



**Q1 FY08 Earnings
Conference Call
January 23, 2008**

Forward-Looking Statements

NOTE: This presentation contains “forward-looking statements” within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management’s reasonable expectations and assumptions as of the date of this presentation regarding important risk factors. Actual performance and financial results may differ materially from projections and estimates expressed in the forward-looking statements because of many factors, including, without limitation, overall economic and business conditions different than those currently anticipated; future financial and operating performance of major customers and industries served by Air Products; the impact of competitive products and pricing; interruption in ordinary sources of supply of raw materials; the ability to recover unanticipated increased energy and raw material costs from customers; costs and outcomes of litigation or regulatory activities; consequences of acts of war or terrorism impacting the United States’ and other markets; the effects of a pandemic or epidemic or a natural disaster; charges related to portfolio management and cost reduction actions; the success of implementing cost reduction programs and achieving anticipated acquisition synergies; the timing, impact and other uncertainties of future acquisitions or divestitures; unanticipated contract terminations or customer cancellation or postponement of sales; significant fluctuations in interest rates and foreign currencies from that currently anticipated; the impact of new or changed tax and other legislation and regulations in jurisdictions in which Air Products and its affiliates operate; the impact of new or changed financial accounting standards; and the timing and rate at which tax credits can be utilized. The company disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this presentation to reflect any change in the company’s assumptions, beliefs or expectations or any change in events, conditions or circumstances upon which any such forward-looking statements are based.

Consolidated Q1 Financials

Delivering Leverage

(\$Millions, Continuing Operations)	Q1 FY08	Fav/(Unfav) vs.	
		Q1 FY07	Q4 FY07*
Sales	\$2,474	9%	1%
SG&A as a % of Sales	12.0%	10bp	10bp
Operating Income	\$372	17%	5%
Operating Margin %	15.0%	100bp	40bp
Net Income	\$257	16%	2%
Diluted EPS	\$1.16	17%	4%
ROCE	12.3%	70bp	-
ORONA	12.5%	80bp	10bp

- Solid underlying growth (excl. Equipment & Energy)
- Driving margins & ROC higher

* Comparison is non-GAAP, see appendix for reconciliation

EPS up 17%*

	<u>Q1 FY08</u>	<u>Q1 FY07</u>	<u>Change</u>	
As-reported diluted EPS	\$1.19	\$1.03		
Less Discontinued Ops	0.03	0.04		
Continuing Operations EPS	<u>\$1.16</u>	<u>\$0.99</u>	<u>\$0.17</u>	
Volume			\$0.03	} \$0.09
Price / raw materials			0.05	
Cost			0.01	
Acquisitions			0.02	
Currency			0.07	
Equity Affiliates income			(0.01)	
Interest Expense			(0.01)	
Fewer shares outstanding			0.01	
Change			<u>\$0.17</u>	

*Continuing Operations

Merchant Gases

	<u>Q1 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q1 FY07</u>	<u>Q4 FY07*</u>
Sales	\$897	21%	5%
- Volume		5%	1%
- Price		3%	1%
- Currency		7%	3%
- Acquisitions		6%	-
Operating Income	\$175	26%	14%
Operating Margin	19.6%	80bp	150bp

- Profit growth and margin improvement
- Pricing actions continue to drive results

Merchant Gases: *Q1 Sales Analysis vs PY*

	<u>North America</u>	<u>Europe</u>	<u>Asia</u>
Sales % change	12%	31%	20%
- Volume	6%	3%	14%
- Price	6%	3%	1%
- Currency	-	13%	4%
- Acquisitions	-	12%	1%

- Volume growth across all regions despite Argon & Helium shortages
- Price increases effective 01 October 2007

Tonnage Gases

	<u>Q1 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q1 FY07</u>	<u>Q4 FY07*</u>
Sales	\$791	15%	2%
- Volume		5%	(5%)
- Nat'l gas/RM pass thru		5%	6%
- Currency		3%	1%
- Acquisition		2%	-
Operating Income	\$111	16%	(6%)
Operating Margin	14.0%	20bp	(120bp)

- Continuing to drive returns higher
- High bidding activity continues

*Comparison is non-GAAP, see appendix for reconciliation

Electronics & Performance Materials

Strong Margin Improvement

	<u>Q1 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q1 FY07</u>	<u>Q4 FY07</u>
Sales	\$514	6%	(2%)
- Volume excl. Equipment		6%	(5%)
- Equipment		(1%)	1%
- Price		(1%)	1%
- Currency		2%	1%
Operating Income	\$66	33%	9%
Operating Margin	12.8%	260bp	120bp
● Electronics sales		4%	2%
● Performance Materials volume		4%	(10%)

Equipment & Energy

	<u>Q1 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q1 FY07</u>	<u>Q4 FY07</u>
Sales	\$100	(49%)	(19%)
Operating Income	\$9	(65%)	(48%)
Sales Backlog	\$246	(39%)	(5%)

- **Tough comps versus PY**
- **One LNG order signed in Q1**
- **Additional LNG & ASU orders anticipated**

Healthcare

	<u>Q1 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q1 FY07</u>	<u>Q4 FY07</u>
Sales	\$171	10%	7%
– Volume		6%	2%
– Price/mix		(2%)	2%
– Currency		6%	3%
Operating Income	\$14	45%	55%
Operating Margin	8.0%	200bp	250bp

- Continued strong growth in Europe
- Small sequential improvement in U.S.

FQ2 '08 Financial Outlook

*21%-25% Growth vs. PY**

FQ1 2008 EPS \$1.16

- **Higher Merchant Gases**
- **Higher Electronics**
- **Seasonally higher Perf Mat'l volumes**
- **Higher Equity Affiliates**
- **Lower Equipment & Energy**

FQ2 2008 EPS \$1.17 - \$1.21*

*Continuing Operations, excludes any divestiture gain or pension settlement charges



FY08 Full Year Outlook

*EPS ~\$4.85 to \$5.00, 15%-19% growth**

- **FY2007**

Reported last quarter	\$4.37
– Polymers to discontinued operations	<u>(\$0.17)</u>
FY07 adjusted for discontinued ops	\$4.20

- **FY2008**

Forecasted last quarter	\$4.80-\$5.00
– Polymers to discontinued operations	(0.17)
+ Remove pension settlement charge	<u>0.07</u>
Adjusted Forecast	= \$4.70-\$4.90
+ Increase	<u>+0.15 - 0.10</u>

- **New Guidance** **~ \$4.85-\$5.00**

- **PP&E CapEx forecast unchanged, about \$1.1-\$1.2B**

- **Tax rate guidance unchanged, about 27%-28%, with Q2 slightly lower**

Our Outlook

- **Global economy tracking on forecast**
- **Future demand drivers are strong**
 - **High energy costs → efficiencies**
 - **High capital costs → debottlenecking**
 - **Environmental pressures → new applications**
- **Globally well positioned with market leadership**
 - **Hydrogen for clean fuels**
 - **Oxygen for gasification**
 - **Electronics**

APD Transformation

Less cyclical, more focused, higher growth and higher return

- **Sale of Amines & Emulsions**
- **Electronics business restructuring**
- **Electronics market less cyclical**
- **Tonnage ↑ % of portfolio**
- **SAP implemented**
- **SG&A as a % of sales reduced**
- **Improved Merchant loading and pricing strategy**
- **Margin improvement goals/plans**
- **Capital discipline**
- **Share repurchase**

Appendix slides



Appendix: Q1 Sales Analysis

<u>Change versus</u>	<u>Q1 FY07</u>	<u>Q4 FY07</u>
Total Consolidated	9%	1%
Comprised of:		
● Base business growth	2%	(2%)
– Volume (excl. Eq&En)	5%	(2%)
– Equipment & Energy	(4%)	(1%)
– Price	1%	1%
● Acquisitions/Divest.	2%	-
● Natural gas pass thru	1%	1%
● Currency	4%	2%

Appendix: Q1FY08 vs. Q4FY07

	FY2008 Q1			FY2007 Q4			Fav / (Unfav) Q1 FY2008 vs. Q4 FY07		
	Operating Income	Income from Cont. Ops	EPS Cont. Ops	Operating Income	Income from Cont. Ops	EPS Cont. Ops	Operating Income	Income from Cont. Ops	EPS Cont. Ops
Total Company									
GAAP Measure	\$372.0	\$257.0	\$1.16	\$373.1	\$291.1	\$1.30	0%	-12%	-11%
Gain on contract termination				(\$36.8)	(\$23.6)	(\$0.11)			
Supp. pension plan charge				\$10.3	\$6.4	\$0.03			
Global cost reduction plan				\$13.7	\$8.8	\$0.04			
Donation/sale of cost investment				(\$5.0)	(\$19.8)	(\$0.09)			
Tax adjustments					(\$11.3)	(\$0.05)			
Non GAAP Measure	\$372.0	\$257.0	\$1.16	\$355.3	\$251.6	\$1.12	5%	2%	4%

	FY2008 Q1			FY2007 Q4			Fav / (Unfav) Q1 FY2008 vs. Q4 FY07		
	Operating Income	Sales	Margin	Operating Income	Sales	Margin	Operating Income	Sales	Margin
Total Company									
GAAP Measure	\$372.0	\$2,473.6	15.0%	\$373.1	\$2,437.3	15.3%			-0.3%
Non GAAP Measure (per above)	\$372.0	\$2,473.6	15.0%	\$355.3	\$2,437.3	14.6%			0.4%
Merchant									
GAAP Measure	\$175.4	\$897.0	19.6%	\$159.5	\$854.8	18.7%	10%	5%	0.9%
Donation/sale of cost investment				(\$5.0)					
Non GAAP Measure	\$175.4	\$897.0	19.6%	\$154.5	\$854.8	18.1%	14%	5%	1.5%
Tonnage									
GAAP Measure	\$111.1	\$791.1	14.0%	\$155.0	\$775.7	20.0%	-28%	2%	-6.0%
Gain on contract termination				(\$36.8)					
Non GAAP Measure	\$111.1	\$791.1	14.0%	\$118.2	\$775.7	15.2%	-6%	2%	-1.2%

Appendix: Guidance

(\$/share)	Q2			Full Year		
	<u>Q207</u>	<u>Q208 Guidance</u>	<u>% Change</u>	<u>FY07</u>	<u>FY08 Guidance</u>	<u>% Change</u>
<u>Diluted EPS - Continuing Ops.</u>						
GAAP	\$0.97	\$1.09-\$1.13	12%-16%	\$4.50	\$4.76-\$4.91	6%-9%
Gain on contract settlement				(\$0.11)		
Supp. pension plan charge		\$0.08		\$0.03	\$0.09	
Global cost reduction plan				\$0.04		
Donation/sale of cost investment				(\$0.09)		
Tax adjustments				(\$0.05)		
Tax audit resolution				(\$0.12)		
NON GAAP	\$0.97	\$1.17-\$1.21	21%-25%	\$4.20	\$4.85-\$5.00	15%-19%

Appendix: ROCE Non-GAAP Reconciliation

\$ Millions Quarter Ended	Q106	Q206	Q306	Q406	Q107	Q207	Q307	Q407	Q108
Numerator									
Operating Income Reported	249.6	265.4	276.4	220.1	317.4	308.6	352.4	373.1	372.0
Equity Affiliate Income	<u>25.2</u>	<u>22.2</u>	<u>19.9</u>	<u>24.2</u>	<u>27.3</u>	<u>27.6</u>	<u>29.5</u>	<u>30.0</u>	<u>25.3</u>
Earnings before tax before items	274.8	287.6	296.3	244.3	344.7	336.2	381.9	403.1	397.3
Global Cost Reduction Plan	0.0	0.0	0.0	72.1	0.0	0.0	0.0	13.7	0.0
Gain on Contract Termination	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(36.8)	0.0
Pension Settlement Charge	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.3	0.0
Donation/Sale of Cost Investment	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>(5.0)</u>	<u>0.0</u>
Earnings before tax ex items	274.8	287.6	296.3	316.4	344.7	336.2	381.9	385.3	397.3
Effective tax rate before items	26.7%	27.0%	25.9%	23.8%	26.5%	26.4%	17.1%	18.0%	26.6%
Earnings after tax before items	201.4	209.9	219.6	186.2	253.4	247.4	316.6	330.5	291.6
Effective tax rate ex items	26.7%	27.0%	25.9%	26.7%	26.5%	26.4%	25.4%	25.4%	26.6%
Earnings after tax ex items	201.4	209.9	219.6	231.9	253.4	247.4	284.9	287.4	291.6
4 Qtr Trailing Earnings after tax (numerator) - before items					869.1	906.6	1,003.6	1,147.9	1,186.1
4 Qtr Trailing Earnings after tax (numerator) - ex items					914.8	952.3	1,017.6	1,073.1	1,111.3
Denominator									
Total Debt	2,598.3	2,790.7	2,971.4	2,849.8	3,150.2	3,308.5	3,775.8	3,670.9	3,975.4
Equity	4,708.8	4,967.7	5,046.6	4,924.0	5,111.5	5,276.5	5,456.3	5,495.6	5,603.0
Minority Interest	<u>98.4</u>	<u>104.5</u>	<u>86.8</u>	<u>88.6</u>	<u>96.5</u>	<u>83.5</u>	<u>88.6</u>	<u>92.9</u>	<u>99.3</u>
Total Capital	7,405.5	7,862.9	8,104.8	7,862.4	8,358.2	8,668.5	9,320.7	9,259.4	9,677.7
5 Qtr Average Capital (denominator)					7,918.8	8,171.4	8,462.9	8,693.8	9,056.9
ROCE as reported (4 Qtr Trailing earnings after tax / 5 pt avg capital)					11.0%	11.1%	11.9%	13.2%	13.1%
ROCE ex items (4 Qtr Trailing earnings after tax / 5 pt avg capital)					11.6%	11.7%	12.0%	12.3%	12.3%

Appendix: ROCE Tax Rate Reconciliation

	<u>Q106</u>	<u>Q206</u>	<u>Q306</u>	<u>Q406</u>	<u>Q107</u>	<u>Q207</u>	<u>Q307</u>	<u>Q407</u>	<u>Q108</u>
<u>Reported</u>									
Income from Cont. Ops. Before Tax and Min. Int	248.7	262.1	266.6	206.9	305.6	298.8	337.7	361.1	356.3
Minority Interest	(4.8)	(5.2)	(4.8)	(4.1)	(5.1)	(4.4)	(5.2)	(6.1)	(6.1)
Income from Cont. Ops. Before Tax	243.9	256.9	261.8	202.8	300.5	294.4	332.5	355.0	350.2
Tax Expense	65.2	69.3	67.8	48.2	79.5	77.6	57.0	63.9	93.2
Tax Rate Reported	26.7%	27.0%	25.9%	23.8%	26.5%	26.4%	17.1%	18.0%	26.6%
<u>ITEMS</u>									
<u>Operating Income</u>									
Global Cost Reduction Plan				72.1				13.7	
Gain on Contract Termination								(36.8)	
Supp. Pension Plan Charge								10.3	
Donation/Sale of Cost Investment								(5.0)	
<u>Tax Exp</u>									
Tax Audit Settlement							27.5		
Global Cost Reduction Plan				25.3				4.9	
Gain on Contract Termination								(13.2)	
Supp. Pension Plan Charge								3.9	
Donation/Sale of Cost Investment								14.8	
Tax adjustments								11.3	
<u>Ex Items</u>									
Income from Cont. Ops. Before Tax w/ Option Exp.	243.9	256.9	261.8	274.9	300.5	294.4	332.5	337.2	350.2
Tax Expense	65.2	69.3	67.8	73.5	79.5	77.6	84.5	85.6	93.2
Tax Rate ex Items	26.7%	27.0%	25.9%	26.7%	26.5%	26.4%	25.4%	25.4%	26.6%

Appendix: ORONA Non-GAAP Reconciliation

\$ Millions Quarter Ended	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07
Operating Income									
Op. Inc. Reported	249.6	265.4	276.4	220.1	317.4	308.6	352.4	373.1	372.0
Disclosed Items:									
Global Cost Reduction Plan	-	-	-	72.1	-	-	-	13.7	-
Pension Settlement charge	-	-	-	-	-	-	-	10.3	-
Gain on contract termination	-	-	-	-	-	-	-	(36.8)	-
Donation/sale of cost investment	-	-	-	-	-	-	-	(5.0)	-
Op Inc. ex items	249.6	265.4	276.4	292.2	317.4	308.6	352.4	355.3	372.0
Assets									
Total Assets	10,624.8	11,032.5	11,290.8	11,180.7	11,500.0	11,878.0	12,568.8	12,659.5	13,014.3
Less Investment in Equity Affiliate	619.6	657.1	667.1	668.4	699.0	722.7	738.7	778.1	791.6
Less Current Assets Disc Ops (1)	237.0	251.1	229.9	143.0	140.2	144.7	145.6	144.9	108.5
Less Non-Current Assets Disc Ops (1)	454.2	451.6	458.2	318.6	321.3	322.0	326.8	304.6	272.6
Net Assets from Cont Ops	9,314.0	9,672.7	9,935.6	10,050.7	10,339.5	10,688.6	11,357.7	11,431.9	11,841.6
ORONA - reported									
4 Qtr Trailing Op Income					1,079.3	1,122.5	1,198.5	1,351.5	1,406.1
5 Qtr Avg Net Assets from Cont Ops					9,862.5	10,137.4	10,474.4	10,773.7	11,131.9
ORONA - reported					10.9%	11.1%	11.4%	12.5%	12.6%
ORONA - ex items									
4 Qtr Trailing Op Income					1,151.4	1,194.6	1,270.6	1,333.7	1,388.3
5 Qtr Avg Net Assets from Cont Ops					9,862.5	10,137.4	10,474.4	10,773.7	11,131.9
ORONA - ex items					11.7%	11.8%	12.1%	12.4%	12.5%

Thank you



tell me more
www.airproducts.com