

**LIQUID AIR  
CORPORATION  
ANNUAL  
REPORT  
1980**

**Liquid Air Corporation is a major producer of industrial gases, welding products and safety and diving equipment. In the past ten years, Company sales have multiplied almost four times, rising from \$108.3 million in 1971 to \$408.2 million in 1980, while earnings have risen from \$4.7 million to \$29.4 million. During this period, Liquid Air has become a major factor in the industrial gas industry in the United States and also has substantial operations in Canada and Brazil.**

On our cover: Liquid Air equipment and techniques helped one of our customers make a breakthrough in manufacturing mechanical rear axle housing.



# FINANCIAL HIGHLIGHTS\*

(Millions of dollars except per share amounts)

Years ended December 31	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Net sales	\$108.3	\$127.8	\$175.5	\$220.0	\$240.8	\$265.6	\$284.5	\$304.3	\$369.1	\$408.2
Net earnings	4.7	8.1	12.1	14.1	17.6	21.2	19.8	18.3	24.3	29.4
Per share: <sup>(1)</sup>										
Net earnings	\$0.72	\$1.24	\$1.63	\$1.89	\$2.35	\$2.73	\$2.73	\$2.48	\$2.45	\$2.76
Dividends paid	(2)	(2)	1.20	1.15	1.25	1.25	1.40	1.40	1.40	1.40
	December 31							1979		1980
								Total assets		\$444.9
								Shareholders' equity <sup>(3)</sup>		222.3

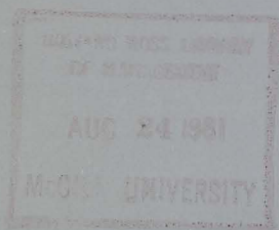
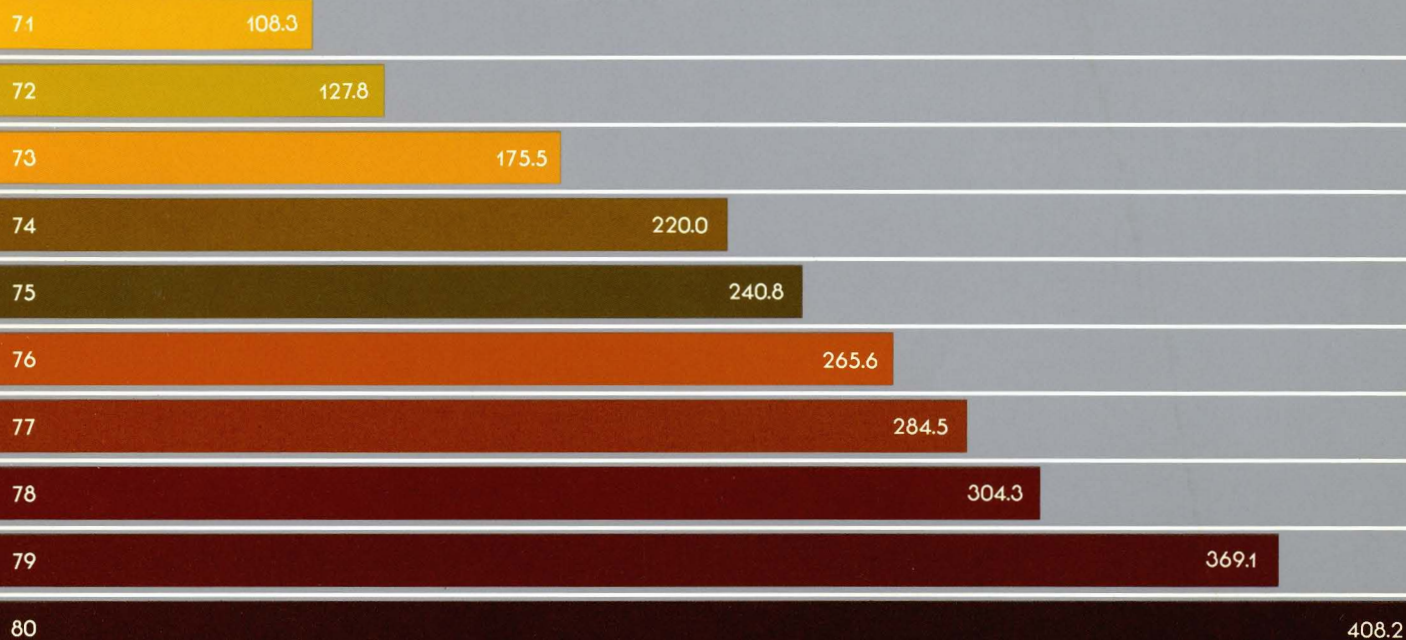
\*See Note A of notes to consolidated financial statements.

(1) Per common share and common equivalent share.

(2) Cash dividends paid prior to 1973 are not reported as they are not considered relevant to a current evaluation.

(3) Includes \$24.0 million of redeemable preferred.

## TEN YEAR SALES GROWTH (Millions of dollars)



## CONTENTS

Financial Highlights	1
Letter to Shareholders	2
Highlights of 1980	3
Liquid Air at a Glance	6
Liquid Air – Applying Technology to Solve Problems	8
Financial Review	20
Corporate Data	40



Jean H. Delorme

## TO OUR SHAREHOLDERS AND EMPLOYEES

1980 saw substantial strides in strengthening the position of Liquid Air Corporation throughout North and South America. The integration of the Chemetron acquisition was completed in the United States and selected assets were sold pursuant to the FTC order. In September we reached agreement in principle for the purchase of the South American industrial gas businesses of Allegheny

Ludlum Industries, Inc. These businesses, which primarily include operations in Venezuela, will complement our existing operations on that continent.

Unusually high interest rates caused a substantial slowing in the United States and Canadian economies in mid-year. This resulted in a slower growth for our products than would otherwise have been expected with a full twelve months of the operations acquired from Chemetron; in spite of this weak economy and our divestiture, our sales increased to \$408 million, and our net earnings increased to \$29.4 million. All operations showed higher earnings.

Net earnings per share were \$2.76, compared with \$2.45 earned in 1979. This figure includes 19 cents per share earned from the disposal of certain industrial gas assets and the related business. While we are satisfied with this record, we expect to improve both sales volume and earnings as we continue to strengthen our U.S. operations.

As noted two years ago, 1978 was an important milestone in the Company's development: Liquid Air, in only ten years, had become a major competitor in the U.S. industrial gas industry. Since then, we have improved this position. In particular, we have greatly expanded our technology applications staff, and we have opened a second technical center in North America. We have completed the relocation and consolidation of headquarters

personnel in San Francisco, and strengthened our impressive distributor network.

Our immediate task is to increase our service to our customers in the many industries and application fields that we serve, and to prepare ourselves for the coming decade which will, like the last decade, see another substantial expansion for the use of our products.

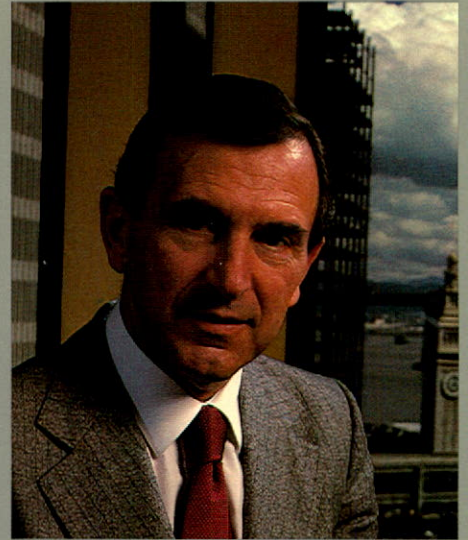
We expect the future to be as exciting, and even more challenging, than the past as we participate in the many areas that are opening in our business: aerospace and propulsion; exploration of the seas and exploitation of their resources; the struggle against pollution; food production and health care; and developing new sources of energy, such as the major effort now being launched in coal gasification. This latter development is surely an effort that will occupy our industry intensely during the coming years. In fact, the only large-scale coal gasification project in existence today uses the world's largest air separation plants, built by our parent, L'Air Liquide, for South Africa.

We are looking forward to these challenges, and, to all of the Liquid Air employees who have joined us in the past and who will join us in the future, I would like to express my sincere appreciation.

Jean H. Delorme  
Chairman of the Board  
March 27, 1981



Pierre A. Salbaing



Mike V. Breber

## HIGHLIGHTS OF 1980

Liquid Air Corporation's 1980 overall results continued to show improvements in spite of the economic slowdown experienced in the second and third quarters, both in the United States and Canada. Sales were up 11%, net earnings up 21% and earnings per share up 13%. In addition to gains made on the sale of certain industrial gas assets and improved profits due to capitalized interest, all operations had higher earnings. The increased earnings for the U.S. industrial gas operations resulted from including in 1980 four quarters of earnings related to the Chemetron acquisition, while 1979 included only three.

The main thrust of our operations during 1980 was adjusting to the economic slowdown in the United States and Canada, on marketing, on increasing our technology applications support for our customers and on completing the consolidation of the United States industrial gases division. The accomplishment of these goals, along with highlights of various operations, are detailed below.

### **United States**

During the year, Liquid Air continued to deal with the effects of the acquisition of the domestic industrial gas assets of Chemetron. One of these was the divestiture of certain industrial gas assets required by the Federal Trade Commission. This sale was completed in June 1980. The order also required the Company to divest itself of all of its Texas carbon dioxide assets and operations. The Company expects to complete this sale in 1981. Without the gain made on the sale of certain assets and without one additional quarter of earnings included in 1980 and related to the Chemetron acquisition, the United States industrial gases operation would have shown a decrease in earnings. This is attributed entirely to the economic slowdown experienced in the second and third quarters of 1980.

### **Reorganization Completed**

The move of functions and employees from the former headquarters of Chemetron in Chicago has essentially been completed. Remaining

**'The main thrust of our operations in 1980 was adjusting to the economic slowdown in the U.S. and Canada, on increasing our technology applications support for our customers and on completing the consolidation of the U.S. industrial gases division.'**

in Chicago are the technology center, the office of the Director of Technology, the distributor support operations, engineering and personnel support staff. All other administrative functions have been relocated to San Francisco.

The regional operations have also been greatly streamlined, and have been reduced from 18 to 6 regional offices, located in the following areas: Eastern Region (Philadelphia area), Southeast Region (Atlanta), Midwest Region (Chicago area), Southwest Region (Dallas), Inter-Mountain Region (Phoenix) and Western Region (Seattle area).

In addition to these regional offices, there are 16 liquid producing facilities and approximately 100 direct sales offices and other facilities throughout the United States.

#### **New Customer Capacity**

In the past year, we have brought onstream a new oxygen generating plant in Oglethorpe, Georgia, we have added capacity in Austin, Texas, and have started construction on another nitro-

gen generator in Colorado. Construction of the redeployed Conshohocken, Pennsylvania plant was completed in early 1981 at Coatesville, Pennsylvania. This plant is servicing both an on-site customer and bulk liquid requirements.

#### **Canada**

Our Canadian operations anticipated the economic slowdown in time and thus, for the second consecutive year, had good results, showing an 11% increase in earnings, on a comparable basis. Both industrial gases and welding products improved and consequently Canadian Liquid Air posted an overall operating profit increase of 13% over 1979.

#### **New Customers and New Capacity**

In Canada, we are also concentrating on gaining new customers for industrial gases through a strong applications technology program. New offices and filling operations were opened in Regina, Saskatchewan and Calgary, Alberta. A new specialty gases plant was opened in Toronto to serve a rapidly

growing market. An on-site plant was added in Espanola, Ontario serving the pulp and paper industry and in Alberta, Canada's most dynamic growth area, the Company has announced a new air separation plant. In addition, ground was broken for a new 60 ton-per-day merchant plant to serve the Maritime Provinces.

#### **South America**

Liquid Air's principal South American subsidiary, Oxigenio do Brasil, recently completed negotiations for a long-term supply contract for liquid oxygen and liquid nitrogen. Our Brazilian operation had an excellent year, except that the increase in operating profit of 41% was watered down to an increase in net earnings of only 5% because of higher taxes.

In September, we announced an expansion of our activities in South America when we reached agreement in principle for the purchase of the South American industrial gas businesses of Allegheny Ludlum Industries, Inc. By the time the

acquisition is completed, these businesses will have a production capacity of approximately 125 tons per day of gaseous product and a capacity to liquefy approximately 105 tons per day. It includes the operations in Venezuela, Colombia and Aruba, and the purchase is expected to be completed at the latest by September of 1981.

#### **U.S.D. Corp**

Our underwater diving and life support equipment subsidiary has undergone a name change; it was felt that the former name, U.S. Divers, no longer reflects the nature of its business, since more than 45% of the Company's sales now come from products and systems other than commercial and sport diving equipment.

Other products, such as life support equipment and safety apparel used by firemen and paramedics, have become increasingly important in the overall company picture. U.S.D. Corp had an exceptional year in profit improvement. With a 2% increase in sales, it achieved a 41%

increase in operating profit and 28% increase in net earnings.

#### **Corporate**

In 1980, the Company's balance sheet was substantially strengthened, and as a result of the divestiture, we find ourselves in a very strong financial position. Because of a sharply declining economy in mid-year, we initiated a serious program of cost reductions which contributed to our improved performance in 1980. These programs are of an ongoing nature, and we will continue to control costs in the areas of distribution and power consumption.

Because of this financial strength and the initiated cost reductions, we believe that we are well prepared to weather any difficult times that may come should the slowdown continue throughout 1981. We also believe that the Company is well-positioned to take advantage of all opportunities that may arise in our business areas when the economy strengthens.

# LIQUID AIR AT A GLANCE



## INDUSTRIAL GASES

Industrial gases, the principal business of Liquid Air, account for roughly 75% of the Corporation's sales, operating profit and assets. Sales have quadrupled in a decade and in the past five years have risen from \$155.7 million to \$311.8 million.

### Principal products and industrial uses

**Oxygen.** Steel production, construction and steel fabrication industries, copper, nickel and lead smelting, chemicals and petrochemicals, waste water treatment, and coal gasification.

**Nitrogen.** Food freezing, processing and packaging; treatment of metals; secondary oil and gas recovery; manufacture of chemicals; petrochemicals; plastics, glass and rubber; inert atmosphere for nuclear reactors.

**Fuel gases, principally acetylene.** Welding and cutting in metalworking, construction, transport-

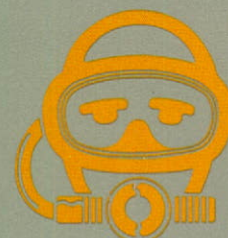


## WELDING PRODUCTS

Liquid Air began manufacturing gas welding equipment in the early 1900s in Canada, and has since expanded and diversified to become a leading manufacturer and distributor of welding products and equipment in Canada. The Company also manufactures welding products and equipment in Brazil. Welding products accounted for approximately 15% of sales in 1980.

### Principal products and industrial uses

**Filler metal. Flux-coated electrodes; solid and tubular semi-automatic welding wire. Metal**



## DIVING & SAFETY EQUIPMENT

U.S.D. Corp, a wholly-owned subsidiary of Liquid Air, manufactures and assembles apparatus designed for the personal safety of commercial and sport underwater divers, fire fighters, industrial workers and medical emergency victims. U.S.D.'s underwater and diving operations have grown rapidly since its beginning in 1957, and the company is now in the process of diversifying into the field of personal safety.



tation and other manufacturing industries.

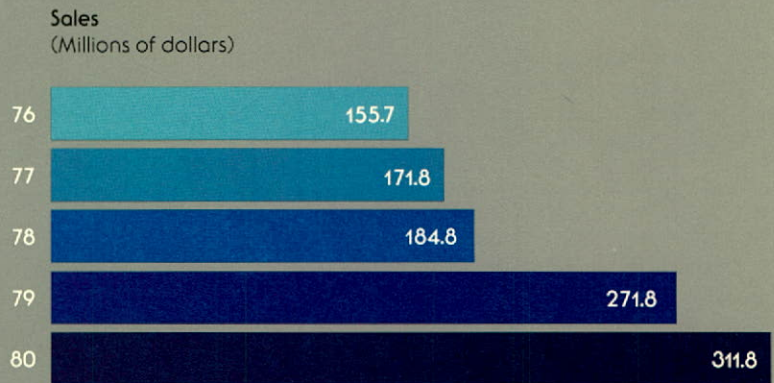
**Carbon dioxide.** Carbonated beverages; food freezing, chilling, processing and packaging; secondary oil and gas recovery; welding and cutting processes; cryosurgery, anesthetics; laser transmission; uranium mining.

**Argon.** Manufacture of lamps and electronic equipment; growing crystals for electronic circuit chips; refining metals; welding processes.

**Helium, hydrogen, krypton, xenon, neon.** Welding and welding shields; light bulb manufacture; heat treating of metals; oil hydrogenation; laser transmission.

**Specialty gases and mixtures.** Electronics industry; pollution control instrumentation; research labs; lighting; sterilizing agent.

**Medical gases and medical equipment.** Inhalation therapy and anesthesia; life support underwater and in fire fighting; tissue preservation and transplants.



fabrication; steel erection; transportation industry; shipbuilding; pipeline construction; heavy metalworking industries; maintenance repair welding; special alloy tubular wires.

**Electronic welding equipment, welding machines and accessories.** Welding of all alloy metals; new compact, low-cost modular designs to improve welding quality and reduce maintenance costs; safety products.

**Gas welding and cutting equipment and accessories.** Gas welding and cutting torches, regulators, tips, manifolds, accessories and safety equipment for all welding, cutting, heating, brazing and flame applications; automatic oxyfuel shape cutting machines.

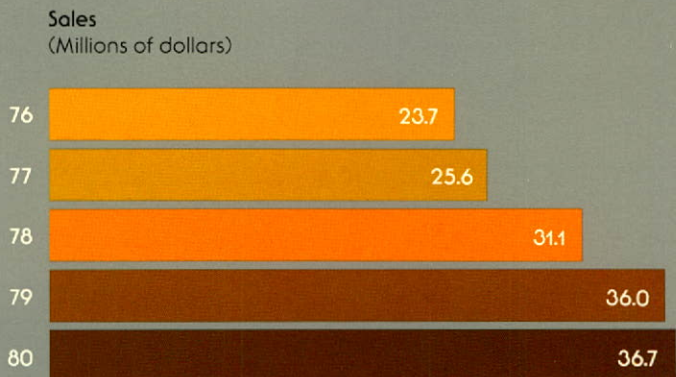


\*See Note B of the notes to consolidated financial statements pertaining to divestiture of U.S. welding products operations.

**Principal products and industrial uses**

**Equipment for recreational and commercial diving.** Self-contained underwater breathing apparatus, breathing systems, wet and dry suits, masks and other accessories; specialty equipment and systems for offshore drilling and pipeline installation; industrial underwater camera systems; masks, hats and other accessories.

**Fire and industrial breathing equipment.** Breathing apparatus, clothing and accessories for fire fighting and industrial emergency rescue service, including custom products.

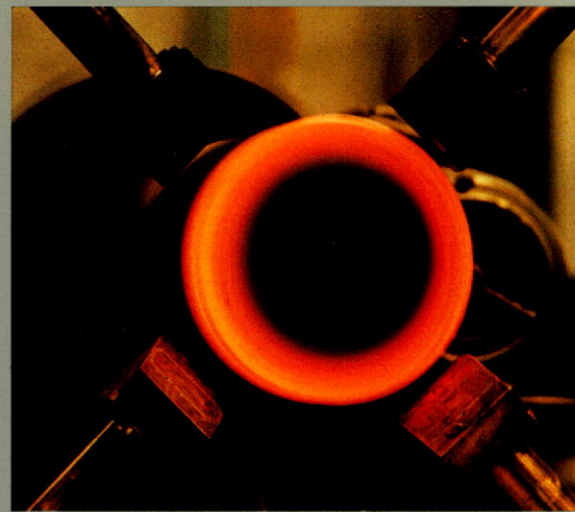


Liquid Air's applications and marketing people working around the country have access to the latest research and technological developments from our research centers in Chicago, Montreal and France.



## **LIQUID AIR—APPLYING TECHNOLOGY TO SOLVE PROBLEMS**

At the heart of the rapid expansion of the industrial gas business—and of Liquid Air Corporation—is the increased application of products and processes to modern life. How industrial gases are used to make



Leonard Sis  
Director  
of Technology,  
Industrial  
Gases Division

our lives easier and better, more attractive and safer.

Only a few decades ago, the uses and applications of gases were few, and most of these uses involved oxygen or occasionally

nitrogen. But as the technology of air liquefaction, separation, storage and distribution developed, new uses were soon discovered.

As we observed in our annual report last year, the industrial gas industry is a rapidly changing one. Two-

fifths of the products and processes in use today did not exist ten years ago. By the end of the 80s, a similar shift will have occurred. Some of these markets of the future will be more sophisticated



adaptations of existing earth-bound markets, such as preserving life and freezing foods, coal gasification, oil and gas recovery and heat treating machine parts for longer life and strength.



John Orfe  
Manager, Technical  
Applications



James Sweetnam  
Manager,  
Gas Applications  
Food and Cryogenics

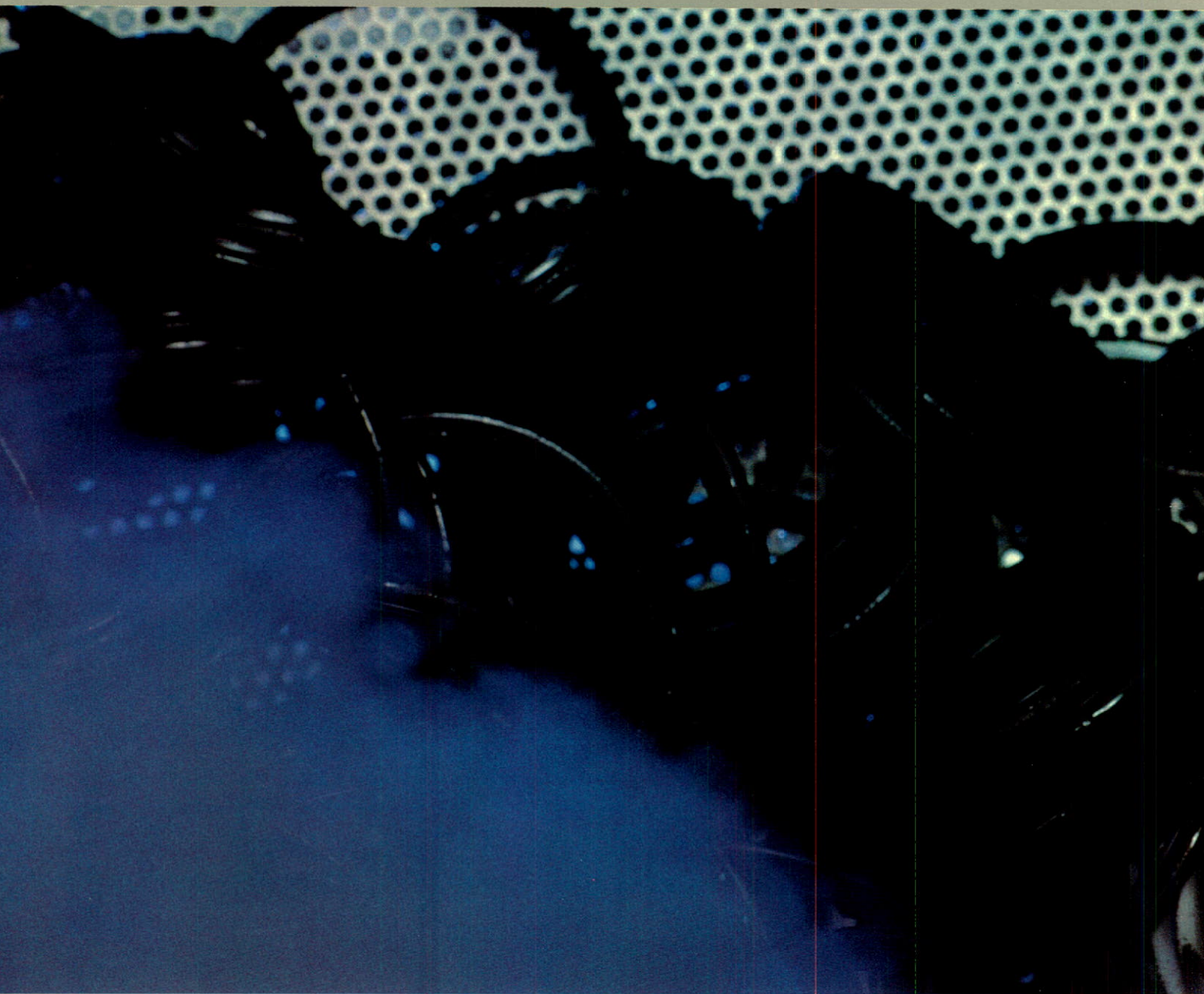


In the past 1½ years, we have expanded R&D and applications programs in the U.S. and Canada, and we bring these staffs together on a regular basis to discuss problems and their solutions.

But others will be out of the pages of Jules Verne—exploring space and the depths of the seas, creating unique atmospheres for unique activities, and safeguarding the earth's atmosphere and environment as the planet becomes more crowded.

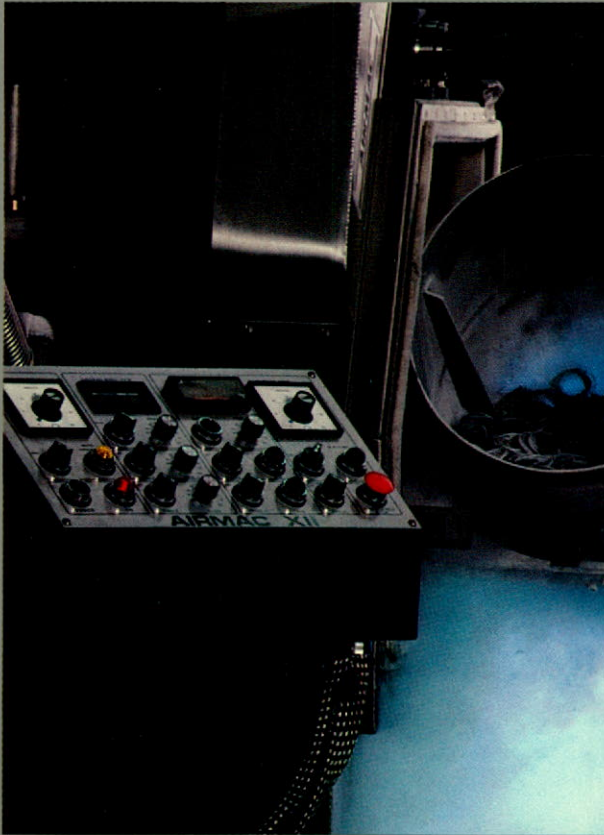
Much of Liquid Air's continuing growth over the years has been due to our commitment to be responsive to the needs of present markets and look ahead to future ones. We continuously

work with our customers and prospective customers to solve their problems. A major focus of this effort has been the planning and creation of a technical applications force. In the past two years the building of this group has



proceeded at a rapid pace because it has become a major focus of our efforts.

The objective of this program is to have applications specialists available to our customers in all areas of the United States and



Robert Lee  
Director of Research,  
Canadian Liquid Air

Our senior applications personnel spend much of the year on the road, meeting with clients and local Liquid Air people about specific projects and problems.

Canada, and it has three basic aspects:

- A new organization to utilize available research and development;
- Expanded headquarters in the United States and Canada, with a staff of applications managers and engineers;

- Regional offices staffed with applications engineers capable of answering the vast number of questions from our customers relating to the world of gas applications.

The first step in building the technical applications force

was to create an organization that would make available and usable the tremendous amount of research being done by our parent company, L'Air Liquide, in France, by the research and development



facilities Canadian Liquid Air operates in Montreal, and the new applications technology laboratory in Chicago.

We have launched a program to disseminate this vast amount of data and now





Our regional offices are also staffed with knowledgeable, experienced representatives who can help clients apply the latest industrial gas innovations to problems and quickly call in specialists for consultation.

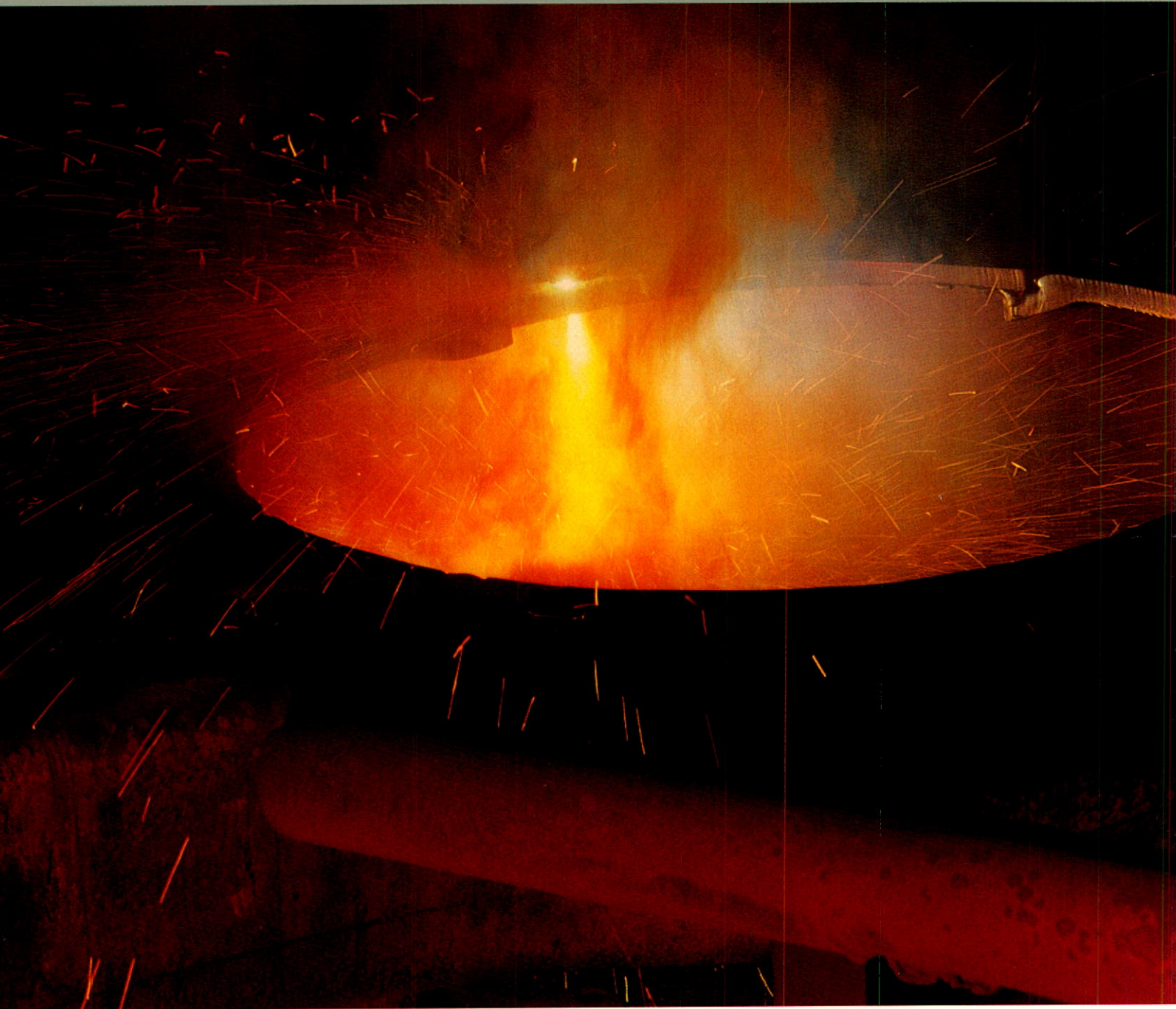
have meetings on a regular basis among our sales staff, our R&D people and our applications experts. In addition, our applications engineers meet frequently with the many scientists and technologists at L'Air Liquide's various

research facilities in France.

Today our customers are already reaping the benefits of this program. We expect these benefits to be substantial in the future.

Secondly, we have expanded the research organization within our Canadian and U.S.

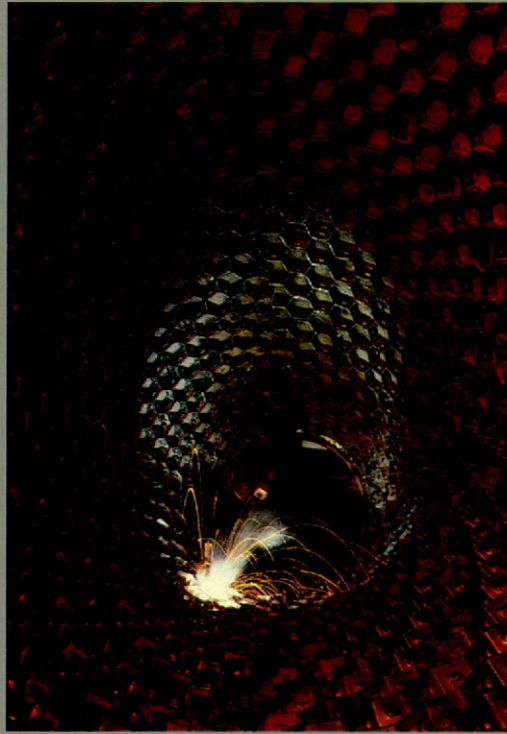
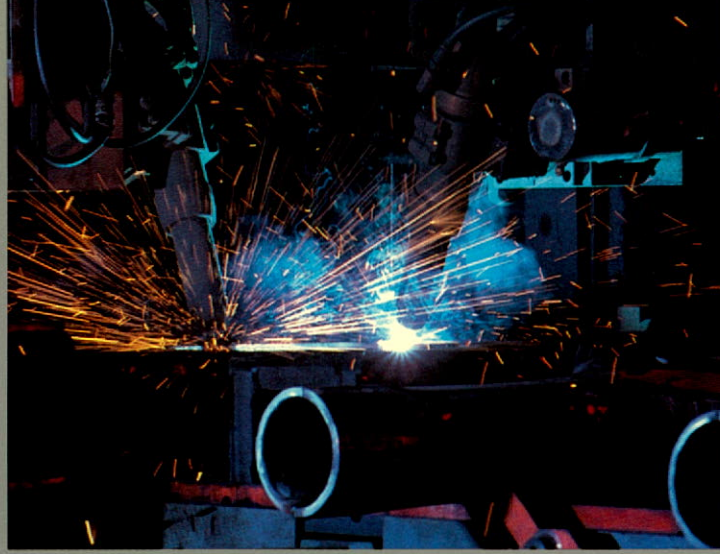
operations. We have also established mechanisms for the continuing interchange of information between our applications and marketing staff in San Francisco, our research and development facilities in Montreal and



our applications technology laboratory in Chicago.

Finally, we put people into the field in the regional offices to work full-time on applications. While our specialists from headquarters continue to spend much of their time on

Paul Deshaies  
Manager, Welding Products  
Marketing

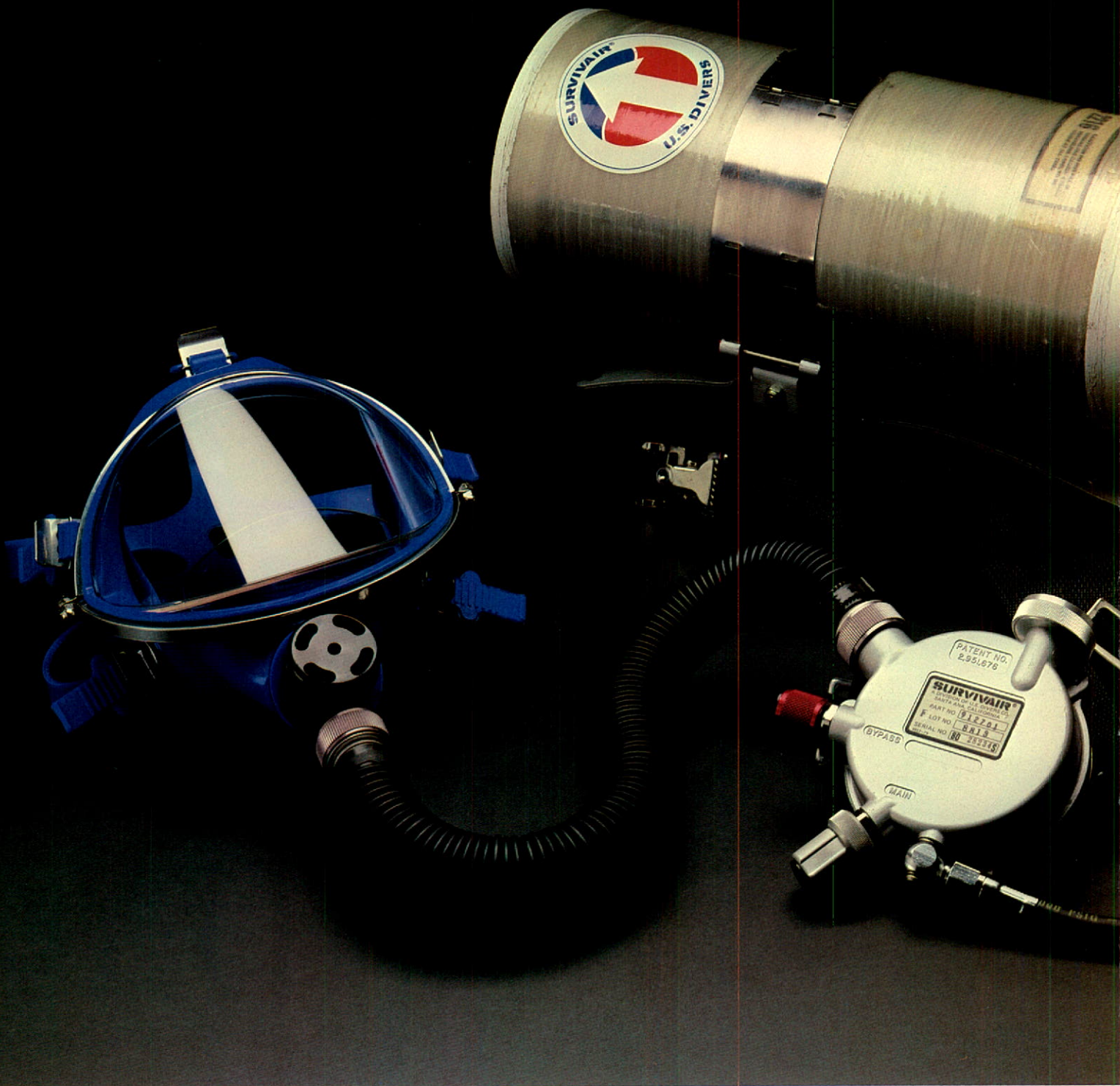


New welding techniques and better welding equipment and products are developed on a continuing basis by our Canadian company. We train not only our technical and sales representatives, but also the engineering and production personnel of our customers.

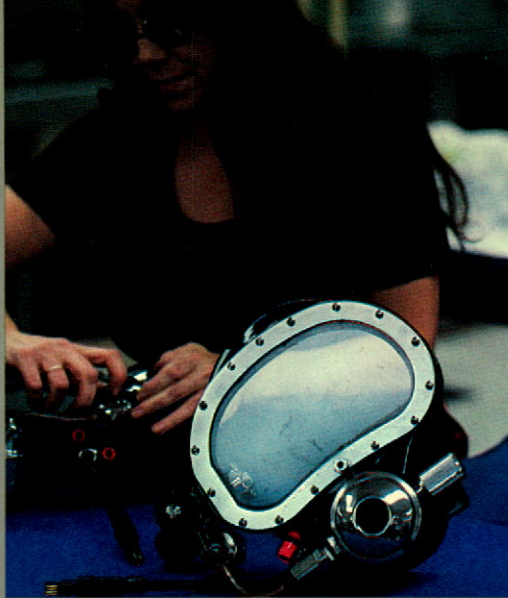
the road consulting with customers and prospects, we have a "local" man on the spot to deal with customers on a day-to-day basis. We go into the plants of our customers to show them how to improve production, reduce costs or increase efficiency through

the use of industrial gases. Examples include our processes that are used in the making of paper, steel, glass and cement. Sometimes we just solve difficult production problems.

In addition, our Canadian company has a special staff of employees assigned to the R&D facility in Montreal, which concentrates on developing new welding techniques and equipment.



Today, the Company has specialists in all major regions of North America to handle the technical requirements of its customers. The services rendered range from technical assistance at the local



Our diving and safety equipment division is among the industry leaders in developing better systems and products. One of the latest is an extra light breathing apparatus for firemen (at left).



Melvin Anderson  
National Sales Manager,  
Survivair and Body-Guard Divisions

level to large-scale, long-term research ventures. Technical applications are also a major concern at U.S.D. Corp, our diving and safety equipment subsidiary. Among new equipment and apparatus developed in the past two years are extra light

weight firemen's breathing apparatus and self contained breathing apparatus for miners.

Our applications program and people are now in place, and we are in a position to

assist customers throughout the United States and Canada. As we expand into other parts of the Western Hemisphere, such as Venezuela, we expect to utilize the ability and skills of these people to expand markets in these areas as well.

## **FINANCIAL REVIEW**

<b>Management's Analysis</b>	<b>21</b>
<b>Consolidated Financial Statements</b>	<b>26</b>
<b>Notes to Consolidated Financial Statements</b>	<b>31</b>
<b>Auditors' Report</b>	<b>37</b>
<b>Accounting for Inflation</b>	<b>38</b>

## Results of Operations

Despite the mid-year economic slowdown and large increases in power and distribution costs, particularly in the United States and Canada, the Company's 1980 overall results continued to show improvements.

Sales in 1980 totaled \$408.2 million, an increase of \$39.1 million, or 11% over 1979. Price increases in Canada and price and volume increases in Brazil were mainly responsible for sales increases in these two areas of the Company's operations. The sales increase in the United States was largely due to the acquisition of the NCG Division from Chemetron Corporation on March 28, 1979. Also, the absence, in 1980, of sales from certain industrial gas business disposed of on June 6, 1980, offset some of the sales increase in the United States.

Sales in 1979 totaled \$369.1 million, an increase of \$64.8 million, or 21% over 1978. This increase was principally due to the acquisition of the previously mentioned NCG Division. The sales increases in both Canada and in the United States were a result of both increased volumes and increased selling prices. The sales decline in Brazil was mostly due to lack of industrial gases product availability.

Net earnings in 1980 were \$29.4 million, an increase of \$5.1 million, or 21% over 1979. This increase resulted primarily from (i) higher operating profits in all Company operations, (ii) a gain on the sale of certain industrial gas business and assets in the United States and (iii) the capitalization of interest costs associated with the financing of plant and equipment under construction as required by generally accepted accounting principles beginning in 1980. Partially offsetting this increase in net earnings was an increase in the effective tax rate which was largely due to a lower investment tax credit in the United States and higher effective foreign tax rates, particularly in Brazil.

1979 net earnings were \$24.3 million, an increase of \$6.0 million, or 33% over 1978. This increase was largely a result of (i) the acquisition of the NCG Division; (ii) absence of operating loss of the United States' welding products operations which were sold February 28, 1979 (see Note B of notes to consolidated financial statements); (iii) increase in operating profit in Canada and the underwater diving and life support equipment operations; and (iv) increase in other income resulting mainly from gains on disposal of assets including the United States welding products operations and a gain on foreign currency translations.

## Liquidity and Capital Resources

The Company, being in a capital intensive industry, must utilize the debt markets to the extent its cash flow is insufficient to meet its requirements. Accordingly, the ratio of its long-term debt to total capitalization (long-term debt plus equity, including preferred stock) is critical since it indicates what potential it has to utilize the debt markets. This ratio was 31% at the end of 1980, compared with 33% at the end of 1979 and 39% at the end of 1978. However, since the Company had excess cash at the end of each year which is available to pay off long-term debt, this ratio can be viewed as 26%, 31% and 38% at the end of 1980, 1979 and 1978. This ratio is at a reasonable level and has improved since 1978.

It is expected that projected 1981 cash flow, and the December 31, 1980, excess cash of \$21 million and unused long-term credit lines available through 1987 of \$51 million (see Note E of notes to consolidated financial statements) will be sufficient to enable the Company to finance all of its 1981 capital programs, cash dividend requirements and working capital requirements, and the previously announced agreement in principle to purchase the South American industrial gas businesses of Allegheny Ludlum Industries, Inc. without any material effect on its long-term debt to equity ratio. Reference is made to Note B of notes to consolidated financial statements regarding the issue of capital as a result of the acquisition of the NCG Division.

## Impact of Inflation

The Company has been concerned for some time about the effects of inflation on individual businesses and has published its interpretation of this subject for a number of years in its annual report to shareholders in a section entitled "Accounting for Inflation"—see page 38 for this year's report.

Reference is also made to Note M of notes to consolidated financial statements for financial information on the effects of inflation using measurement bases developed by the Financial Accounting Standards Board.

## TEN YEAR SUMMARY OF EARNINGS\*

Years ended December 31

(Millions of dollars except per share amounts)

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
<b>SALES</b>	<b>\$408.2</b>	<b>\$369.1</b>	<b>\$304.3</b>	<b>\$284.5</b>	<b>\$265.6</b>	<b>\$240.8</b>	<b>\$220.0</b>	<b>\$175.5</b>	<b>\$127.8</b>	<b>\$108.3</b>
Cost of products sold	209.0	190.9	162.0	152.4	138.2	127.5	117.3	93.1	64.9	55.6
Operating expenses	121.3	109.9	87.7	81.7	75.9	64.4	58.4	50.0	38.9	35.5
Depreciation and amortization	26.6	23.7	16.6	14.2	13.0	10.9	10.0	8.4	7.2	6.3
<b>OPERATING PROFIT</b>	<b>51.3</b>	<b>44.6</b>	<b>38.0</b>	<b>36.2</b>	<b>38.5</b>	<b>38.0</b>	<b>34.3</b>	<b>24.0</b>	<b>16.8</b>	<b>10.9</b>
Other income	10.3	4.9	1.6	3.9	3.5	2.3	1.3	1.0	.9	.6
Interest expense	10.7	11.4	10.9	9.8	6.9	7.8	7.8	4.5	3.5	3.0
<b>EARNINGS BEFORE TAXES</b>	<b>50.9</b>	<b>38.1</b>	<b>28.7</b>	<b>30.3</b>	<b>35.1</b>	<b>32.5</b>	<b>27.8</b>	<b>20.5</b>	<b>14.2</b>	<b>8.5</b>
Income taxes	21.5	13.8	10.4	10.5	13.9	14.9	13.7	9.5	6.1	3.8
<b>EARNINGS BEFORE EXTRAORDINARY ITEM</b>	<b>29.4</b>	<b>24.3</b>	<b>18.3</b>	<b>19.8</b>	<b>21.2</b>	<b>17.6</b>	<b>14.1</b>	<b>11.0</b>	<b>8.1</b>	<b>4.7</b>
Extraordinary item								1.1		
<b>NET EARNINGS</b>	<b>\$ 29.4</b>	<b>\$ 24.3</b>	<b>\$ 18.3</b>	<b>\$ 19.8</b>	<b>\$ 21.2</b>	<b>\$ 17.6</b>	<b>\$ 14.1</b>	<b>\$ 12.1</b>	<b>\$ 8.1</b>	<b>\$ 4.7</b>
Per share: <sup>(1)</sup>										
Earnings before extra- ordinary item	\$ 2.76	\$ 2.45	\$ 2.48	\$ 2.73	\$ 2.73	\$ 2.35	\$ 1.89	\$ 1.48	\$ 1.24	\$ 0.72
Net earnings	2.76	2.45	2.48	2.73	2.73	2.35	1.89	1.63	1.24	0.72
Dividends paid	1.40	1.40	1.40	1.40	1.25	1.25	1.15	1.20	(2)	(2)

(1) Per common share and common equivalent share.

(2) Cash dividends paid prior to 1973 are not reported as they are not considered relevant to a current evaluation.

## SUMMARY BY GEOGRAPHIC LOCATION\*

Years ended December 31

(Millions of dollars)

	1980**	1979**	1978**	1977	1976	1975	1974	1973	1972	1971
<b>SALES</b>	<b>\$408.2</b>	<b>\$369.1</b>	<b>\$304.3</b>	<b>\$284.5</b>	<b>\$265.6</b>	<b>\$240.8</b>	<b>\$220.0</b>	<b>\$175.5</b>	<b>\$127.8</b>	<b>\$108.3</b>
United States	235.2	214.5	165.5	157.3	140.5	122.0	118.3	96.8	62.0	53.0
Foreign	173.0	154.6	138.8	127.2	125.1	118.8	101.7	78.7	65.8	55.3
Canada	132.0	119.9	103.1	97.4	97.6	93.8	81.1	65.2	56.8	47.3
Brazil	41.0	34.7	35.7	29.8	27.5	25.0	20.6	13.5	9.0	8.0
<b>OPERATING PROFIT</b>	<b>51.3</b>	<b>44.6</b>	<b>38.0</b>	<b>36.2</b>	<b>38.5</b>	<b>38.0</b>	<b>34.3</b>	<b>24.0</b>	<b>16.8</b>	<b>10.9</b>
United States	20.0	18.1	13.0	14.0	16.1	15.6	13.9	10.0	6.0	1.6
Foreign	31.3	26.5	25.0	22.2	22.4	22.4	20.4	14.0	10.8	9.3
Canada	23.9	21.1	17.8	17.8	18.3	18.5	16.9	12.0	10.5	8.7
Brazil	7.4	5.4	7.2	4.4	4.1	3.9	3.5	2.0	.3	.6

\*See Note A of notes to consolidated financial statements.

\*\*See Note L of notes to consolidated financial statements.



## SUMMARY BY OPERATING GROUP\*

LIQUID AIR CORPORATION  
(formerly Liquid Air Corporation of North America)

Years ended December 31  
(Millions of dollars)

	1980**	1979**	1978**	1977	1976	1975	1974	1973	1972	1971
<b>SALES</b>	<b>\$408.2</b>	<b>\$369.1</b>	<b>\$304.3</b>	<b>\$284.5</b>	<b>\$265.6</b>	<b>\$240.8</b>	<b>\$220.0</b>	<b>\$175.5</b>	<b>\$127.8</b>	<b>\$108.3</b>
Industrial gases	311.8	271.8	184.8	171.8	155.7	134.6	113.9	93.5	72.5	61.5
Welding products	59.7	61.3	88.4	87.1	86.2	87.8	87.8	65.3	42.4	35.8
Underwater diving and life support	36.7	36.0	31.1	25.6	23.7	18.4	18.3	16.7	12.9	11.0
<b>OPERATING PROFIT<sup>(1)</sup></b>	<b>51.3</b>	<b>44.6</b>	<b>38.0</b>	<b>36.2</b>	<b>38.5</b>	<b>38.0</b>	<b>34.3</b>	<b>24.0</b>	<b>16.8</b>	<b>10.9</b>
Industrial gases	40.7	37.2	33.9	31.1	30.8	26.9	21.3	17.3	13.4	8.7
Welding products	6.1	4.2	1.4	2.9	5.3	9.3	11.8	4.8	1.9	1.6
Underwater diving and life support	4.5	3.2	2.7	2.2	2.4	1.8	1.2	1.9	1.5	.6
<b>DEPRECIATION AND AMORTIZATION<sup>(2)</sup></b>	<b>26.6</b>	<b>23.7</b>	<b>16.6</b>	<b>14.2</b>	<b>13.0</b>	<b>10.9</b>	<b>10.0</b>	<b>8.4</b>	<b>7.2</b>	<b>6.3</b>
Industrial gases	25.4	22.7	15.8	13.4	12.3	10.2	9.5	8.0	6.8	5.9
<b>CAPITAL EXPENDITURES<sup>(2)</sup></b>	<b>60.5</b>	<b>50.7<sup>(3)</sup></b>	<b>37.1</b>	<b>31.9</b>	<b>32.0</b>	<b>27.2</b>	<b>23.4</b>	<b>25.5</b>	<b>23.1</b>	<b>13.2</b>
Industrial gases	58.4	48.9 <sup>(3)</sup>	35.5	31.0	30.6	26.3	22.6	24.8	22.7	12.5

(1) Operating profit is before interest expense, other income and income taxes.

(2) Depreciation and amortization and capital expenditures relating to welding products and underwater diving and life support equipment are not significant.

(3) Excludes \$52.5 million of property, plant and equipment acquired in acquisition—See Note B of notes to consolidated financial statements.

\*See Note A of notes to consolidated financial statements.

## SUMMARY OF IDENTIFIABLE ASSETS

Years ended December 31  
(Millions of dollars)

	1980**	1979**	1978**	1977	1976	1975	1974	1973	1972	1971
<b>BY GEOGRAPHIC LOCATION</b>	<b>\$444.9</b>	<b>\$417.3</b>	<b>\$317.6</b>	<b>\$293.1</b>	<b>\$260.3</b>	<b>\$228.3</b>	<b>\$222.8</b>	<b>\$193.6</b>	<b>\$159.2</b>	<b>\$117.6</b>
United States	256.4	259.1	180.7	170.7	152.3	120.3	115.1	102.2	90.5	60.6
Foreign	188.5	158.2	136.9	122.4	108.0	108.0	107.7	91.4	68.7	57.0
Canada	145.2	120.4	101.3	90.5	78.6	76.9	77.6	68.2	57.3	48.6
Brazil	43.3	37.8	35.6	31.9	29.4	31.1	30.1	23.2	11.4	8.4
<b>BY OPERATING GROUP</b>	<b>\$444.9</b>	<b>\$417.3</b>	<b>\$317.6</b>	<b>\$293.1</b>	<b>\$260.3</b>	<b>\$228.3</b>	<b>\$222.8</b>	<b>\$193.6</b>	<b>\$159.2</b>	<b>\$117.6</b>
Industrial gases	356.0	340.9	237.0	216.2	187.0	168.7	149.2	132.1	115.0	89.7
Welding products	29.0	28.5	47.3	46.6	47.0	41.0	42.8	31.2	23.6	18.3
Underwater diving and life support	26.2	26.8	20.3	17.0	16.9	11.9	11.4	10.7	8.2	5.6
Corporate	33.7	21.1	13.0	13.3	9.4	6.7	19.4	19.6	12.4	4.0

\*\*See Note L of notes to consolidated financial statements.

# QUARTERLY DATA

(Millions of dollars except per share amounts and stock price range)

1980			
Industrial gases	Welding products	U.S.D. Corp*	Total
\$ 80.5	\$15.3	\$11.1	\$106.9
78.3	15.3	9.7	103.3
75.6	14.6	7.3	97.5
77.4	14.5	8.6	100.5
<b>311.8</b>	<b>59.7</b>	<b>36.7</b>	<b>408.2</b>

\$ 12.7	\$1.4	\$1.8	\$15.9
9.0	1.8	1.0	11.8
9.3	1.8	.5	11.6
9.7	1.1	1.2	12.0
<b>40.7</b>	<b>6.1</b>	<b>4.5</b>	<b>51.3</b>

Net earnings	Earnings per share	Dividends paid
\$8.2	77¢	35¢
8.4	79¢	35¢
6.5	61¢	35¢
6.3	59¢	35¢

High bid	Low bid
24 <sup>1</sup> / <sub>4</sub>	20 <sup>3</sup> / <sub>4</sub>
22 <sup>1</sup> / <sub>4</sub>	19 <sup>3</sup> / <sub>4</sub>
27 <sup>1</sup> / <sub>2</sub>	21 <sup>1</sup> / <sub>4</sub>
34 <sup>1</sup> / <sub>2</sub>	26 <sup>1</sup> / <sub>4</sub>

## SALES

First
Second
Third
Fourth
Total

## OPERATING PROFIT

First
Second
Third
Fourth
Total

## NET EARNINGS, EARNINGS AND DIVIDENDS PER SHARE

First
Second
Third
Fourth

## COMMON STOCK PRICE RANGE

First
Second
Third
Fourth

1979**			
Industrial gases	Welding products	U.S.D. Corp*	Total
\$ 47.5	\$20.3	\$10.1	\$ 77.9
73.8	14.4	9.5	97.7
74.4	13.2	7.1	94.7
76.1	13.4	9.3	98.8
<b>271.8</b>	<b>61.3</b>	<b>36.0</b>	<b>369.1</b>

\$ 7.6	\$1.3	\$1.3	\$10.2
10.3	1.9	1.0	13.2
10.6	1.0	(0.1)	11.5
8.7	—	1.0	9.7
<b>37.2</b>	<b>4.2</b>	<b>3.2</b>	<b>44.6</b>

Net earnings	Earnings per share	Dividends paid
\$5.0	69¢	35¢
7.0	65¢	35¢
6.4	60¢	35¢
5.9	54¢	35¢

High bid	Low bid
\$27	\$24 <sup>3</sup> / <sub>4</sub>
26	23 <sup>3</sup> / <sub>4</sub>
28 <sup>3</sup> / <sub>4</sub>	23 <sup>3</sup> / <sub>4</sub>
26 <sup>1</sup> / <sub>4</sub>	23 <sup>3</sup> / <sub>4</sub>

\*Underwater diving and life support equipment.

\*\*See Note A of notes to consolidated financial statements.

# TEN YEAR FINANCIAL SUMMARY\*

LIQUID AIR CORPORATION  
(formerly Liquid Air Corporation of North America)

Years ended December 31  
(Millions of dollars)

SOURCE & APPLICATION OF FUNDS	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
<b>SOURCE OF FUNDS</b>										
From operations	\$ 65.2	\$ 53.3	\$ 42.0	\$ 38.8	\$ 36.8	\$ 30.3	\$ 27.3	\$ 22.5	\$ 15.8	\$ 11.8
Additional long-term debt	102.0	53.3	43.7	46.7	33.6	9.5	22.6	17.3	20.3	1.1
Shares issued for cash										
Preferred				24.0					19.0	
Common						7.9	2.1	3.1	1.7	1.6
Shares issued to acquire companies		60.0							17.7	
Decrease in other assets				5.3		.2	6.4			.1
Property, plant and equipment sold	22.4	1.1	.7	.3	.7	.5	.7	.4	.4	.2
	<b>\$189.6</b>	<b>\$167.7</b>	<b>\$ 86.4</b>	<b>\$115.1</b>	<b>\$ 71.1</b>	<b>\$ 48.4</b>	<b>\$ 59.1</b>	<b>\$ 43.3</b>	<b>\$ 74.9</b>	<b>\$ 14.8</b>
<b>APPLICATION OF FUNDS</b>										
Property, plant and equipment acquired	\$ 60.5	\$ 50.7	\$ 37.1	\$ 31.9	\$ 21.7	\$ 27.2	\$ 23.4	\$ 25.5	\$ 13.0	\$ 13.2
Property, plant and equipment of subsidiaries acquired		52.5			10.3				10.1	
Reduction of long-term debt	104.0	45.3	33.7	31.9	19.9	16.5	11.5	6.2	8.6	7.3
Cash dividends paid	15.6	14.4	10.9	10.4	9.6	9.1	8.4	8.5	4.3	3.3
Cancellation of a subsidiary's preferred shares									19.0	
Purchase of common shares				28.9						
Increase in goodwill	1.7		.3	1.3	.8	.1	.5	.2	6.6	
Increase in other assets	6.5	2.1	.9	.7	5.4			7.3	1.0	
Other		(1.9)			1.5		.1	.1	(.5)	.1
Working capital increase (decrease)	1.3	4.6	3.5	10.0	1.9	(4.5)	15.2	(4.5)	12.8	(9.1)
	<b>\$189.6</b>	<b>\$167.7</b>	<b>\$ 86.4</b>	<b>\$115.1</b>	<b>\$ 71.1</b>	<b>\$ 48.4</b>	<b>\$ 59.1</b>	<b>\$ 43.3</b>	<b>\$ 74.9</b>	<b>\$ 14.8</b>
<b>BALANCE SHEET DATA</b>										
<b>ASSETS</b>										
Current assets	\$140.3	\$132.4	\$114.1	\$110.6	\$ 91.9	\$ 81.7	\$ 91.7	\$ 69.1	\$ 58.9	\$ 40.2
Other assets	14.4	8.0	5.0	4.1	8.7	3.3	3.5	9.9	2.6	1.6
Property, plant and equipment, net of accumulated depreciation	270.8	259.0	180.3	160.3	142.6	126.9	111.1	98.4	81.5	66.1
Goodwill	19.4	17.9	18.2	18.1	17.1	16.4	16.5	16.2	16.2	9.7
	<b>\$444.9</b>	<b>\$417.3</b>	<b>\$317.6</b>	<b>\$293.1</b>	<b>\$260.3</b>	<b>\$228.3</b>	<b>\$222.8</b>	<b>\$193.6</b>	<b>\$159.2</b>	<b>\$117.6</b>
<b>LIABILITIES AND EQUITY</b>										
Current liabilities	\$ 83.9	\$ 77.3	\$ 63.6	\$ 63.6	\$ 54.9	\$ 50.8	\$ 56.4	\$ 49.0	\$ 34.3	\$ 28.4
Long-term debt	98.9	101.0	90.2	80.2	65.4	51.7	58.7	47.6	36.5	24.8
Deferred taxes	39.8	30.6	25.3	18.3	13.4	10.8	9.2	6.2	4.4	3.6
Shareholders' equity <sup>(1)</sup>	222.3	208.4	138.5	131.0	126.6	115.0	98.5	90.8	84.0	60.8
	<b>\$444.9</b>	<b>\$417.3</b>	<b>\$317.6</b>	<b>\$293.1</b>	<b>\$260.3</b>	<b>\$228.3</b>	<b>\$222.8</b>	<b>\$193.6</b>	<b>\$159.2</b>	<b>\$117.6</b>

<sup>(1)</sup> Includes redeemable preferred stock

\*See Note A of notes to consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

December 31  
(Thousands of dollars)

ASSETS	1980	1979
<b>CURRENT ASSETS</b>		
Cash	\$ 2,382	\$ 9,410
Certificates of deposit	21,162	6,212
Receivables		
Trade, less allowances (\$2,816 in 1980 and \$2,636 in 1979)	73,829	64,504
Other	4,679	5,218
Due from affiliates	260	3,474
Inventories—Note C	34,041	38,218
Prepaid expenses and deposits	3,943	3,763
Income taxes recoverable		1,595
	<b>140,296</b>	<b>132,394</b>
<b>OTHER ASSETS</b>	<b>14,428</b>	<b>7,954</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
At cost—Notes D and F	429,340	399,275
Less accumulated depreciation	(158,562)	(140,269)
	<b>270,778</b>	<b>259,006</b>
<b>GOODWILL</b>	<b>19,402</b>	<b>17,917</b>
	<b>\$444,904</b>	<b>\$417,271</b>

See notes to consolidated financial statements.

LIQUID AIR CORPORATION  
(formerly Liquid Air Corporation of North America)

LIABILITIES AND SHAREHOLDERS' EQUITY	1980	1979
<b>CURRENT LIABILITIES</b>		
Bank indebtedness—Note E	\$ 10,557	\$ 9,169
Accounts payable	50,788	52,184
Accrued interest	3,434	3,659
Accrued taxes, other than income taxes	3,254	2,789
Due to parent and other affiliates	2,009	2,381
Income taxes	9,021	3,017
Current maturities of long-term debt	4,869	4,099
	<b>83,932</b>	<b>77,298</b>
 <b>LONG-TERM DEBT</b>		
Exclusive of current maturities—Notes E and F	<b>98,930</b>	<b>100,956</b>
 <b>DEFERRED INCOME TAXES</b>		
	<b>39,808</b>	<b>30,630</b>
 <b>REDEEMABLE PREFERRED STOCK</b>		
Convertible, par value \$100—Note G Authorized and issued 240,000 shares	<b>24,000</b>	<b>24,000</b>
 <b>COMMON STOCK</b>		
No par value Authorized 12,000,000 shares Issued 11,104,570 shares in 1980 and 1979, at stated value	<b>32</b>	<b>32</b>
 <b>OTHER SHAREHOLDERS' EQUITY</b>		
Capital surplus	149,858	149,858
Retained earnings—Note F	77,276	63,429
Treasury shares—at cost (904,125 common shares)	(28,932)	(28,932)
	<b>\$444,904</b>	<b>\$417,271</b>

# CONSOLIDATED STATEMENT OF EARNINGS

Years ended December 31

(Thousands of dollars except per share amounts)

	1980	1979	1978
<b>SALES</b>	<b>\$408,249</b>	<b>\$369,109</b>	<b>\$304,266</b>
<b>COSTS AND EXPENSES</b>			
Costs of products sold	209,029	190,864	162,022
Selling, distribution, general and administrative expenses	121,315	109,970	87,694
Depreciation and amortization (principally applicable to costs of products sold)	26,560	23,707	16,606
	<b>356,904</b>	<b>324,541</b>	<b>266,322</b>
<b>OPERATING PROFIT</b>	<b>51,345</b>	<b>44,568</b>	<b>37,944</b>
<b>OTHER EXPENSES (INCOME)</b>			
Interest expense—Note A	10,654	11,453	10,844
Gain on sale of assets	(4,800)		
Other income	(5,383)	(4,961)	(1,566)
	<b>471</b>	<b>6,492</b>	<b>9,278</b>
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>50,874</b>	<b>38,076</b>	<b>28,666</b>
<b>INCOME TAXES—Note J</b>			
Current	12,248	8,441	3,275
Deferred	9,178	5,341	7,069
	<b>21,426</b>	<b>13,782</b>	<b>10,344</b>
<b>NET EARNINGS</b>	<b>\$ 29,448</b>	<b>\$ 24,294</b>	<b>\$ 18,322</b>
<b>EARNINGS PER SHARE</b>			
Net earnings per common share—Note K	<b>\$2.76</b>	<b>\$2.45</b>	<b>\$2.48</b>

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

LIQUID AIR CORPORATION  
(formerly Liquid Air Corporation of North America)

Years ended December 31  
(Thousands of dollars)

	1980	1979	1978
<b>SOURCE OF FUNDS</b>			
<b>FROM OPERATIONS</b>			
Net earnings	\$ 29,448	\$ 24,294	\$ 18,322
Expenses not affecting working capital			
Depreciation and amortization	26,560	23,707	16,606
Deferred income taxes	9,178	5,341	7,069
Total from operations	<b>65,186</b>	<b>53,342</b>	<b>41,997</b>
Additional long-term debt	102,031	53,284	43,657
Common stock issued in acquisition		60,030	
Sales of property, plant and equipment	22,410	1,075	713
Total source	<b>189,627</b>	<b>167,731</b>	<b>86,367</b>
<b>DISPOSITION OF FUNDS</b>			
Additions to property, plant and equipment	60,469	50,714	37,092
Assets and liabilities of business acquired, less working capital of \$9,481 in 1979			
Property, plant and equipment		52,498	
Other assets		851	
Long-term debt		(2,800)	
Increase in other assets	6,474	2,106	881
Additions to goodwill	1,758		301
Current maturities and repayment of long-term debt	104,057	45,307	33,670
Cash dividends	15,601	14,433	10,932
Total disposition	<b>188,359</b>	<b>163,109</b>	<b>82,876</b>
INCREASE IN WORKING CAPITAL	\$ 1,268	\$ 4,622	\$ 3,491
<b>CHANGES IN COMPONENTS OF WORKING CAPITAL</b>			
<b>INCREASE (DECREASE) IN CURRENT ASSETS</b>			
Cash and certificates of deposit	\$ 7,922	\$ 6,700	\$ (4,103)
Receivables	8,786	13,581	2,487
Due from affiliates	(3,214)	3,173	(139)
Inventories	(4,177)	(3,232)	1,438
Prepaid expenses and deposits	180	(256)	583
Income taxes recoverable	(1,595)	(1,667)	3,262
	<b>7,902</b>	<b>18,299</b>	<b>3,528</b>
<b>INCREASE (DECREASE) IN CURRENT LIABILITIES</b>			
Bank indebtedness	1,388	3,975	(931)
Accounts payable and accrued expenses	(1,156)	19,039	1,166
Due to parent and other affiliates	(372)	(9,882)	(2,486)
Income taxes	6,004	621	2,191
Current maturities of long-term debt	770	(76)	97
	<b>6,634</b>	<b>13,677</b>	<b>37</b>
INCREASE IN WORKING CAPITAL	\$ 1,268	\$ 4,622	\$ 3,491

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMMON STOCK AND OTHER SHAREHOLDERS' EQUITY

Years ended December 31  
(Thousands of dollars)

	Common Shares	Stock Amount	Capital Surplus	Retained Earnings	Treasury Shares
<b>BALANCE DECEMBER 31, 1977</b>					
As previously reported	7,769,570	\$22	\$ 89,838	\$ 46,921	\$(28,932)
Adjustment for the cumulative effect on prior years of the change in the method of accounting for compensated absences—Note A				(743)	
<b>BALANCE DECEMBER 31, 1977</b>					
As restated	7,769,570	22	89,838	46,178	(28,932)
Net earnings				18,322	
Cash dividends					
Common (\$1.40 per share)				(9,612)	
Preferred (\$5.50 per share)				(1,320)	
<b>BALANCE DECEMBER 31, 1978</b>					
	7,769,570	22	89,838	53,568	(28,932)
Stock issued in acquisition—Note B	3,335,000	10	60,020		
Net earnings				24,294	
Cash dividends					
Common (\$1.40 per share)				(13,113)	
Preferred (\$5.50 per share)				(1,320)	
<b>BALANCE DECEMBER 31, 1979</b>					
	11,104,570	32	149,858	63,429	(28,932)
Net earnings				29,448	
Cash dividends					
Common (\$1.40 per share)				(14,281)	
Preferred (\$5.50 per share)				(1,320)	
<b>BALANCE DECEMBER 31, 1980</b>					
	11,104,570	\$32	\$149,858	\$ 77,276	\$(28,932)

See notes to consolidated financial statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1980

LIQUID AIR CORPORATION  
(formerly Liquid Air Corporation of North America)

## NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation:** The financial statements include the accounts of the Company and its majority-owned subsidiaries. Upon consolidation, all significant intercompany accounts and transactions have been eliminated.

L'Air Liquide, Société Anonyme pour l'Etude et l'Exploitation des Procédés Georges Claude (L'Air Liquide) owns directly or through other affiliates approximately 55% of the Company's common shares outstanding and all of its preferred shares outstanding as of December 31, 1980 and 1979.

**Depreciation and Amortization:** The Company follows the policy of providing for depreciation principally on the straight-line method for financial reporting purposes and by the declining balance method for income tax purposes. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in earnings.

**Goodwill:** Goodwill represents the cost in excess of net assets of businesses acquired. Goodwill of \$9,767,000 arising from acquisitions prior to November 1, 1970 is not being amortized since, in the opinion of the Company, there has been no diminution in value. Goodwill acquired since November 1, 1970, is being amortized over a 40 year period.

**Research Expenses:** Royalties paid to L'Air Liquide and its affiliates to secure rights to their research and development amounted to \$4,052,000, \$3,715,000 and \$3,303,000 in 1980, 1979 and 1978.

**Income Taxes:** Deferred income taxes have been provided as a result of timing differences, primarily relating to depreciation methods, in reporting income for financial statements and income tax purposes.

Consolidated retained earnings include \$96,578,000 and \$75,818,000 of retained earnings of foreign subsidiaries at December 31, 1980 and 1979, for which no provision has been made for taxes which would be payable upon remittance, as it is intended to indefinitely reinvest such retained earnings. Foreign subsidiaries have paid and are expected to continue to pay dividends from current earnings.

Investment tax credits have been accounted for by the flow-through method.

**Changes in Accounting:** In 1980, the Company changed its method of accounting for interest expense and

compensated absences to comply with FASB Statements No. 34 and No. 43. The Company previously followed the policy of expensing these costs as incurred. As a result of the change in accounting for interest expense, interest amounting to \$3,227,000 has been capitalized as part of the costs of newly constructed manufacturing facilities. This accounting change increased net earnings in 1980 by \$1,600,000 (\$.16 per share). The prior years financial statements have not been restated to reflect capitalization of interest because FASB Statement No. 34 prohibits retroactive application.

In accordance with FASB Statement No. 43, prior years financial statements have been restated to reflect the accrual of vacation pay as earned by employees. The effect of this change was to decrease 1979 net earnings from \$24,698,000 to \$24,294,000 (from \$2.49 to \$2.45 per share) with no significant effect on the net earnings for 1980 and 1978. The cumulative decrease in net earnings for years prior to 1978 amounted to \$743,000.

## NOTE B—ACQUISITION AND DIVESTITURES

On March 28, 1979, the Company purchased all the domestic assets and business of the Industrial Gas Division (the "Division") of Chemetron Corporation ("Chemetron"), a wholly-owned subsidiary of Allegheny Ludlum Industries, Inc. The assets and business purchased do not include the facilities used by Chemetron for the production, sale or distribution of carbon dioxide and calcium carbide. In full consideration for the purchase of such assets and business, the Company, in addition to assuming certain liabilities of the Division, issued 3,335,000 shares of the Company's common stock valued at \$60,030,000. The acquisition has been accounted for by the purchase method of accounting. The excess (approximately \$9,891,000) of the carrying value of the net assets acquired over the value of the securities issued has been applied against property, plant and equipment.

Following is an unaudited pro forma summary of the results of operations as if the acquisition had been consummated January 1, 1978 (without giving effect to the sale of the United States welding products business):

	Year ended December 31	
	1979	1978
Sales	\$393,450,000	\$394,050,000
Net earnings	\$ 26,110,000	\$ 25,660,000
Net earnings per common share	\$2.43	\$2.39

In connection with the acquisition, the Company entered into a settlement agreement with the Federal Trade Commission under which the Company was

## NOTES TO CONSOLIDATED STATEMENTS—continued

obligated to dispose of certain of its and the Division's facilities, which facilities did not constitute a significant portion of the combined entity. On June 6, 1980, the Company sold to MG Burdett Gas Products Company, formerly Burdett Oxygen Company, for a cash sales price; a substantial portion of the facilities required to be disposed. This disposal increased net earnings by \$2,000,000 (\$.19 per share).

During 1979, the Company sold its United States welding products business to a wholly-owned subsidiary of L'Air Liquide (the "purchaser"). This disposal increased net earnings by \$216,000 (\$.02 per share). In connection with the sale, the purchaser has agreed to lease certain fixed assets from the Company and to pay the Company an annual administration fee. The purchaser paid the Company \$280,000 and \$233,000 during 1980 and 1979 as rental for the leased fixed assets and an administration fee of \$1,338,000 in 1980 and \$833,000 in 1979. The Company has engaged the purchaser to act as agent for the Company in the sale of compressed gases sold in cylinders at the leased premises and paid the purchaser commissions totaling \$9,033,000 in 1980 and \$7,285,000 in 1979.

The United States welding products business which was sold contributed sales of \$6,896,000 in 1979 and \$42,860,000 in 1978. Operating results were immaterial in 1979 compared with an operating loss before interest expense and income taxes of approximately \$1,800,000 in 1978.

### NOTE C—INVENTORIES

Inventories are priced at the lower of cost or market. Welding products are determined primarily on the last-in, first-out method. Underwater diving and life support equipment and industrial gases are primarily determined using the first-in, first-out method. The excess of current inventory costs over LIFO values aggregated approximately \$4,642,000 at December 31, 1980 and \$2,880,000 at December 31, 1979.

	1980	1979
Finished goods	\$16,957,000	\$21,160,000
Work in progress	3,338,000	3,562,000
Materials and supplies	13,746,000	13,496,000
	<u>\$34,041,000</u>	<u>\$38,218,000</u>

### NOTE D—PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (including assets purchased from affiliates of approximately \$66,702,000 and \$59,000,000 at December 31, 1980 and 1979) are summarized as follows:

	1980	1979
Land	\$ 10,333,000	\$ 9,239,000
Buildings	33,483,000	31,413,000
Cylinders	93,433,000	86,469,000
Machinery and equipment	265,385,000	262,047,000
Construction in progress	26,706,000	10,107,000
	<u>\$429,340,000</u>	<u>\$399,275,000</u>

Cost to complete construction in progress at December 31, 1980 is estimated at \$8,534,000.

### NOTE E—CREDIT ARRANGEMENTS

The Company has both short-term and long-term lines of credit as follows at December 31, 1980:

	Short-term	Long-term
Total available	\$21,472,000	\$94,500,000
Amount unused	10,915,000	51,172,000
Amount used	<u>\$10,557,000</u>	<u>\$43,328,000</u>

Short-term lines of credit have no termination dates but are reviewed annually for renewal. Commitment fees of ¼% to ½% are paid on unused long-term lines of credit which are available to the Company through 1987 at the prime rate and up to ½% over the London Interbank Offer Rate (LIBOR).

These credit arrangements do not require that the Company maintain any significant compensating balances.

### NOTE F—LONG-TERM DEBT

	1980	1979
9% note payable to an insurance company, due April 1, 1993, payable in annual installments of \$1,000,000	\$ 13,000,000	\$ 14,000,000
8¾% note payable to an insurance company, due February 1, 1996, payable in annual installments of \$2,000,000 commencing February 1, 1982	30,000,000	30,000,000
Prime rate revolving loans to a maximum of \$35,000,000, due in 1984, 1985 and 1986	22,928,000	17,345,000
Prime rate revolving term loans to a maximum of \$22,500,000, payable in installments commencing in 1985 through 1987	20,400,000	23,244,000
1% above London Interbank Offer Rate term loan		2,000,000
Various long-term indebtedness at rates from 5½% to 13%, payable in varying maturities through 1994	17,471,000	18,466,000
	<u>103,799,000</u>	<u>105,055,000</u>
Less current maturities	4,869,000	4,099,000
	<u>\$ 98,930,000</u>	<u>\$100,956,000</u>

Long-term debt includes the U.S. dollar equivalent (approximately \$7,864,000 and \$9,711,000 at December 31, 1980 and 1979) of loans repayable in foreign currencies.

Indebtedness of approximately \$1,936,000 is collateralized by property, plant and equipment with a net book value of \$8,971,000.

The principal payments required on long-term debt at December 31, 1980, during the succeeding five years, are as follows:

1981	\$ 4,869,000
1982	5,596,000
1983	4,644,000
1984	15,005,000
1985	19,401,000

Debt agreements require the maintenance of stated amounts of working capital and net worth. The Company was in compliance with these agreements at December 31, 1980. Approximately \$52,553,000 and \$43,335,000 of consolidated retained earnings were unrestricted under these agreements as to the payment of dividends at December 31, 1980 and 1979.

#### NOTE G—REDEEMABLE PREFERRED STOCK

Redeemable preferred stock is redeemable from and after December 31, 1986, at par plus a 5.5% premium and accumulated dividends. The premium declines each year thereafter by .25% and in any event the Company must redeem any remaining shares on July 1, 2012. The holders of the preferred shares do not have voting rights except in the event of dividend arrearages for four quarters, in which case they may appoint two directors. A total of 375,000 common shares are reserved for conversion of the preferred shares.

#### NOTE H—PENSIONS

The Company and its significant subsidiaries have pension plans for eligible employees, including certain employees of a foreign subsidiary. It is the policy of the Company and its subsidiaries to fund actuarially determined pension costs as accrued and to amortize prior service costs over a period of 30 to 40 years. Total pension expense for 1980, 1979 and 1978 amounted to \$1,551,000, \$2,010,000 and \$1,293,000.

The decrease in pension expense in 1980 is due to a revision of the turnover assumption used in the actuarial calculation.

Accumulated plan benefit information, as determined by consulting actuaries, and plan net assets for the Company's domestic plans are presented below:

	January 1	
	1980	1979
Actuarial present value of accumulated plan benefits:		
Vested	\$ 9,267,000	\$ 8,948,000
Nonvested	1,066,000	1,467,000
	<u>\$10,333,000</u>	<u>\$10,415,000</u>
Net assets available for pension benefits	<u>\$13,595,000</u>	<u>\$11,606,000</u>

The assumed rate of return used in determining the actuarial value of accumulated plan benefits ranged from 5½% to 8% for both 1979 and 1980. The Company's foreign pension plan is not required to report to certain governmental agencies pursuant to ERISA and does not otherwise determine the actuarial value of accumulated plan benefits or net assets available for pension benefits as calculated and disclosed above. For that plan, the value of the plan assets exceeds the actuarially computed value of vested benefits.

#### NOTE I—LEASES

The Company leases certain real property and equipment. Rental expense was \$11,438,000, \$9,663,000 and \$7,238,000 for 1980, 1979 and 1978.

The approximate future rental payments under non-cancellable operating leases are as follows:

1981	\$ 6,125,000
1982	4,652,000
1983	3,011,000
1984	2,421,000
1985	1,304,000
Thereafter	2,641,000
	<u>\$20,154,000</u>

#### NOTE J—INCOME TAXES

The components of earnings before income taxes consist of the following:

	1980	1979	1978
Domestic	\$14,861	\$ 9,735	\$ 4,413
Foreign	36,013	28,341	24,253
	<u>\$50,874</u>	<u>\$38,076</u>	<u>\$28,666</u>

## NOTES TO CONSOLIDATED STATEMENTS—continued

The provision for income taxes consists of:

	Federal and State		Foreign		Total	
	Current	Deferred	Current	Deferred	Current	Deferred
1978	\$(1,782,000)	\$2,920,000	\$ 5,057,000	\$4,149,000	\$ 3,275,000	\$7,069,000
1979	2,563,000	418,000	5,878,000	4,923,000	8,441,000	5,341,000
1980	1,175,000	4,998,000	11,073,000	4,180,000	12,248,000	9,178,000

The reasons for the difference between total tax expense and the amount computed by applying the statutory federal income tax rate to earnings before income taxes are as follows:

	1980	1979	1978
Statutory federal rate	46.0%	46.0%	48.0%
Investment tax credit	(5.9)	(8.9)	(8.4)
Lower effective foreign rates	(1.0)	(2.7)	(5.3)
Other	3.0	1.8	1.8
Effective tax rate	<u>42.1%</u>	<u>36.2%</u>	<u>36.1%</u>

Deferred income taxes resulted from timing differences in the recognition of revenue and expense for tax and financial reporting purposes as follows:

	1980	1979	1978
Accelerated depreciation for tax purposes	\$ 6,098,000	\$ 9,274,000	\$7,254,000
Capitalization of interest costs	1,600,000		
Vacation pay accrual	1,088,000	(429,000)	(11,000)
Gain on sale of assets	642,000		
Acquisition costs	737,000		
Provision for doubtful accounts in excess of allowable tax expense	1,073,000	(1,295,000)	
Investment tax credits	(2,100,000)	(1,626,000)	
Other	40,000	(583,000)	(174,000)
	<u>\$ 9,178,000</u>	<u>\$ 5,341,000</u>	<u>\$7,069,000</u>

### NOTE K—EARNINGS PER SHARE

Earnings per share are computed by dividing net earnings, less preferred stock dividends, by the average number of outstanding common shares (10,200,445, 9,378,116 and 6,865,445 in 1980, 1979 and 1978).

The preferred stock is not deemed to be a common

share equivalent. Fully diluted earnings per share are not shown, as the effect of conversion of the preferred stock would be anti-dilutive.

### NOTE L—SEGMENTS OF BUSINESS AND FOREIGN OPERATIONS

Summaries of Operations and Assets by Geographic Location and by Operating Group are contained on pages 22-23. Business segment information for 1980, 1979 and 1978 included therein is an integral part of the financial statements.

Certain selling, distribution, general and administrative expenses are not directly traceable to operating groups and, accordingly, have been allocated by a method which best expresses management's estimate of the relative operating results of the respective groups and which is calculated on the basis of each group's operating results before such allocation. Such method resulted in expense allocation in 1980, 1979 and 1978 of \$18,100,000, \$22,200,000 and \$35,900,000 to industrial gases and \$6,200,000, \$7,100,000 and \$13,000,000 to welding products. Included in these expenses are \$1,800,000, \$1,500,000 and \$1,000,000 of general corporate expenses which, in view of their immateriality, have been deducted in computing operating profit.

Net earnings of the foreign subsidiaries included in consolidated net earnings amounted to \$20,760,000, \$17,540,000 and \$15,047,000 for 1980, 1979 and 1978. The consolidated balance sheet includes total assets of the foreign subsidiaries of \$188,529,000 and \$158,154,000 and net assets of \$123,265,000 and \$103,230,000 for 1980 and 1979, respectively.

Included in other income are gains (losses) on foreign currency translations of \$477,000, \$445,000 and \$(641,000) in 1980, 1979 and 1978.

---

**NOTE M—SUPPLEMENTAL INFORMATION ON THE EFFECTS OF CHANGING PRICES (UNAUDITED)**

For a number of years, the Company has been concerned about the effects of inflation on individual businesses and its impact on the Company's operations. The Company has experimented with sundry methods proposed by accounting bodies and other regulatory authorities for measuring inflation. These methods included constant dollar and current cost methods. The Company has found that certain historical ratios provide the best indices of its success in keeping pace with inflation. No one of these indices taken alone is a sufficient guide. One should look at all ratios together and observe whether the ratios have improved or weakened over a longer period. It is through these ratios and their trends, rather than trying to measure in precise terms the effects of inflation on a corporation, that one can best judge how an enterprise is affected by inflation. This utilization of ratios gives one additional useful information which the current cost or constant dollar methods do not. The Company has published this information for a number of years in its annual report to shareholders in a section entitled "Accounting for Inflation." See page 38 for this year's report.

However, current reporting requirements under generally accepted accounting principles have been extended to require that the Company provide historical financial information converted to two bases—constant dollar and current cost—using specified methods notwithstanding the Company's own opinion that this information may be less meaningful than that presented on pages 38-39. This required information is provided in the two tables set below and which the Company believes was prepared on a reasonable basis; however, many judgmental decisions were required. Accordingly, the Company cannot represent that this additional information accurately reflects the effects of inflation.

For both constant dollar and current cost, generally accepted accounting principles require a restatement of the reported costs of inventory and property, plant and equipment, as well as the related costs of products sold and depreciation expense. It was assumed that all revenues and all expenses other than costs

of products sold and depreciation expense were earned or incurred rateably throughout the year in such a way that these amounts are already stated in average 1980 dollars. As prescribed by generally accepted accounting principles, no adjustments have been made to income tax expense.

For the constant dollar method, the Consumer Price Index for all urban consumers was used to restate costs of product sold and depreciation expense into dollars whose purchasing power is equivalent to the average purchasing power of the dollar for the year 1980.

For current cost, generally accepted accounting principles require that the Company develop its best estimate to restate the necessary items. The Company used a combination of published governmental and business indices, internally generated indices and representative costs of construction of plant and equipment.

Certain air separation plants have been built to largely supply specific customers on the basis of long-term contracts which require contractual payments to be made to the Company. These plants have been included at historical costs under both the constant dollar and current cost methods. The costs of these plants have not been adjusted because of the direct relationship between historical costs and contractual revenues. These assets are treated as monetary assets and thus affect the unrealized gain on net monetary liabilities. The net book value of these plants was \$30,223,000 at December 31, 1980.

Depreciation expense recomputed under both methods exceeds comparable amounts computed on a historical cost basis as a result of the continuing impact of inflation; however, because the Company uses the LIFO method for welding products inventory valuation, the impact on costs of products sold is not material. The purchasing power gain from holding net monetary liabilities during the year is largely due to the amount of long-term debt used to finance property, plant and equipment.

**NOTES TO CONSOLIDATED STATEMENTS—continued**

**Statement of Income Adjusted for Changing Prices**

Year ended December 31, 1980

(In millions of dollars)

	As Reported	Constant Dollar	Current Costs
Sales	\$408.2	\$408.2	\$408.2
Costs of products sold	209.0	212.1	209.4
Operating expenses	121.3	121.3	121.3
Depreciation and amortization	26.6	36.7	39.4
Other income	(10.3)	(10.3)	(10.3)
Interest expense	10.7	10.7	10.7
Earnings before income tax	50.9	37.7	37.7
Income taxes	21.5	21.5	21.5
Net earnings	29.4	16.2	16.2
Purchasing power gain from holding net monetary liabilities during the year		8.6	8.6
Increase in current costs of inventory and property, plant and equipment held during the year			48.7
Effect of increase in general price level			46.8
Excess of increase in current costs, over increase in the general price level			1.9

**Five Year Comparison of Selected Supplementary Financial Data Adjusted for Changing Prices**

(In millions of dollars except per share data and Consumer Price Index)

(Average 1980 dollars)

	1980	1979	1978	1977	1976
Sales	\$408.2	\$419.0	\$384.3	\$386.9	\$384.4
Historical cost information adjusted for current costs:					
Operating costs and expenses	330.7	342.8			
Operating profit*	77.5	76.2			
Depreciation and amortization	39.4	38.0			
Other income	(10.3)	(5.6)			
Interest expense	10.7	13.0			
Earnings before income taxes	37.7	30.8			
Income taxes	21.5	15.6			
Net earnings	16.2	15.2			
Net earnings per common share	1.46	1.44			
Net assets at year end	352.6	346.4			
Constant dollar information:					
Operating costs and expenses	333.4	344.0			
Operating profit*	74.8	75.0			
Depreciation and amortization	36.7	34.7			
Earnings before income taxes	37.7	32.9			
Net earnings	16.2	17.3			
Net earnings per common share	1.46	1.68			
Excess of increase in current costs of inventories and net properties over increase in the general price level	1.9	17.3			
Net assets at year end	317.9	314.8			
Other information					
Purchasing power gain from holding net monetary liabilities during the year	8.6	9.8			
Cash dividends declared per common share	1.40	1.59	1.77	1.90	1.81
Market price per common share at year end	28.41	25.50	32.54	33.82	46.37
Average Consumer Price Index	246.8	217.4	195.4	181.5	170.5

\*Operating profit is defined as profit before depreciation and amortization, other income, interest expense and income taxes.

---

# REPORT OF ERNST & WHINNEY INDEPENDENT AUDITORS

---

Shareholders and Board of Directors  
Liquid Air Corporation  
San Francisco, California

We have examined the consolidated balance sheet of Liquid Air Corporation (formerly Liquid Air Corporation of North America) and subsidiaries as of December 31, 1980 and 1979, and the related consolidated statements of earnings, common stock and other shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Liquid Air Corporation and subsidiaries at December 31, 1980 and 1979, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles consistently applied during the period, except for the change upon the adoption of the policy of capitalizing interest expense in accordance with FASB No. 34, and after restatement for the change in the method of accounting for compensated absences in accordance with FASB No. 43, both as described in Note A to the financial statements. We concur with these changes in accounting methods.

*Ernst & Whinney*

San Francisco, California  
February 23, 1981

# ACCOUNTING FOR INFLATION

## General

In view of the widespread concern about the effects of inflation on individual businesses, the Company submits the following information to help the reader evaluate earnings and other operating results over the last ten years.

To test the impact of inflation on its own operations—to make sure that the strengthening trend of its earnings and of its balance sheet is real and not illusory, the Company has experimented with the sundry methods proposed by accounting bodies and other regulatory authorities for measuring inflation. It has found that certain historical ratios provide the best indices of its success in keeping pace with inflation. No one of these indices taken alone is a sufficient guide. The reader should look at all the ratios together and observe whether the ratios have improved or weakened over a long period.

## Current dollars operating ratios

### a) Before taxes

represents profit (after LIFO inventory costing) before depreciation, interest expense, minority interest and income taxes to sales

This ratio indicates whether or not the Company was able to recover the rising current costs from its customers through volume and price increases. During inflationary periods, this ratio should be maintained.

### b) After taxes

same as above except it is after taxes which are calculated at the effective tax rate of a given year

This ratio, together with the above ratio, should tell the reader whether or not lower tax rates have compensated the Company for rising current costs that were not recovered through price and volume increases.

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
a) Before taxes	21.7%	19.9%	18.6%	19.2%	21.3%	21.7%	20.9%	19.3%	19.6%	16.5%
b) After taxes	12.5%	12.7%	11.9%	12.5%	12.9%	11.8%	10.6%	10.4%	11.2%	9.1%

## Property, plant and equipment coverage ratio

The borrower profits from the fact that the past and present dollar obligations will be paid off with future dollars carrying lower purchasing power due to inflation. Based on this principle, the Company protects itself against inflation on fixed assets by using long-term borrowings to finance their acquisition. It establishes the degree to which it has hedged its investments in plant and property by examining the ratio between capital provided by outside sources (borrowings, fixed dividend preferred stock and deferred taxes) and the net historical value of assets older than one year.

This ratio, referred to as the property, plant and equipment coverage ratio, will fluctuate depending upon capital resources (borrowings, preferred stock issue or common stock financing) obtained in any given year. It should show, however, that most assets older than one year are covered by capital other than common stock equity.

During the years 1971 to 1980, this ratio has been as high as 120% and as low as 76%.

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
Net of cumulative depreciation	\$270,778	\$259,006	\$180,327	\$160,321	\$142,595	\$126,933	\$111,097	\$ 98,440	\$ 81,513	\$ 66,060
Net current additions	56,492	48,584	35,377	30,441	27,961	26,028	22,408	34,085	22,580	12,638
Net plant, equipment older than one year	214,286	210,422	144,950	129,880	114,634	100,905	88,689	64,355	58,933	53,422
Capital provided by outsiders	180,140	170,488	159,234	142,788	100,142	76,707	90,271	77,167	53,833	41,855
Ratio	84.1%	81.0%	109.9%	109.9%	87.4%	76.0%	101.8%	119.9%	91.3%	78.3%



**Actual debt ratio**

The actual debt ratio represents the percentage of capital employed obtained by borrowings. We believe that this ratio indicates that the Company has hedged itself against inflation within sound financial limits.

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
Total debt	\$114,356	\$114,224	\$108,528	\$ 99,260	\$ 85,484	\$ 61,899	\$ 78,152	\$ 68,245	\$ 47,042	\$ 36,221
Total capital employed	378,374	354,875	273,730	249,894	226,792	191,744	188,771	167,935	137,856	102,650
Ratio	30.2%	32.2%	39.6%	39.7%	37.7%	32.3%	41.4%	40.6%	34.1%	35.3%

Capital employed is defined as total assets less accounts payable and accrued interest, taxes other than income taxes, due to parent and other affiliates, and income taxes.

**Return on capital employed before taxes and after taxes**

Return on capital employed, before income taxes, is the ratio of income before interest expense, minority interest and income taxes to the average capital employed. Return on capital employed after taxes is calculated in the same manner as the above defined ratio except that it takes into consideration the effective tax rate of any given year. These ratios are not an absolute and accurate measure but management believes that calculation of these ratios on a historic basis can still be meaningful provided that emphasis is placed on the overall trends rather than the ratios in any single year. The trend should be upward during the periods of increasing inflation.

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
Return—before taxes	16.9%	15.8%	15.2%	16.9%	20.8%	21.7%	20.2%	16.7%	14.8%	11.5%
Return—after taxes	9.8%	10.1%	9.7%	11.0%	12.6%	11.8%	10.2%	9.0%	8.4%	6.4%

All dollar amounts expressed above are in thousands of dollars.

# CORPORATE DATA

## Directors

Jean Henri Delorme†  
Chairman, President and Chief Executive Officer  
L'Air Liquide S.A.

Peter F. Baumberger  
President, Executive Committee  
Carba Holding A.G.

Mike V. Breber  
Executive Vice President and  
Chief Operating Officer

Robert J. Buckley†  
Chairman, President and  
Chief Executive Officer  
Allegheny Ludlum Industries, Inc.

Emilio A. Dominianni\*  
Partner, Coudert Brothers,  
Attorneys at Law

Raymond S. Fries  
Executive Vice President and President,  
General Industry Group  
Allegheny Ludlum Industries, Inc.

Donald R. Gant\*†  
Partner, Goldman, Sachs & Co.  
Investment Bankers

Graemer K. Hilton\*  
Executive Vice President  
and Chief Financial Officer,  
Allegheny Ludlum Industries, Inc.

Wilburn Ray Hines  
President, SCOBOCO Inc.

Jacques G. Maisonrouge  
Chairman, IBM World Trade  
Europe/Middle East/Africa Corporation

Jean P. Pineau\*  
Vice Chairman and Executive Vice President  
L'Air Liquide S.A.

Pierre A. Salbaing  
Vice Chairman and Executive Vice President  
L'Air Liquide S.A.

Clayton A. Sweeney  
Executive Vice President  
and Chief Administrative Officer,  
Allegheny Ludlum Industries, Inc.

Colin W. Webster  
Chairman of the Board  
St. Lawrence Stevedoring Co. Ltd.

\*Audit Committee

†Compensation Committee

## Officers

Jean Henri Delorme  
Chairman of the Board

Pierre A. Salbaing  
President and Chief Executive Officer

Mike V. Breber  
Executive Vice President and  
Chief Operating Officer

Thomas E. Slattery  
President, Industrial Gases Division

Thaddeus Pylko  
Vice President

Claude Salama  
Vice President

Ward J. Sheridan  
Vice President

John N. Baird  
Secretary

Emilio A. Dominianni  
Assistant Secretary

## Corporate Offices

Liquid Air Corporation  
One Embarcadero Center  
San Francisco, California 94111  
Telephone (415) 765-4500

Canadian Liquid Air Ltd.  
1155 Sherbrooke Street W.  
Montreal, Quebec, Canada H3A 1H8  
Telephone (514) 842-5431

U.S.D. Corp  
3323 West Warner Avenue  
Santa Ana, California 92702  
Telephone (714) 540-8010

Oxigenio do Brasil S.A.  
Praca Nami Jafet, 44  
Sao Paulo, Brazil  
Telephone (011) 274-2033

## Transfer Agents

Morgan Guaranty Trust Company  
of New York  
30 West Broadway  
New York, New York 10015

First Jersey National Bank  
One Exchange Place  
Jersey City, New Jersey 07303

## Registrar

Morgan Guaranty Trust Company  
of New York  
30 West Broadway  
New York, New York 10015

## Stock Listing

The Corporation's stock is traded  
in the over-the-counter market  
and is quoted by the National  
Association of Securities Dealers  
automated quotation system  
(NASDAQ).

## Stock Symbol

LANA

## Auditors

Ernst & Whinney  
555 California Street  
Suite 3000  
San Francisco, California 94104

## Legal Counsel

Coudert Brothers  
200 Park Avenue  
New York, New York 10017

## Annual Report to the Securities and Exchange Commission on Form 10-K Available

The Corporation's annual report to  
the Securities and Exchange  
Commission on form 10-K  
contains financial information  
and financial statements found  
in this report as well as additional  
information. The report to the  
SEC will be furnished without  
charge to shareholders upon  
written request to:

Secretary  
Liquid Air Corporation  
One Embarcadero Center  
San Francisco, California 94111





Liquid Air Corporation  
One Embarcadero Center  
San Francisco, California 94111