

AIR PRODUCTS



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

Forward-Looking Statements

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Consolidated Q2 Financials

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

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>
Sales	\$902	15%	1%
- Volume		(1%)	(1%)
- Price		4%	1%
- Currency		7%	1%
- Acquisitions		5%	-
Operating Income	\$167	18%	(5%)
Operating Margin	18.5%	50bp	(110bp)

- 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>
Sales % change	8%	27%	22%
- 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>
Sales	\$867	25%	10%
- Volume		12%	4%
- Nat'l gas/RM pass thru		8%	6%
- Currency		3%	-
- Acquisition		2%	-
Operating Income	\$111	20%	-%
Operating Margin	12.8%	(50bp)	(120bp)

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

Electronics & Performance Materials

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

Equipment & Energy

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

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

Healthcare

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

- 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

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>
Total Consolidated	13%	5%
Comprised of:		
● Base business growth	5%	2%
– Volume	4%	2%
– Price	1%	-
● Acquisitions/Divest.	2%	-
● Nat'l gas/RM pass thru	2%	2%
● Currency	4%	1%

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>
<u>Q208 vs. Q207 - Total Company</u>							
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%
<u>Q208 vs. Q108 - Total Company</u>							
	<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%
<u>Q208YTD vs. Q207YTD - Total Company</u>							
	<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>
<u>Diluted EPS - Continuing Ops.</u>						
GAAP	\$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>		
Non GAAP	\$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
<u>Numerator</u>										
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	<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>	<u>42.4</u>
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	<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>	<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	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
<u>Denominator</u>										
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	<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>	<u>117.4</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	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
Tax Rate Reported	26.7%	27.0%	25.9%	23.8%	26.5%	26.4%	17.1%	18.0%	26.6%	24.9%
<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
Tax Rate ex Items	26.7%	27.0%	25.9%	26.7%	26.5%	26.4%	25.4%	25.4%	26.6%	25.8%

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>
Operating Income										
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
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	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
ORONA - reported										
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
ORONA - reported					10.9%	11.1%	11.4%	12.5%	12.6%	12.4%
ORONA - ex items										
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
ORONA - ex items					11.7%	11.8%	12.1%	12.4%	12.5%	12.5%

Thank you



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