

# AIR PRODUCTS



**Q2 FY08 Earnings  
Conference Call**  
April 23, 2008

# Forward-Looking Statements

NOTE: This document 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 document 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 the Company; 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 a natural disaster; the ability to attract, hire and retain qualified personnel in all regions of the world where the company operates; charges related to portfolio management, goodwill recoverability, business restructuring and cost reduction actions; the success of implementing cost reduction programs; the timing, impact, and other uncertainties of future acquisitions or divestitures; unanticipated contract terminations or customer cancellation or postponement of projects or sales; significant fluctuations in interest rates and foreign currencies from that currently anticipated; the continued availability of capital funding sources in all of the company's foreign operations; the impact of new or changed environmental, healthcare, tax or other legislation and regulations in jurisdictions in which the Company 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 document 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 Q2 Financials

<u>(\$Millions, Continuing Operations)</u>	<u>Q2 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY07</u>	<u>Q1 FY08</u>
<b>Sales</b>	<b>\$2,605</b>	<b>13%</b>	<b>5%</b>
<b>SG&amp;A as a % of Sales</b>	<b>12.0%</b>	<b>30bp</b>	<b>-</b>
<b>Operating Income</b>	<b>\$365</b>	<b>18%</b>	<b>(2%)</b>
<b>Operating Margin %</b>	<b>14.0%</b>	<b>60bp</b>	<b>(100bp)</b>
<b>Net Income</b>	<b>\$270</b>	<b>24%</b>	<b>5%</b>
<b>Diluted EPS</b>	<b>\$1.23</b>	<b>27%</b>	<b>6%</b>
<b>ROCE</b>	<b>12.4%</b>	<b>70bp</b>	<b>10bp</b>
<b>ORONA</b>	<b>12.5%</b>	<b>70bp</b>	<b>0bp</b>

# EPS up 27%

	<u>Q2 FY08</u>	<u>Q2 FY07</u>	<u>Change</u>	
As-reported diluted EPS	\$1.43	\$1.02		
- Discontinued Ops	0.28	0.05		
+ Pension settlement charge	(0.08)	-		
Continuing Operations EPS	<u>\$1.23</u>	<u>\$0.97</u>	<u>\$0.26</u>	
Volume			\$0.08	} \$0.09
Price / raw materials			0.01	
Cost			0.00	
Acquisitions			0.02	
Currency			0.07	
Equity Affiliates income			0.05	
Fewer shares outstanding			0.02	
Lower tax rate, all other			<u>0.01</u>	
Change			<u>\$0.26</u>	

Comparison is non-GAAP, see appendix for reconciliation

# Merchant Gases

	<u>Q2 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY07</u>	<u>Q1 FY08</u>
<b>Sales</b>	<b>\$902</b>	<b>15%</b>	<b>1%</b>
- Volume		(1%)	(1%)
- Price		4%	1%
- Currency		7%	1%
- Acquisitions		5%	-
<b>Operating Income</b>	<b>\$167</b>	<b>18%</b>	<b>(5%)</b>
<b>Operating Margin</b>	<b>18.5%</b>	<b>50bp</b>	<b>(110bp)</b>

- Lower equipment sales reduced volume growth by (4%)
- Pricing actions continue to drive results

# Merchant Gases: *Q2 Sales Analysis vs PY*

	<u>North America</u>	<u>Europe</u>	<u>Asia</u>
<b>Sales % change</b>	<b>8%</b>	<b>27%</b>	<b>22%</b>
- Volume	1%	(2%)	15%
- Price	7%	3%	3%
- Currency	-	14%	4%
- Acquisitions	-	12%	-

- Excludes equipment sales

# Tonnage Gases

	<u>Q2 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY07</u>	<u>Q1FY08</u>
<b>Sales</b>	<b>\$867</b>	<b>25%</b>	<b>10%</b>
- Volume		12%	4%
- Nat'l gas/RM pass thru		8%	6%
- Currency		3%	-
- Acquisition		2%	-
<b>Operating Income</b>	<b>\$111</b>	<b>20%</b>	<b>-%</b>
<b>Operating Margin</b>	<b>12.8%</b>	<b>(50bp)</b>	<b>(120bp)</b>

- New plants and continued strong loading
- Higher natural gas pricing suppresses margins

# Electronics & Performance Materials

	<u>Q2 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY07</u>	<u>Q1 FY08</u>
<b>Sales</b>	<b>\$562</b>	<b>6%</b>	<b>9%</b>
- Volume		5%	8%
- Price		(1%)	-
- Currency		2%	1%
<b>Operating Income</b>	<b>\$68</b>	<b>20%</b>	<b>2%</b>
<b>Operating Margin</b>	<b>12.0%</b>	<b>130bp</b>	<b>(80bp)</b>
● <b>Electronics sales</b>		<b>2%</b>	<b>7%</b>
● <b>Performance Materials volume</b>		<b>3%</b>	<b>7%</b>



# Equipment & Energy

	<u>Q2 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY07</u>	<u>Q1 FY08</u>
<b>Sales</b>	<b>\$105</b>	<b>(21%)</b>	<b>4%</b>
<b>Operating Income</b>	<b>\$10</b>	<b>(39%)</b>	<b>8%</b>
<b>Sales Backlog</b>	<b>\$203</b>	<b>(42%)</b>	<b>(17%)</b>

- **New ASU letters of intent**
- **Additional LNG orders anticipated by year end**

# Healthcare

	<u>Q2 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY07</u>	<u>Q1 FY08</u>
<b>Sales</b>	<b>\$170</b>	<b>8%</b>	<b>(1%)</b>
– Volume		2%	(2%)
– Price/mix		(1%)	-
– Currency		7%	1%
<b>Operating Income</b>	<b>\$9</b>	<b>34%</b>	<b>(31%)</b>
<b>Operating Margin</b>	<b>5.5%</b>	<b>100bp</b>	<b>(250bp)</b>

- Continued growth in Europe
- Strategic alternatives being considered for U.S. business

# FY '08 Financial Outlook

## *Raising guidance again*

**FQ2 2008 EPS**                      **\$1.23**

- Higher Electronics & Performance Materials volumes
- Higher Merchant Gases volumes & pricing
- Higher Tonnage results
- Favorable currency
- Lower Equipment & Energy results

**FQ3 2008 EPS**      **\$1.25 - \$1.30**    **12%-16% ↑ vs PY**

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**FY 2008 EPS**              **\$4.95 - \$5.05**    **18%-20% ↑ vs PY**

Comparison is non-GAAP, see appendix for reconciliation



# Appendix slides



# Appendix: Q2 Sales Analysis

<u>Change versus</u>	<u>Q2 FY07</u>	<u>Q1 FY08</u>
<b>Total Consolidated</b>	<b>13%</b>	<b>5%</b>
<b>Comprised of:</b>		
● <b>Base business growth</b>	<b>5%</b>	<b>2%</b>
– Volume	4%	2%
– Price	1%	-
● <b>Acquisitions/Divest.</b>	<b>2%</b>	<b>-</b>
● <b>Nat'l gas/RM pass thru</b>	<b>2%</b>	<b>2%</b>
● <b>Currency</b>	<b>4%</b>	<b>1%</b>

# Appendix: Q208 Comparisons to prior periods

(\$ Millions, except per share data)

	<u>GAAP Measure</u>			<u>Non GAAP Adjustment</u>	<u>Non GAAP Measure</u>		
	<u>Q208</u>	<u>Q207</u>	<u>% Change</u>	<u>Q208 Pension Settlement</u>	<u>Q208</u>	<u>Q207</u>	<u>% Change Non GAAP Measure</u>
<b><u>Q208 vs. Q207 - Total Company</u></b>							
Sales	2,605.3	2,298.0	13%		2,605.3	2,298.0	13%
Operating Income	338.2	308.6	10%	26.3	364.5	308.6	18%
Operating Margins	13.0%	13.4%	(40bp)		14.0%	13.4%	60bp
Income From Continuing Ops	253.1	216.8	17%	16.5	269.6	216.8	24%
Diluted EPS - Continuing Ops	\$1.15	\$0.97	19%	\$0.08	\$1.23	\$0.97	27%
<b><u>Q208 vs. Q108 - Total Company</u></b>							
	<u>Q208</u>	<u>Q108</u>	<u>% Change</u>		<u>Q208</u>	<u>Q108</u>	<u>% Measure</u>
Sales	2,605.3	2,473.6	5%		2,605.3	2,473.6	5%
Operating Income	338.2	372.0	(9%)	26.3	364.5	372.0	(2%)
Operating Margins	13.0%	15.0%	(200bp)		14.0%	15.0%	(100bp)
Income From Continuing Ops	253.1	257.0	(2%)	16.5	269.6	257.0	5%
Diluted EPS - Continuing Operations	\$1.15	\$1.16	(1%)	\$0.08	\$1.23	\$1.16	6%
<b><u>Q208YTD vs. Q207YTD - Total Company</u></b>							
	<u>Q208YTD</u>	<u>Q108YTD</u>	<u>% Change</u>		<u>Q208YTD</u>	<u>Q108YTD</u>	<u>% Measure</u>
Sales	5,078.9	4,565.8	11%		5,078.9	4,565.8	11%
Operating Income	710.2	626.0	13%	26.3	736.5	626.0	18%
Operating Margins	14.0%	13.7%	30bp		14.5%	13.7%	80bp
Income From Continuing Ops	510.1	437.8	17%	16.5	526.6	437.8	20%
Diluted EPS - Continuing Operations	\$2.31	\$1.96	18%	\$0.08	\$2.39	\$1.96	22%

# Appendix: Guidance

(\$/share)	Q3			Full Year		
	<u>Q307</u>	<u>Q308 Guidance</u>	<u>% Change</u>	<u>FY07</u>	<u>FY08 Guidance</u>	<u>% Change</u>
<b><u>Diluted EPS - Continuing Ops.</u></b>						
<b>GAAP</b>	\$1.24	\$1.25-\$1.30	1%-5%	\$4.50	\$4.86-\$4.96	8%-10%
Gain on contract settlement				(\$0.11)		
Supp. pension plan charge				\$0.03	\$0.09	
Global cost reduction plan				\$0.04		
Donation/sale of cost investment				(\$0.09)		
Tax adjustments				(\$0.05)		
Tax audit resolution	<u>(\$0.12)</u>			<u>(\$0.12)</u>		
<b>Non GAAP</b>	\$1.12	\$1.25-\$1.30	12%-16%	\$4.20	\$4.95-\$5.05	18%-20%

# Appendix: ROCE

\$ Millions Quarter Ended	Q106	Q206	Q306	Q406	Q107	Q207	Q307	Q407	Q108	Q208
<b>Numerator</b>										
Operating Income Reported	249.6	265.4	276.4	220.1	317.4	308.6	352.4	373.1	372.0	338.2
Equity Affiliate Income	25.2	22.2	19.9	24.2	27.3	27.6	29.5	30.0	25.3	42.4
Earnings before tax as reported	274.8	287.6	296.3	244.3	344.7	336.2	381.9	403.1	397.3	380.6
Global Cost Reduction Plan	0.0	0.0	0.0	72.1	0.0	0.0	0.0	13.7	0.0	0.0
Gain on Contract Termination	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(36.8)	0.0	0.0
Pension Settlement Charge	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.3	0.0	26.3
Donation/Sale of Cost Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(5.0)	0.0	0.0
Earnings before tax ex items	274.8	287.6	296.3	316.4	344.7	336.2	381.9	385.3	397.3	406.9
Effective tax rate as reported	26.7%	27.0%	25.9%	23.8%	26.5%	26.4%	17.1%	18.0%	26.6%	24.9%
Earnings after tax as reported	201.4	209.9	219.6	186.2	253.4	247.4	316.6	330.5	291.6	285.8
Effective tax rate ex items	26.7%	27.0%	25.9%	26.7%	26.5%	26.4%	25.4%	25.4%	26.6%	25.8%
Earnings after tax ex items	201.4	209.9	219.6	231.9	253.4	247.4	284.9	287.4	291.6	301.9
4 Qtr trailing AT earnings (numerator) - as reported					869.1	906.6	1,003.6	1,147.9	1,186.1	1,224.5
4 Qtr trailing AT Earnings (numerator) - ex items					914.8	952.3	1,017.6	1,073.1	1,111.3	1,165.8
<b>Denominator</b>										
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	4,386.8
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	5,524.3
Minority Interest	98.4	104.5	86.8	88.6	96.5	83.5	88.6	92.9	99.3	117.4
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	10,028.5
5 Qtr Average Capital (denominator)	7,342.1	7,434.9	7,552.5	7,680.8	7,918.8	8,171.4	8,462.9	8,693.8	9,056.9	9,391.0
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					11.0%	11.1%	11.9%	13.2%	13.1%	13.0%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					11.6%	11.7%	12.0%	12.3%	12.3%	12.4%



# Appendix: ROCE Tax Rate

	<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>Q208</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	341.5
Minority Interest	(4.8)	(5.2)	(4.8)	(4.1)	(5.1)	(4.4)	(5.2)	(6.1)	(6.1)	(4.5)
Income from Cont. Ops. Before Tax	243.9	256.9	261.8	202.8	300.5	294.4	332.5	355.0	350.2	337.0
Tax Expense	65.2	69.3	67.8	48.2	79.5	77.6	57.0	63.9	93.2	83.9
<b>Tax Rate Reported</b>	<b>26.7%</b>	<b>27.0%</b>	<b>25.9%</b>	<b>23.8%</b>	<b>26.5%</b>	<b>26.4%</b>	<b>17.1%</b>	<b>18.0%</b>	<b>26.6%</b>	<b>24.9%</b>
<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		26.3
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		9.8
Donation/Sale of Cost Investment								14.8		
Tax adjustments								11.3		
<u>Ex Items</u>										
Income from Cont. Ops. Before Tax	243.9	256.9	261.8	274.9	300.5	294.4	332.5	337.2	350.2	363.3
Tax Expense	65.2	69.3	67.8	73.5	79.5	77.6	84.5	85.6	93.2	93.7
<b>Tax Rate ex Items</b>	<b>26.7%</b>	<b>27.0%</b>	<b>25.9%</b>	<b>26.7%</b>	<b>26.5%</b>	<b>26.4%</b>	<b>25.4%</b>	<b>25.4%</b>	<b>26.6%</b>	<b>25.8%</b>

# Appendix: ORONA

\$ Millions Quarter Ended	<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>Q208</u>
<b>Operating Income</b>										
Op. Inc. Reported	249.6	265.4	276.4	220.1	317.4	308.6	352.4	373.1	372.0	338.2
Disclosed Items:										
Global Cost Reduction Plan	-	-	-	72.1	-	-	-	13.7	-	-
Pension Settlement charge	-	-	-	-	-	-	-	10.3	-	26.3
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	364.5
<b>Assets</b>										
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	13,228.4
Less Investment in Equity Affiliate	619.6	657.1	667.1	668.4	699.0	722.7	738.7	778.1	791.6	842.9
Less Current Assets Disc Ops	237.0	251.1	229.9	143.0	140.2	144.7	145.6	144.9	108.5	23.7
Less Non-Current Assets Disc Ops	454.2	451.6	458.2	318.6	321.3	322.0	326.8	304.6	272.6	19.1
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	12,342.7
<b>ORONA - reported</b>										
4 Qtr Trailing Op Income					1,079.3	1,122.5	1,198.5	1,351.5	1,406.1	1,435.7
5 Qtr Avg Net Assets from Cont Ops					9,862.5	10,137.4	10,474.4	10,773.7	11,131.9	11,532.5
<b>ORONA - reported</b>					<b>10.9%</b>	<b>11.1%</b>	<b>11.4%</b>	<b>12.5%</b>	<b>12.6%</b>	<b>12.4%</b>
<b>ORONA - ex items</b>										
4 Qtr Trailing Op Income					1,151.4	1,194.6	1,270.6	1,333.7	1,388.3	1,444.2
5 Qtr Avg Net Assets from Cont Ops					9,862.5	10,137.4	10,474.4	10,773.7	11,131.9	11,532.5
<b>ORONA - ex items</b>					<b>11.7%</b>	<b>11.8%</b>	<b>12.1%</b>	<b>12.4%</b>	<b>12.5%</b>	<b>12.5%</b>

# Thank you



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