Supervisory Board since November 2001 (term of office expires: 2004)
- > Director from 1971 to November 2001
- > Chairman and Chief Executive Officer from 1985 to 1995

- > Director of American Air Liquide Inc. and of Air Liquide International Corporation, L'Oréal and Sodexo Alliance
- > Member of the Supervisory Board of Michelin
- > Auditor of Fimalac and of Wanadoo
- > Chairman of the Association Nationale des Sociétés par Actions (ANSA)

*Born 1932 (number of shares: 25,011)*

## Lindsay Owen-Jones > Vice-Chairman of the Supervisory Board

- > Member of the Supervisory Board since November 2001 (term of office expires: 2005)
- > Director from 1994 to November 2001

- > Chairman and Chief Executive Officer of L'Oréal
- > Chairman & Director of L'Oréal USA Inc., United States, L'Oréal UK Ltd.
- > Director of BNP-Paribas, Gesparal, Sanofi-Synthélabo
- > Chairman and Director of Galderma Pharma, Switzerland

*Born 1946 (number of shares: 916)*

**Pierre Bellon >**

> Member of the Supervisory Board since November 2001 (term of office expires: 2003)  
> Director from 1997 to November 2001

> Chairman and Chief Executive Officer of Sodexho Alliance  
> Chairman of the Supervisory Board of Bellon SA  
> Director of Abbar & Zainy Sodexho Catering Company Ltd., Sodexho Inc., Sodexho Netherland, Sodexho Ltd.  
> Member of the Supervisory Board of Pinault-Printemps-Redoute  
> Vice-Chairman of MEDEF (Mouvement des Entreprises de France)  
> Director of the Association Nationale des Société par Actions (ANSA)

*Born 1930 (number of shares: 1,176)*

**Michel Bon >**

> Member of the Supervisory Board since November 2001 (term of office expires: 2004)  
> Director from 1998 to November 2001

> Honorary Chairman of France Telecom  
> Director of Lafarge and of Sonepar  
> Member of the Supervisory Board of Grand Vision  
> Chairman of the Supervisory Board of Editions du Cerf  
> Chairman of the French Enterprise Institute  
> Vice-Chairman of the Pasteur Institute

*Born 1943 (number of shares: 629)*

**Thierry Desmarest >**

> Member of the Supervisory Board since November 2001 (term of office expires: 2005)  
> Director from 1999 to November 2001

> Chairman and Chief Executive Officer of TotalFinaElf and of Elf Aquitaine  
> Chairman of the Total Foundation  
> Director of Sanofi-Synthélabo  
> Member of the Supervisory Board of Areva

*Born 1945 (number of shares: 875)*

**Pierre-Gilles de Gennes >**

> Member of the Supervisory Board since November 2001 (term of office expires: 2004)  
> Director from 1992 to November 2001

> Director of Rhodia and of Sanofi-Synthélabo  
> Member of the French Academy of Sciences  
> Professor at the Collège de France  
> Nobel Laureate in Physics

*Born 1932 (number of shares: 975)*

**Sir Christopher Hogg >**

> Member of the Supervisory Board since November 2001 (term of office expires: 2005)  
> Director from 2000 to November 2001

> Chairman of the Board of Directors of Reuters Group  
> Chairman of the Board of Directors of GlaxoSmithKline  
> Chairman of the Board of Directors of the Royal National Theatre

*Born 1936 (number of shares: 618)*

**Béatrice Majnoni d'Intignano >**

> Member of the Supervisory Board since 2002 (term of office expires: 2006)

> Professor in Economics at the University of Paris XII-Créteil since 1980  
> Member of the French Economic Analysis Council for the Prime Minister since 1997  
> Director of AGF since 1996

*Born 1942 (number of shares: 562)*

**Dennis Weatherstone >**

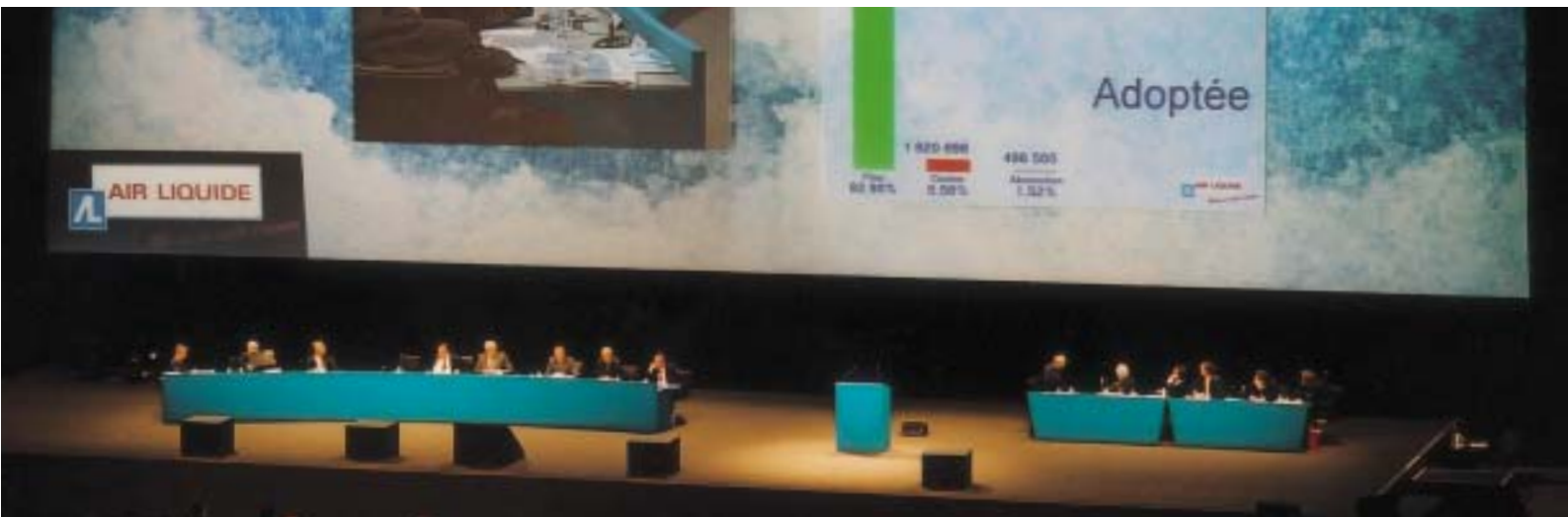
> Member of the Supervisory Board since November 2001 (term of office expires: 2005)  
> Director from 1994 to November 2001

> Trustee of the International Accounting Standards Committee Foundation  
> Former Chairman and Chief Executive Officer of JP Morgan & Co.

*Born 1930 (number of shares: 865)*

Edzard Reuter and Emilio de Ybarra y Churruca ceased to be members of the Supervisory Board on April 30, 2002.

The Works Council delegates are as follows: Armand Defoulounoux, Marc Esnault, Jean-Claude Sabloney and Marie-Pascale Wyckaert who replaced Francis Bourdin in April 2002.



> General Shareholders' Meeting, April 30, 2002, Paris-Bercy

# SUPERVISORY BOARD REPORT

The Supervisory Board has reviewed the company's performance and examined its results in 2002. Throughout the year, the Management Board reported to the Supervisory Board and requested its approval in accordance with the law, the Company's by-laws and its internal regulations to the satisfaction of the Supervisory Board.

Net earnings increased +0.2% and +4.3%, excluding foreign exchange. Net Earnings per share are up +1.3%. These results, which were obtained in a difficult economic environment, attest to the Group's resilience and ability to adapt. Capital expenditure commitments have been adjusted in consideration of this environment, while preserving growth potential. Capital expenditure commitments at

1,052 million euros include approximately 400 million euros for long-term contracts (particularly for hydrogen) as well as the purchase of the minority interests of our Japanese subsidiary in the context of its merger with BOC gas activities in Japan.

During the fiscal year the Group bought back 687,841 shares on the stock market in accordance with prior approval by the AGM and by the Supervisory Board.

The above, combined with active control of working capital has enabled the company to reduce its debt. Its debt to equity ratio, at 37% (vs. 45% in 2001), attests to its financial strength.

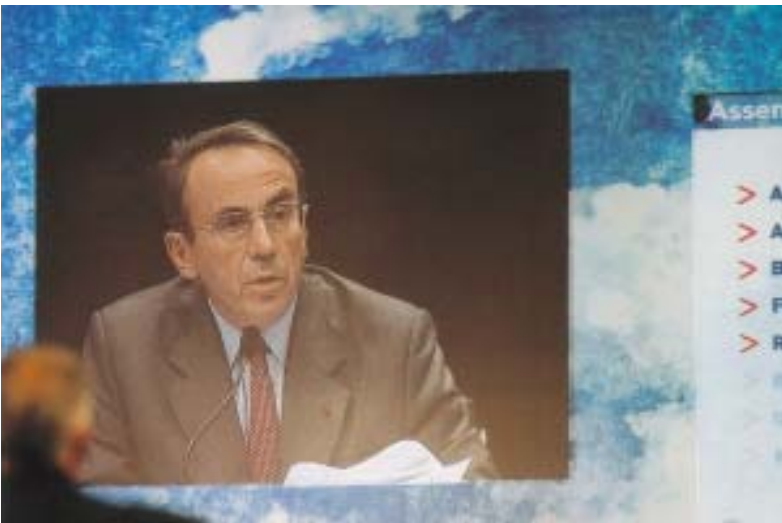
In accordance with the law, the Supervisory Board has reviewed the

financial statements for 2002 approved by the Management Board. It has also reviewed the corresponding management report. It has no remarks to make with regard to these documents.

The Management Board proposes to maintain the dividend per share at 3.20 euros, based on the increased capital following the one for eight free share issue of June 2002. This results in an increased dividend of +12.5%. Taking into account the tax credits, global income will be 4.80 euros per share. This amount is increased by 10% for shareholders whose shares have been held as registered shares on December 31, 2002 for two years or more.

As each year, it is proposed to the AGM to renew the authorization for the Group to





The Supervisory Board proposes the nomination of two new members: Mr. Gérard de la Martinière and Mr. Cees van Lede.

Born in 1943, former “Inspecteur Général des Finances”, Mr. Gérard de la Martinière is a member of the Management Board of AXA. He will bring to the Supervisory Board the view of a professional investor as well as strong financial expertise and in depth knowledge of the operation and regulation of financial markets.

Born in 1942, Mr. Cees van Lede has a law degree from the Leiden University. He holds an MBA from INSEAD. He is Chairman of the Management Board of AKZO NOBEL, an international company with its roots in Sweden and the Netherlands that is active in chemicals and pharmaceuticals. Mr. Cees van Lede will bring his expertise in management of large industrial companies to our Group, in fields close to our main activities as well as his strong European and international experience.

purchase on the stock market, within time limits in accordance with the law, shares of the Company or to cancel such shares within the limit of 10% of the capital stock outstanding. It is also requested to simplify the organization of the Company through the merger into Air Liquide of its subsidiary, la Compagnie Industrielle et Financière des Gaz (subsequent to its merger with la Carboxyque Française, which was active on the French market for bulk and cylinder gases).

The Supervisory Board has no remarks to make with regard to these proposals.

The Supervisory Board reviewed the various recommendations on improving corporate governance, particularly the recommendations of the “Bouton” report. It

has proceeded to conduct a formal evaluation of its performance, which is supported by individual questionnaires. This has led the Supervisory Board to decide on a certain number of improvements. These relate, among others, to the number of meetings of the Supervisory Board, to the extent of the subjects to be reviewed and to the strengthening of the Committees. These improvements will be implemented in 2003.

In accordance with the age limit guidelines of the Supervisory Board, Mr. Pierre Bellon has decided not to ask for renewal of his term as Member of the Supervisory Board. We thank him for the advice and for the support he has provided to the Company as a member of the Board of Directors and as member of the Supervisory Board.

With these two proposed nominations, the Supervisory Board continues with its drive to enrich its capabilities with strong individuals with diversified experiences, nationalities and cultures, complimenting each other with a strong commitment to promote the interests of all our shareholders.

# MANAGEMENT STRUCTURES

## MEMBERS OF THE MANAGEMENT BOARD

**Benoît Potier (5) >**  
*Chairman of the Management Board since November 14, 2001*  
*Born 1957 (1,849 shares)*

Benoît Potier, during the course of his 22 years in the Group, has been exposed to many aspects of Air Liquide's business. He has held positions of significant responsibility and has been the driving force behind many of the transformations and developments that have impacted the Group in recent years. Since his appointment as Chief Executive in 1997, he has assumed global responsibility for the oper-

ations and development of the Group.

- > Chairman and Chief Executive Officer of Air Liquide International, American Air Liquide Inc. and Air Liquide International Corporation
- > Director of Séchilienne-Sidec, SOAEO, Air Liquide Italia, Air Liquide España, Air Liquide Japan Ltd., Air Liquide Asia Pte. Ltd., Air Liquide Canada Inc.
- > Director of Ecole Centrale
- > Member of the Conseil France of Insead

**Jean-Claude Buono (4) >**  
*Member of the Management Board since November 14, 2001*  
*Executive Vice-President*  
*Born 1943 (4,995 shares)*

Jean-Claude Buono has been part of the Group for 13 years and brings strong experience in finance and legal areas. Additionally, he currently has important operational responsibilities in Europe and in Asia.

- > Chairman of the Board of Directors of SOAEO
- > Chairman and Chief Executive Officer of Air Liquide Welding and Air Liquide Asia Pte. Ltd.
- > Vice-Chairman of Carba Holding
- > Director and Executive Vice-President of Air Liquide International
- > Director of Air Liquide Santé International, Aqualung International, American Air Liquide Inc., Air Liquide International Corporation, Air Liquide Far Eastern Ltd., Air Liquide Japan Ltd., Air Liquide Tunisie, Air Liquide Italia Srl., AL Air Liquide España, Séchilienne-Sidec
- > Director of Velectra Paramount



# EXECUTIVE COMMITTEE

## MEMBERS OF THE MANAGEMENT BOARD

**Benoît Potier (5) >**  
Chairman of the Management Board since November 14, 2001

**Jean-Claude Buono (4) >**  
Executive Vice-President  
Member of the Management Board since November 14, 2001

## MEMBERS OF THE EXECUTIVE COMMITTEE

**Pierre Dufour (6) >**  
Executive Vice-President  
North and South America,  
Large Industries, Industrial Customers, Electronics, Risk Management and Safety

**Colin Kennedy (7) >**  
Senior Vice-President  
Asia, India, Pacific

**Jean-Marc de Royere (8) >**  
Senior Vice-President  
Healthcare, Fine Chemicals, Services Division

**Jean-Pierre Duprieu (9) >**  
Senior Vice-President  
Central and Northern Europe, Mediterranean, Africa, Middle East

**John Glen (3) >**  
Vice-President Finance and Administration

**François Darchis (10) >**  
Vice-President  
Large Industries Europe, Engineering and Construction, Space, Marketing, R&D, Technologies

**Ron LaBarre (11) >**  
Vice-President  
Large Industry Markets and International Customers

**Larry Altobell (1) >**  
Vice-President  
Human Resources

**Dominique Maire (2) >**  
Vice-President  
Communication



# CONSIDERATION, LISTENING AND REMUNERATION

— Shareholders are at the heart of Air Liquide's strategy. Our objective is to increase the value of their investment through strong and steady growth in earnings and dividends over the long-term.

## SHAREHOLDERS' CHARTER

### Consideration and respect for all shareholders

- > equality of all shareholders: 1 share = 1 vote (no double-voting rights)
- > respect of preferential subscription rights
- > absence of anti-takeover bid measures
- > restriction of resolutions proposed at Shareholder's Meetings to genuine corporate requirements
- > clear and effective communication between the Management Board and Supervisory Board

### Listen to and inform shareholders

- > listen: Shareholders' Committee, frequent meetings with shareholders
- > publication of information about the company
- > transparency and clarity of financial information published
- > consistent and uniform accounting methods
- > information sent to all shareholders before meetings

### Shareholder remuneration and increased investment value over the long-term

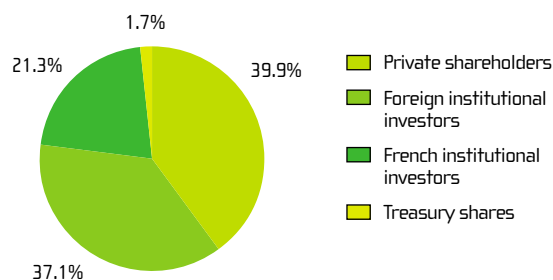
- > steady long-term growth in earnings
- > strong dividend-payout policy: dividend and bonus shares
- > higher dividend payouts for loyal registered shareholders

### Shareholders' Service Department

- > fifteen-member Shareholders' Service Department dedicated to individual shareholder relations
- > personalized and low-cost management of directly registered share accounts

Shareholders are central to the concerns of Air Liquide and its managers. Every decision is made in consideration of the medium- and long-term interests of shareholders. Air Liquide considers their loyalty over the long term to be a source of continuity in terms of its strategy for achieving strong earnings growth.

## SHARE OWNERSHIP AS OF DECEMBER 31, 2002



**350,000** individual shareholders  
**27%** of shares registered  
**1%** of capital held by Group employees  
 No shareholder holds more than 5% of the capital

In 2002, Air Liquide continued its share buy-back program in order to optimize shareholders' equity. Under the share buy-back program, the Group purchased 687,841 shares at an average price of 133.1 euros. As of December 31, 2002, a total of 1,729,530 shares of treasury stock purchased at an average price of 139.9 euros were held by the Group, representing 1.7% of capital.

## CHANGES IN SHARE CAPITAL

Number of shares as of December 31, 2001	90,821,483
Bonus share issue (1 for 8)	+11,440,296
Exercise of options	+56,662
Cancellation of treasury stock	-1,500,000
Number of shares as of December 31, 2002	100,818,441

# CREATING VALUE

## Earnings and Profitability

These results were achieved while offering consistently high return on equity (ROE\*), 13.4% in 2002. Return on equity has been around 12% over the last ten years, taking into account an average dividend payout of 40%.

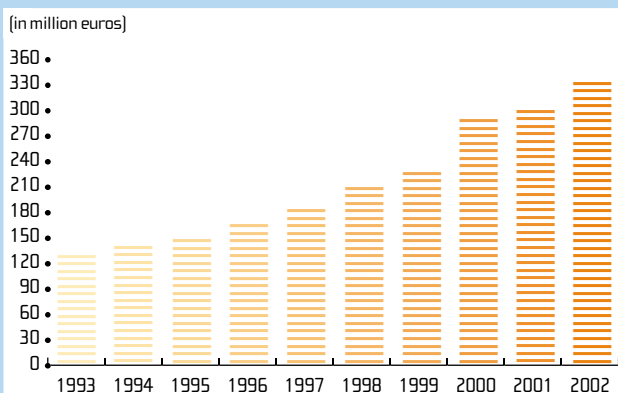
Return on capital employed after tax (ROCE\*) continued to increase, reaching 10.8% in 2002 compared to 10.7% in 2001 and 10.5% in 2000. The Group's target is to maintain ROCE after tax of 12%.

## STRONG AND STEADY EARNINGS GROWTH

Steady growth in earnings per share in 2002:	+1.3%
Over the last 5 years (1997–2002) <sup>1</sup> :	+9.0%
Over the last 15 years (1987–2002) <sup>1</sup> :	+7.7%
Over the last 30 years (1972–2002) <sup>1</sup> :	+10.5%

<sup>1</sup> Weighted average annual growth in earnings per share (adjusted)

## AIR LIQUIDE DIVIDEND DISTRIBUTION OVER 10 YEARS



## Dividend

The dividend has also increased regularly. The Management Board proposed a dividend of 3.20 euros per share for 2002, representing an increase of +12.5% compared to 2001 and tacking into account the bonus shares issued in June 2002 (1 for 8).

As prescribed by the articles of incorporation, shareholders who held their shares in registered form continuously since December 31, 2000 received a 10% dividend bonus.

In 2002, dividends represented 47% of the Group's net earnings.

## AIR LIQUIDE AND THE STOCK EXCHANGE

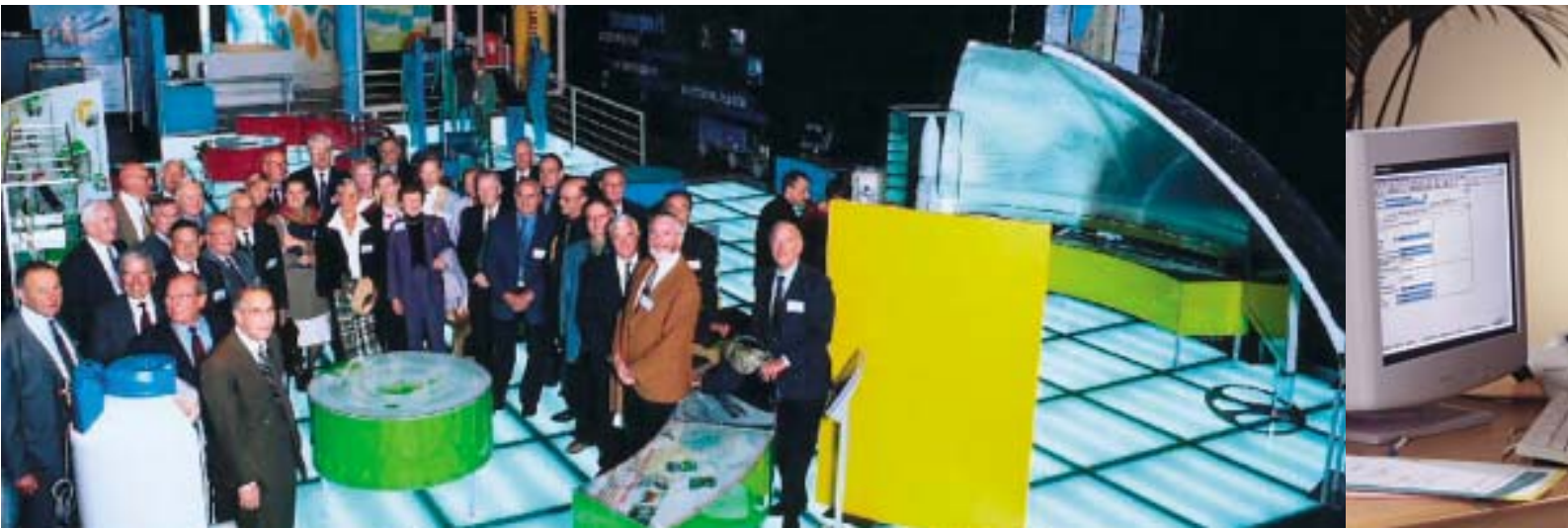
		2000	2001	2002
Adjusted share price (in euros) <sup>1</sup>	high	144.65	157.33	160.0
	low	104.40	115.64	111.6
	price on Dec. 31	141.24	139.91	125.7
Number of shares as of Dec. 31 (in millions)		91,430	90,821	100,818
Market capitalization as of Dec. 31 (in million euros)		14,528	14,295	12,673
Adjusted earnings per share (in euros) <sup>1</sup>		6.40	6.99	7.08
Adjusted dividend per share (in euros) <sup>1</sup>		2.66	2.84	3.20

<sup>1</sup> Taking into account the 1 for 8 bonus share in 2002

## Creating value

Individual and institutional shareholders seeking long-term gains have done very well with Air Liquide.

Including dividend income and loyalty bonuses, their holdings have recorded average annual growth of over +8.7% over 10 years and +7.3% over 5 years.



> Current and former committee members meet regularly every 2 years. In October 2002, they were invited to the "Air In All Of Its States" exhibition.

# CONTINUED CONFIDENCE AND TRANSPARENCY

— Upholding current Corporate Governance principles, Air Liquide has built a long-term relationship of trust and transparency with its shareholders over the last 100 years.

## INFORMATION TOOLS

### Internet

> **www.airliquide.com** lets you consult general information about the Group, current news, specific information, the annual report, press releases, letters to shareholders, the financial calendar and proposed meetings, updated share prices, and essential financial data.

> **actionnaires@airliquide.com**: an email address dedicated to shareholders.

> **email-alert** provides automatic access to the latest news.

### Publications

> Regular publication of quarterly sales figures and half-year and annual results in the financial press.

> Mailing of invitations to attend the General Shareholders' Meeting to all shareholders regardless of the number of shares held.

> Letters to shareholders (4 in 2002) and the minutes of the General Shareholders' meeting sent to registered shareholders.

> All published documents, including: Annual Report, the 'bilan social', Shareholder's Guide.

### Individual Shareholders' Meetings

In addition to the General Shareholders' Meeting, Air Liquide organizes annual meetings for individual shareholders with Benoît Potier, Chairman of the Management Board (3 in 2003 at Strasbourg, Bordeaux and Nantes).

Moreover, Air Liquide participates at presentation meetings organized by Euronext Paris, which manages the Paris Stock Exchange, and the National Federation for Investment Clubs or the

CLIFF (3 in 2003 at Saint-Etienne, Dijon and Toulon).

Air Liquide also regularly participates in the shareholder fair 'Actionaria', held at the Palais des Congrès, Paris.

**N° Vert 0 800 16 61 79**

> Toll-free number [France only]: 0 800 16 61 79

> you can check the continuously updated share price, latest news and financial information about the Group or leave a message 24 hours daily.

> from 9 a.m. to 6 p.m.: you can consult an advisor.

This service can be accessed from outside France at +33 [1] 40 52 08 91.

Nearly 80,000 calls were received in 2002.



> The Shareholders' Service Department responds to around one hundred phone calls and fifty letters per day.

## SHAREHOLDERS' COMMUNICATION COMMITTEE

Created in 1987, this committee evaluates and proposes ways to improve the exchange of information between Air Liquide and individual shareholders. The committee is composed of 12 shareholders and is chaired by Benoît Potier, Chairman of the Management Board. On a plenary basis the committee expresses the concerns and expectations of individual shareholders. A limited number of committee members participate in preparing the Annual Report, the Shareholder's Guide and the General Shareholders' Meeting. Approximately one third of the committee members are replaced each year, with members being elected for non-renewable three-year terms. There were 3 plenary committee meetings in 2002.

To contact a member of the committee, please contact the Committee Secretary directly.

### Market Information

Air Liquide is in regular contact with the international financial community.

> In 2002, Air Liquide management met shareholders in Europe (France, United Kingdom, Germany, the Netherlands, Switzerland, Italy, and Spain) and the United States. They also took part in regional presentations. Such meetings raise shareholders' awareness of the Group and its management and help to build a trusting long-term relationship.

> Twice a year, on the occasion of the presentation of the half-year and annual accounts, financial analysts are invited to Paris and London. They are also invited to take part, four times a year, in a telephone conference focused on the quarterly sales, led by the Chairman of the Management Board.

> Analysts and institutional investors are regularly invited to a seminar intended to help them become better acquainted with the activities of the Group. In 2002, as part of Air Liquide's 100-Year celebrations, analysts and institutional investors were invited to the Palais de la découverte in Paris for a presentation of the Group's major research areas.

> Throughout the year, financial analysts, shareholders and institutional investors can obtain information from the Investor Relations Department.



- |  |  |
|--|--|
| <b>Jean-Jacques Bertrand</b><br>Lyon (69)  | <b>André Maurel</b><br>Martigues (13)                |
| <b>Marie-Christine Colomb</b><br>Paris (75)                                      | <b>Michel Maillon</b><br>Ecully (69)                 |
| <b>Jean-Claude Cuisinier</b><br>Strasbourg (67)                                  | <b>Jean de Redon</b><br>Toulouse (31)                |
| <b>Dominique Ferrière</b><br>(Representing employee shareholders)<br>Irigny (69) | <b>Françoise de Saint-Sermin</b><br>Limoges (87)     |
| <b>Nicole Issautier</b><br>Paris (75)  | <b>Marc Serre</b><br>Vitry-sur-Seine (94)            |
| <b>Emmanuel Jayr</b><br>Plaisir (78)   | <b>Committee Secretary:</b><br><b>Vincent Serain</b> |
| <b>Philippe Languille</b><br>Paris (75)  | Air Liquide Shareholders' Service Department         |
|  | Tel.: 33 (1) 40 62 55 72                             |

> Composition as of 2003 General Shareholders' Meeting



## SPECIAL "100-YEARS"

In 2002 shareholders had the opportunity to participate in a number of key events as part of Air Liquide's 100-Year celebrations. This was an opportunity for the Group to strengthen its relationship with shareholders and enhance their knowledge of the industrial and medical gases business.

> The General Shareholders' Meeting, which was held – exceptionally – at Paris-Bercy, was attended by over 6,500 shareholders.

> The Shareholders' Meetings in Lyons, Lille, and Marseilles, had average attendance of around 1,000 people. These events were chaired by Benoît Potier, Chairman of the Management Board.

> The Innovation Tour provided several thousand shareholders the chance to visit the exhibition-trucks and to tour an Air Liquide site at one of 18 locations across France.

> The "Air In All Of Its States" exhibit, organized by Air Liquide at the Palais de la découverte in Paris in late 2002, had around 100,000 visitors. Many shareholders attended the public lectures provided. A special Shareholders' Communication Committee was also set up to mark the 100-Year anniversary.



> Enlarged Offer (Teleflo\*)



> Customer Partnership

# ENLARGING OUR OFFER TO MEET CUSTOMERS' NEEDS WORLDWIDE

— Our core expertise: industrial and medical gases. Our mission: to meet the evolving demands of Industrial and Healthcare customers by providing global, innovative solutions throughout the world.

### Enlarged Offer

Air gases (oxygen and nitrogen) once accounted for the majority of the Group's sales. Today, hydrogen and syngases (hydrogen / carbon monoxide mixture) represent 17% of Large Industries sales. Air Liquide supplies the Electronics industry with specialty gases and ultra-pure liquid chemicals for the manufacture of semiconductors. In Healthcare, new gas mixtures have been licensed as drugs and the Group now offers hospital hygiene solutions. As a technological leader in a fast-changing world, Air Liquide has constantly updated and enlarged its offer to respond to customers' evolving needs. In addition to these

developments, new applications have been developed for existing products as part of the Group's enlarged services offer. These include supply of gas at point of use, remote monitoring of installations, remote inventory management, on-site gas production and energy optimization. The Group now tends to think more in terms of "solution" than "product". In each of its core business areas, Air Liquide continues to pursue a strategy to enlarge its offer, combining products, applications and services with a particular focus on information technology.

### Customer Partnership

The key to the Group's continued success lies in building close, long-term relationships with customers. Through regular contact with production plants and awareness of what happens in the heart of customers' activities, Air Liquide teams are equipped with the right knowledge to generate solutions to improve productivity, quality, safety and environmental protection. In hospitals the Group takes time to meet patients and caregivers to discuss how to improve quality of care and patient comfort.





> Global Approach



gases industry is in a key developmental stage, Air Liquide announced the creation of Japan Air Gases in alliance with BOC. Air Liquide has a 55% stake in the new business and BOC 45%. The creation of the new company in late 2002 will enable the Group to improve profitability in Japan, while fostering growth opportunities. Air Liquide remains on course to become a major player in Eastern Europe from its base in Austria.

China and zones with significant natural resources are some of the promising markets in which the Group has a particular interest. Air Liquide China delivered growth significantly above the Group's average with satisfactory profit levels in Electronics, Large Industries and Industrial Customers.

To large international customers, the concept of partnership means the guarantee that the same level of service is provided throughout the world. Excellent understanding of local dynamics is ensured thanks to teams made up of experts and regional representatives. The Group has also established cutting edge specialized teams for each market, particularly in technology.

In the highly diversified Industrial Customers market, proximity is reflected in Air Liquide's presence in many regions around the world. Each region offers the competence and customer service needed, while providing access to the Group's network of experts to resolve intricate challenges and develop new solutions.

**Global Approach, Local Presence**

With a presence in more than 65 countries, Air Liquide generates sales in equal proportion from different parts of the world (55% Europe, 30% the Americas and 13% Asia-Pacific). This strong global profile and the Group's solid fundamentals allow it to diversity risk and seize development opportunities in areas with the greatest potential.

In 2002, Air Liquide acquired the assets of the Messer Griesheim Group in Egypt, Trinidad and Tobago (Central America) and Canada, acquisitions in South Africa, Argentina and Brazil having been finalized in 2001. To strengthen its position in Japan, where the industrial and medical