

# We are Air Products.

More Focused. Less Cyclical. Higher Growth. Higher Return.



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06



More Focused.  
Less Cyclical.  
Higher Growth.  
Higher Return.

We are making industry more productive with atmospheric gases; transportation fuels cleaner with hydrogen; semiconductors faster and displays brighter with electronic materials; coatings and adhesives more environmentally friendly with performance materials; the quality of patients' lives better with homecare services; remote natural gas economical to transport with LNG heat exchangers; the future hydrogen economy possible with fueling infrastructure.

More focused, less cyclical, higher growth and higher return . . .

We are Air Products.





Our Global Businesses and FY'06 Performance at a Glance **2** | Message to Shareholders **4**  
We are Air Products **8** | Leadership **16** | Financials **18** | Shareholder Information **81**

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# Our Global Businesses and FY'06 Performance at a Glance

## Merchant Gases

Includes industrial gases as well as certain medical and specialty gases supplied to a wide variety of industrial and medical customers; supply modes include bulk (tanker or tube trailer), packaged gases (cylinders and dewars), and small on-sites (cryogenic or noncryogenic generators) via sale of gas contracts and some sale of equipment.

## Tonnage Gases, Equipment and Energy

Includes industrial gases supplied via large on-site facilities or pipeline systems, principally to the petroleum refining, chemical and metallurgical industries in the Tonnage Gases segment; also includes cryogenic and gas processing equipment for air separation, hydrocarbon recovery and purification, natural gas liquefaction and helium distribution, and technologies to serve future energy markets in the Equipment and Energy segment.

(In millions, except for share data)

	2006	2005	Change
<b>For the Year</b>			
Sales	\$8,850	\$7,768	14%
Operating income	1,061	996	7%
Net income	723	712	2%
Capital expenditures	1,413	1,036	36%
Operating return on net assets*	10.6%	10.5%	
Return on average shareholders' equity	15.5%	15.3%	
<b>Per Share Dollars</b>			
Basic earnings	\$3.26	\$3.15	3%
Diluted earnings	3.18	3.08	3%
Dividends	1.34	1.25	7%
Book value	22.67	20.48	11%
<b>At Year End</b>			
Shareholders' equity	\$4,924	\$4,546	
Shares outstanding	217	222	
Shareholders	9,900	10,300	
Employees	20,700	20,200	

\*Operating income divided by five-quarter average of total assets less investments in equity affiliates.



## Electronics and Performance Materials

Includes specialty and tonnage gases, specialty and bulk chemicals, services and equipment supplied to silicon and compound semiconductor, display and photovoltaic device markets and performance chemical solutions supplied to the coatings, inks, adhesives, civil engineering, personal care, institutional and industrial cleaning, mining, oil field, polyurethane and other industries.

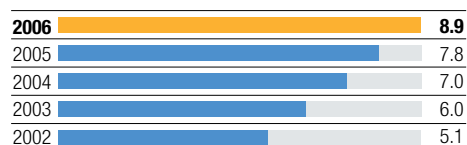
## Healthcare

Includes respiratory therapies, home medical equipment and infusion services supplied to patients in their homes, including oxygen therapy, home nebulizer therapy, sleep management therapy, anti-infective therapy, beds, wheelchairs and many other homecare products and services.



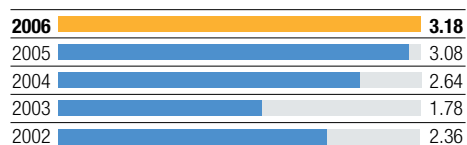
### Sales

billions of dollars



### Earnings per share

dollars—diluted basis



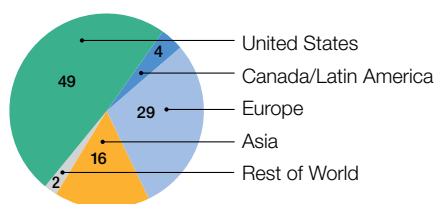
### Return on equity

percentage



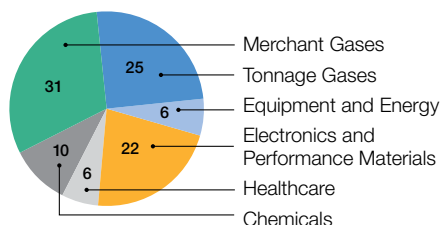
### 2006 Consolidated sales by destination

percentage



### 2006 Consolidated sales by business segment

percentage



# Message to Shareholders

**We are** steadily transforming Air Products into a more focused, less cyclical, higher growth and higher return company. Fiscal 2006 was our third consecutive year of double-digit sales and earnings growth and meaningful improvement in return on capital. In addition to the solid operating performance our people delivered, we overcame the challenges presented by last year's hurricanes; made the decision to explore the sale and restructuring of a major portion of our Chemicals business; divested our amines business and our dinitrotoluene (DNT) plant in Geismar, Louisiana; acquired Tomah<sup>3</sup> Products to grow our Performance Materials business; reorganized the company to be consistent with our strategy going forward; and completed the first \$500 million of our \$1.5 billion share repurchase program. It was nothing short of a remarkable year of change and progress. Our people once again showed their capacity for managing change while driving growth and productivity to the bottom line.

Certain amounts and comparisons to the prior year in this letter are considered non-GAAP measures. Please see page 17 for the comparable GAAP amounts and reconciliations.

Sales of \$8.9 billion were up 14%; income from continuing operations of \$795 million was up 17%; and diluted EPS from continuing operations of \$3.50 was up 19% over the prior year. The 2006 amounts exclude corporate reorganization charges, and the 2005 amounts include the pro forma impact of stock option expensing. This strong performance was driven by higher volumes across most of our business segments, particularly Merchant Gases, Tonnage Gases, and Electronics and Performance Materials, and higher activity in the Equipment and Energy segment. Despite continued pricing pressure in electronic specialty materials, strong volume increases in this area outpaced pricing declines. Our Healthcare segment did not perform up to expectations, but we are taking actions to drive significant improvements in this business over the next year.

## Reorganizing for Growth and Returns

Establishing leadership for our continued evolution into a higher return and growth-oriented company, our Board of Directors appointed John McGlade President and Chief Operating Officer. And with the September sale of our amines business to Taminco N.V. for \$211 million and the marketing of our polymers business, we completed a reorganization that clearly aligns our organizational structure to our strategic direction. At the end of the fiscal year, we began reporting results for six new business segments.



John P. Jones III  
Chairman and Chief Executive Officer



John E. McGlade  
President and Chief Operating Officer

## Message to Shareholders

- In our **Merchant Gases** segment, we saw strong volume performance in all regions, supported by new customer signings and price increases to recover higher costs despite hurricane impacts. Sales of \$2.7 billion increased 10%, and operating income of \$470 million was up 18% over the prior year. We saw particular strength in Asia, where liquid oxygen/nitrogen volumes were up 23%.
- The **Tonnage Gases** segment delivered strong volumes from our six new refinery hydrogen plants and base business growth. Sales of \$2.2 billion increased 28% over the prior year, with customer shutdowns and onstream delays from Hurricanes Katrina and Rita tempering the increase. Operating income of \$341 million increased 39% over the prior year from higher volumes, insurance recoveries and a favorable change in customer mix and efficiencies.
- Our **Electronics and Performance Materials** segment had another strong year of volume growth, primarily from electronic specialty materials volumes driven by semiconductor and flat-panel display market demand. Sales of \$1.9 billion were up 12%, and operating income of \$195 million increased 48% over the prior year on these strong volumes and the Tomah<sup>3</sup> acquisition.
- **Equipment and Energy** segment sales of \$537 million increased 45%, and operating income of \$69 million was up significantly, driven primarily by orders for our liquefied natural gas (LNG) heat exchangers and air separation units. At the end of the year, we had 10 LNG heat exchangers in the backlog. Our AP-X<sup>®</sup> LNG technology continues to set a new, world-class standard in the industry, with the ability to produce 50% more capacity from a single liquefaction plant.
- Our **Healthcare** segment had a disappointing 2006 due to operational issues in our U.S. business and higher than anticipated start-up costs from our new home oxygen contract in the U.K. Sales of \$571 million increased 5% over the prior year on the new Europe volumes, including a small acquisition and the full-year effect of our U.S. acquisitions in 2005, offset by volume declines in our U.S. business. Operating income of \$8 million decreased \$71 million on higher costs, including a fourth quarter U.S. inventory adjustment of \$17 million. Turning this business around is a top priority, and we see this as an upside going forward.
- The **Chemicals** segment includes our remaining polymers business, which is currently being marketed to potential buyers, and our polyurethane intermediates (PUI) business, which is being restructured. Sales of \$908 million declined 4%, and operating income of \$64 million declined 21% over the prior year, primarily due to customer shutdowns and the divestiture of our DNT plant in the PUI business.

Our financial position is strong. Cash flow from continuing operations hit \$1.3 billion, including pension contributions of \$130 million. Our debt-to-debt plus equity ratio ended the year at 35.8%, ahead of expectations and placing us solidly within the “A” credit rating range. Capital spending for continuing operations, including acquisitions, came in at \$1.4 billion, with plant and equipment spending at \$1.3 billion, including \$297 million for the repurchase of cryogenic vessel equipment. As in 2005, additions to plant and equipment in 2006 were



largely in support of our Merchant Gases, Tonnage Gases, and Electronics and Performance Materials segments. We also made significant progress on our share repurchase, completing the first \$500 million of our fiscal 2006 \$1.5 billion program. In addition, we again increased our dividend, our 24th consecutive year of increases.

## Achieving Our Highest Priority: Improving Returns

Perhaps most importantly, we again improved return on capital (ORONA), increasing it 130 basis points to 11.3% for the year. This was significant progress over our 10% cost of capital and progress toward our stated goal of 12.5% ORONA by the end of fiscal 2007. We also continued to drive productivity, and we are now using SAP's functionality in approximately 80% of our operations, streamlining our global supply chain and making it easier for customers to do business with us.

## Our Commitment: Deliver Again in Fiscal 2007

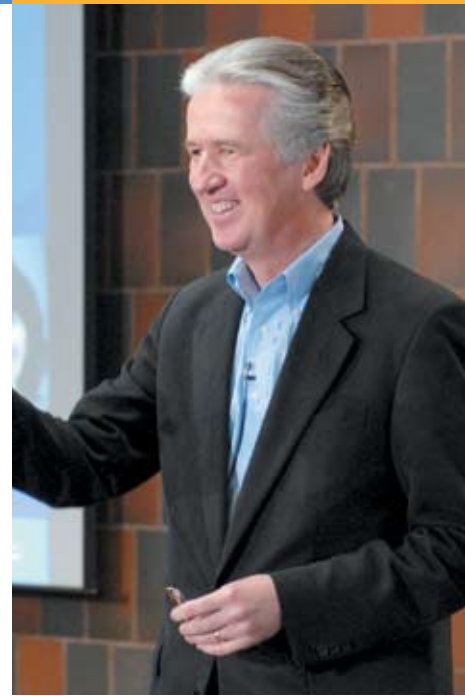
We begin our fiscal year building off the strong momentum we experienced in our fourth quarter. While we expect slower economic growth in 2007, we see healthy top-line growth continuing to drive higher earnings and returns. We will continue to drive productivity improvement as we focus on achieving our 2007 return on capital goal of 12.5% ORONA. Our Merchant and Tonnage Gases segments should benefit from the new plants we've brought onstream, as well as from operating leverage and increased productivity. Our Electronics and Performance Materials segment should see improved results, driven by end-market demand and new product innovations, as well as portfolio simplification. Meanwhile, we expect our Healthcare business to begin to show significant improvement from higher U.S. volumes and lower operating costs in Europe as well as the U.S.

In closing, over the past six years of Deliver the Difference, our more than 20,000 employees have made incredible changes in the company and have overcome many challenges in pursuit of transforming Air Products into a higher growth and higher return company. I am very proud of them for their hard work and unfailing focus. We are now beginning to experience that transformation, and indeed, it is their passion, integrity and understanding that tell our customers and the world, "We are Air Products."

Very truly yours,



John P. Jones, III  
Chairman and Chief Executive Officer



# We are Air

A photograph of three industrial workers in a gas processing facility. They are wearing white hard hats and clear safety glasses. The worker on the left is a woman with dark hair, wearing a dark jacket and holding a clipboard and a red pen. The worker in the center is a man looking upwards, also in a dark jacket. The worker on the right is a man wearing a dark jacket with a logo, looking towards the center. In the background are large, silver, cylindrical industrial tanks and metal scaffolding.

## Merchant Gases

Through our Merchant Gases business, we supply oxygen, nitrogen, argon, helium and hydrogen as well as certain medical and specialty gases to a wide variety of industrial and medical customers. We deliver most gases via bulk supply, by tanker or tube trailer, in liquid or gaseous form. For customers requiring smaller volumes, we supply product in cylinders and dewars, or “packaged gases.” We also produce gases for some customers via small cryogenic or noncryogenic on-site generators through sale of gas contracts and some sale of equipment.

# Products.



## Growing in Asia

The industrial markets that drive our merchant business are growing fastest in Asia. And serving them is a key part of our Asian growth strategy. In fact, over the last 18 months, four of the new on-site plants we have started up in the region are also producing liquid oxygen, nitrogen and argon to support our growing merchant customer base. Our liquid/bulk volumes have been growing near or above 20% for the past three years, as we continue to profitably load our plants. Although the merchant business can be very much a local business, we don't just focus on it regionally. We are running our business globally, knowing that as markets continue to open and communications improve, speed of response will become even more critical. A global operating structure gives us a common business model with common systems so we can bring more value to our customers and drive productivity and efficiencies in our supply chain at the same time.

## Improving Customer Service and Productivity

With the industry operating under tight oxygen, nitrogen and argon supply conditions in many regions, we are using continuous improvement tools to enhance customer service, drive operational productivity and increase plant capacity without significant capital investment. For example, our Ashland, Kentucky air separation plant team has increased argon volumes by more than 45% over the past several years through debottlenecking and other process, equipment and production improvements. The efforts at Kentucky have become a benchmark for our facilities throughout North America, which produced nearly 500 tons per day of incremental oxygen, nitrogen and argon capacity in 2006. We also continue to manage capacity in this business by converting certain large-volume customers from liquid supply to on-site generators. And through our Customer Proximity Program, we are evaluating local market supply needs within a defined radius of our facilities, allowing us to more optimally load our plants and make distribution more efficient.

## Smaller Solutions

For many of our customers, smaller quantities of our gases are critical. We are a leading supplier of packaged gases in Europe, Asia, Latin America and South Africa, providing both traditional gas products and specialty innovations. For example, our Experis® line includes ultrahigh-purity gases that are typically filled into our patented BIP® cylinders. Offering up to 300 times lower certified impurities, they are in high demand for analytical applications. Similarly, our Maxx® gases for welding and metals fabrication, often supplied in our unique Integra® cylinders, continue to enjoy success and deliver real productivity benefits to customers. In 2006 we hit a major milestone, supplying our one-millionth Integra cylinder. Beyond cylinders, the "microbulk" industry is also growing, as analytical, welding and cutting, food and beverage, and other customers seek a cost-effective, reliable alternative for their nitrogen, oxygen, argon and carbon dioxide supply. We use small tank trucks and compact, on-site storage systems to provide a "gas-on-tap" approach when less than traditional bulk delivery volumes are needed. We have rolled out our CryoEase®/microbulk service to a number of locations throughout the world, including North America, most of Europe, South Africa and Mexico.







# Tonnage Gases, Equipment and Energy

Tonnage Gases is our business supplying large quantities of hydrogen, synthesis gas, carbon monoxide, oxygen and nitrogen, mainly to petroleum refining, chemical and metallurgical customers under long-term contracts. We generally build a facility adjacent to or nearby our customer's facility and deliver product through a pipeline. Our Equipment business provides LNG heat exchangers, air separation plants, hydrocarbon recovery and purification equipment, and helium distribution equipment to industry. Within Energy, we own and operate power generation and flue gas treatment facilities and are developing technologies to serve energy markets of the future, including gasification and alternative energy technologies.

## Refinery Hydrogen Leadership

With the drive to address the growth in the world's transport fuels needs and meet clean fuels legislation, refiners continue to rely on our hydrogen to process heavier, higher-sulfur crudes into ultraclean-burning gasoline and diesel products. We are the leader, supplying nearly two billion standard cubic feet per day of hydrogen, carbon monoxide and syngas through 500 miles of pipelines in global franchises. Growth in demand for hydrogen is expected to continue as refiners process more heavy, sour crude. And we continue to expand in new areas like Canada, where this year, we brought two plants onstream and will begin construction of a third in 2007. With our alliance partner, Technip, we bring our customers differentiated, proven technology, valuable operating experience, lower-cost hydrogen and utilities, and superior reliability.



## Making LNG Economical

We are playing a pivotal role in helping our customers monetize remote natural gas for economical transport to where it is needed most as a clean and reliable energy source. Today, the vast majority of the world's LNG production incorporates our process technology and main cryogenic heat exchanger equipment. Our baseload LNG technology accounts for approximately 80% of contracted worldwide LNG supply. Since our customers benefit from economies of scale, we developed larger baseload LNG plant designs for both our traditional MCR® Main Cryogenic liquefaction exchangers and our novel, patented AP-X® LNG process and liquefaction equipment. With AP-X LNG technology, we set a new, world-class standard in the LNG industry, producing 50% more production capacity from a single liquefaction plant. We have expanded our manufacturing capacity 100% since January 2001, including a 30% facility expansion this year to meet demand.



## Driving Future Energy Solutions

Hydrogen has great potential as an alternative clean future fuel. We are involved in all aspects of the value chain, including producing, distributing, separating and dispensing hydrogen. As the world's largest hydrogen producer, we are leading in establishing infrastructure, working hand-in-hand with major automobile manufacturers and energy companies as well as numerous equipment suppliers and other firms to develop the most viable commercial options for a hydrogen economy transition. Today, we have built over 50 hydrogen fueling stations throughout the U.S., Europe and Asia. We are also working to maximize on-board storage of hydrogen and develop renewable hydrogen supply modes. Going forward, the fueling station of the future could provide distributed power and hydrogen fuel, and we are working under a cooperative agreement with the Department of Energy to demonstrate this technology by 2008.





# Electronics and Performance Materials

Through our Electronics and Performance Materials business, we provide material solutions to a broad range of global industries, leveraging our expertise in chemical synthesis, analytical technology, process engineering and surface science. We supply specialty and tonnage gases, specialty and bulk chemicals, services and equipment to the electronics industry for manufacturing silicon and compound semiconductors, displays and photovoltaic devices. We also provide performance chemical solutions for the coatings, inks, adhesives, civil engineering, personal care, institutional and industrial cleaning, mining, oil field, polyurethane and other industries.



## Essential ESMs

We are a leading supplier of electronic specialty materials (ESMs) integral to silicon and compound semiconductor and display manufacturing. Our nitrogen trifluoride ( $\text{NF}_3$ ), for example, is an efficient chamber cleaning gas offering significantly reduced emissions, throughput increases of up to 30%, longer chamber life and faster clean rates. In 2006, we announced that we would expand our leading global  $\text{NF}_3$  capacity to more than 2,500 metric tons per year when our new plant in Ulsan, Korea is completed at the end of 2007. Other ESMs, like our proprietary Ultra High Purity White Ammonia<sup>®</sup> product, help light-emitting diode and other manufacturers stay well ahead of the production curve. And with the electronics industry demanding larger quantities of these specialty materials, our hundreds of GASGUARD<sup>®</sup> Bulk Specialty Gas Systems at customer sites, along with the world's largest ESM fleet of ISO modules, tube trailers and Y-cylinders, provide enhanced consistency, reliability, productivity and safety.

## What Customers Want

Two key business trends continue to drive our Electronics strategy going forward: namely, our growth in Asia and portfolio simplification. Our sales in Asia have grown dramatically, from just 25% of our electronics specialty materials, bulk and equipment revenues in 2000 to approximately 50% of sales today. With this change in geographic mix, we are improving our supply capabilities through new facilities, infrastructure, supply chain improvements and human resources. In fact, in 2006, we decided to locate our senior business leadership in Asia and run the global electronics business from Taiwan. With over 70% of new semiconductor investment and 100% of all flat-panel investment being made in Asia, it makes sense to be close to customers like Taiwan Semiconductor Manufacturing Company Limited, who bestowed their prestigious Supplier Excellence Award on us again this year. Meanwhile, globally, we are evaluating our electronics portfolio, moving away from a more complex business model and simplifying our offerings in response to what our customers tell us they really value, which is cost leadership and a focus on new product development.

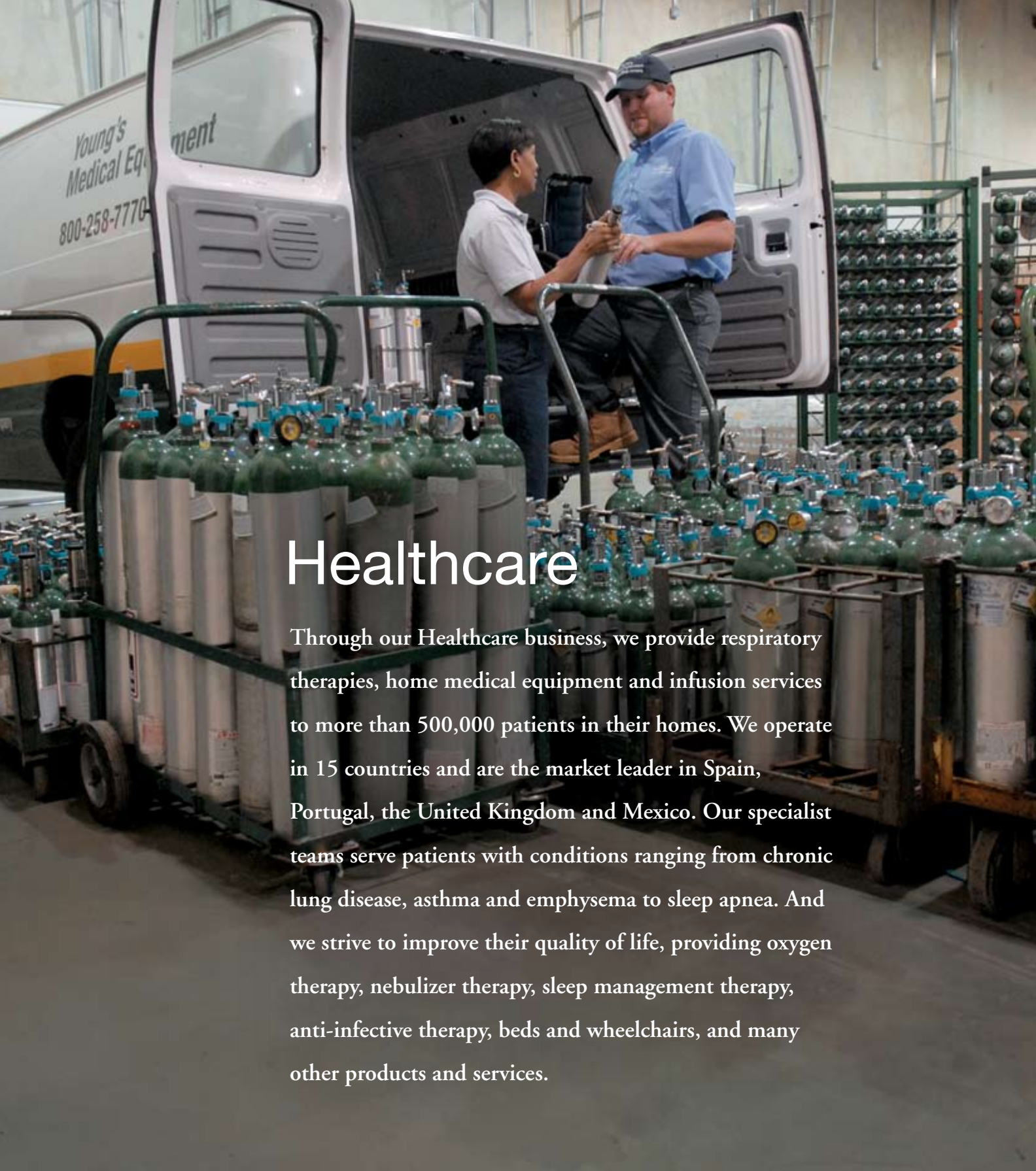
## Performance Is Our Solution

Through our Performance Solutions specialty surfactant technology and our Performance Products polyurethane catalysts and epoxy curing agents, we are helping to push the performance boundaries of our customers' formulations in a variety of markets, from coatings, inks and adhesives to construction, automotive and composites. This year, we acquired Tomah<sup>3</sup> Products to broaden our existing Performance Solutions market offerings and access new industry channels, including institutional cleaning and mining. In Performance Products, we expanded our Asia manufacturing capability to meet growing demand, made investments in our European and Asian R&D facilities to further support customers, and experienced record new product sales globally. With the demand for performance materials that improve productivity, provide greater functionality, and meet growing regulatory and environmental trends, our expertise in surface science and technology is a real value proposition.

## Materials for the Future

We are working to bring competitive technology advantage to customers through three new business opportunities in our Advanced Materials area. First, manufacturers of everything from computers to hybrid cars are looking for batteries that can safely deliver light, long-lasting portable power. We have developed an electrolyte salt that makes lithium ion batteries more durable in both portable and large-format applications. Second, coatings manufacturers are using nanoparticles to achieve unique properties, but they find it difficult to keep fine particles uniform and stable in their formulations. We offer stable dispersions of nanoparticles for transparent, colorless coatings that could make textiles fade-resistant or windows that block heat without cutting down on the light admitted. Third, electronics manufacturers are demanding thinner, brighter and lower-energy display screens. Our novel conducting polymers make this possible for cell phones, laptops, flat-screen televisions and other devices. With advanced materials like these, we're taking our place in the future.





# Healthcare

Through our Healthcare business, we provide respiratory therapies, home medical equipment and infusion services to more than 500,000 patients in their homes. We operate in 15 countries and are the market leader in Spain, Portugal, the United Kingdom and Mexico. Our specialist teams serve patients with conditions ranging from chronic lung disease, asthma and emphysema to sleep apnea. And we strive to improve their quality of life, providing oxygen therapy, nebulizer therapy, sleep management therapy, anti-infective therapy, beds and wheelchairs, and many other products and services.

## Driving Improvements

We are working to improve our homecare business to benefit our patients and deliver greater business performance. For example, in the U.S., we put a new management team in place in 2006, reorganized the business along functional lines, and tapped seven action teams to drive improvements in our sales, marketing, reimbursement and customer service organizations. We are also standardizing processes to automate work and increase productivity and customer satisfaction. Importantly, we are using shared services as a way to optimize service functions used by all of our U.S. business locations. And we are deploying training tools to streamline local operations and equip our teams to be the best, most highly skilled people in the business. These system-wide improvements mean a new way of operating that ultimately is focused on providing better quality of service to our patients and driving our growth going forward.



## U.K. Home Oxygen Service

A new home oxygen service began operating in England and Wales in February 2006. Under the new system, the supply of all types of medical oxygen—from cylinders to liquid oxygen—was transferred to specialist oxygen service providers. Air Products now supplies six of the 11 regions that were up for tender. The service presented some challenges after the launch, mainly due to a much higher number of orders than the health service expected. On a daily basis, we are now visiting more than 2,000 patients in their homes and handling between 3,000 and 4,000 telephone requests through our call center. Our U.K. healthcare team has received numerous letters of thanks from patients, who are finding that the wide range of new equipment and services available, such as portable cylinders and the uninterrupted holiday oxygen service in the U.K., are making a marked difference to their quality of life.

## Spain Concentrates on Oxygen Technology

A new strategy in Spain is having a positive effect on patients' lives while positioning our healthcare business firmly for the future. Until last year, 40% of patients received oxygen in cylinders. However, offering them a concentrator—a machine that filters air to produce oxygen—brings a number of benefits. Oxygen is always available; patients no longer rely on deliveries; and the risk of injury while moving cylinders is significantly reduced. Meanwhile, the technology offers us greater ability to monitor patients' compliance to their oxygen prescriptions. The strategy also brings logistics and oxygen production savings. Reaching the optimum level, where 90–95% of patients use concentrators, would normally take up to 10 years. However, we are striving to reach this point within just two years. Longer term, as telemedicine and remote monitoring technology advance, the business will be well placed to integrate these new developments, offering further benefits and value to patients.





# Leadership

## Board of Directors



**John P. Jones III**  
Chairman and Chief  
Executive Officer.  
Director since 1998.



**Mario L. Baeza**  
Founder and Controlling  
Shareholder of Baeza & Co.  
and Founder and Executive  
Chairman of V-Me Media,  
Inc. Director since 1999.



**William L. Davis, III**  
Retired Chairman,  
President, and Chief  
Executive Officer of  
RR Donnelley.  
Director since 2005.



**Michael J. Donahue**  
Former Group Executive  
Vice President and Chief  
Operating Officer of  
BearingPoint, Inc.  
Director since 2001.



**Ursula O. Fairbairn**  
President and Chief  
Executive Officer of  
Fairbairn Group, LLC.  
Director since 1998.



**W. Douglas Ford**  
Retired Chief Executive,  
Refining and Marketing,  
of BP Amoco plc.  
Director since 2003.



**Edward E. Hagenlocker**  
Former Vice Chairman of  
Ford Motor Company and  
former Chairman of Visteon  
Automotive Systems.  
Director since 1997.



**Evert Henkes**  
Retired Chief  
Executive Officer of  
Shell Chemicals Ltd.  
Director since 2006.



**Margaret G. McGlynn**  
President, Vaccine Division  
of Merck & Co., Inc.  
Director since 2005.



**Charles H. Noski**  
Retired Vice Chairman  
of AT&T Corporation  
and former Corporate  
Vice President and Chief  
Financial Officer of  
Northrop Grumman.  
Director since 2005.



**Lawrence S. Smith**  
Executive Vice President  
and Co-Chief Financial  
Officer of Comcast  
Corporation.  
Director since 2004.

## Corporate Executive Committee



**John P. Jones III**  
Chairman and  
Chief Executive Officer.



**John E. McGlade**  
President and  
Chief Operating Officer.



**W. Douglas Brown**  
Vice President,  
General Counsel  
and Secretary.



**Paul E. Huck**  
Vice President and  
Chief Financial Officer.



**Arthur T. Katsaros**  
Group Vice President—  
Development and  
Technology.



**Lynn C. Minella**  
Vice President—  
Human Resources.



# Non-GAAP Measures

(millions of dollars, except per share)

The Message to Shareholders beginning on page 4 contains non-GAAP measures. The presentation of these non-GAAP measures is intended to enhance the usefulness of financial information by providing measures which the company's management uses internally to evaluate the company's baseline performance.

Results from continuing operations in 2006 on a GAAP basis included a charge for a global cost reduction plan. In addition, effective 1 October 2005, the company prospectively adopted SFAS No. 123R, which requires companies to expense the grant-date fair value of employee stock options. Refer to the Notes to the consolidated financial statements for further information on these items. Presented below are reconciliations of reported results to non-GAAP measures adjusted for these items.

	Continuing Operations		
	Operating Income	Income	Diluted EPS
2006 GAAP	\$1,060.9	\$748.3	\$3.29
2005 GAAP	995.5	707.5	3.06
% Change GAAP	7%	6%	8%
2006 GAAP	\$1,060.9	\$748.3	\$3.29
Global cost reduction plan	72.1	46.8	.21
<b>2006 Non-GAAP Measure</b>	<b>\$1,133.0</b>	<b>\$795.1</b>	<b>\$3.50</b>
2005 GAAP	\$ 995.5	\$707.5	\$3.06
Pro forma stock option expense	(47.9)	(29.2)	(.13)
<b>2005 Non-GAAP Measure</b>	<b>\$ 947.6</b>	<b>\$678.3</b>	<b>\$2.93</b>
% Change Non-GAAP	20%	17%	19%

	ORONA 2006	ORONA 2005	Basis Point Change
Five-quarter average identifiable assets from continuing operations	\$10,021.1	\$9,511.2	
Operating income GAAP	1,060.9	995.5	
<b>ORONA GAAP</b>	<b>10.6%</b>	<b>10.5%</b>	<b>+10</b>
Operating income GAAP	\$ 1,060.9	\$ 995.5	
Global cost reduction plan	72.1	—	
Pro forma stock option expense	—	(47.9)	
Operating income non-GAAP	\$ 1,133.0	\$ 947.6	
<b>ORONA Non-GAAP</b>	<b>11.3%</b>	<b>10.0%</b>	<b>+130</b>

Operating return on net assets (ORONA) is calculated as operating income divided by five-quarter average of identifiable assets (i.e., total assets less investments in equity affiliates).

	2006 GAAP	2005 GAAP	% Change GAAP	Pro forma 2005 Stock Option Expense	2005 Non-GAAP Measure	% Change Non-GAAP Measure
<b>Operating Income</b>						
Merchant Gases	\$ 470.0	\$ 414.0	14%	\$15.9	\$398.1	18%
Tonnage Gases	341.3	251.8	36%	6.4	245.4	39%
Electronics and Performance Materials	195.3	146.0	34%	14.0	132.0	48%
Equipment and Energy	68.9	29.1	137%	3.2	25.9	166%
Healthcare	8.4	81.7	(90)%	2.0	79.7	(89)%
Chemicals	64.0	86.1	(26)%	4.8	81.3	(21)%
<b>Segment Totals</b>	<b>1,147.9</b>	<b>1,008.7</b>		<b>46.3</b>	<b>962.4</b>	
Global cost reduction plan	(72.1)	—		—	—	
Other	(14.9)	(13.2)		1.6	(14.8)	
<b>Consolidated Total</b>	<b>\$1,060.9</b>	<b>\$ 995.5</b>		<b>\$47.9</b>	<b>\$947.6</b>	

# Shareholder Information

## Common Stock Information

Ticker Symbol: APD

Exchange Listing: New York Stock Exchange

Transfer Agent and Registrar:

American Stock Transfer and Trust Company

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Telephone: 800-937-5449

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## Publications for Shareholders

In addition to this Annual Report, Air Products informs shareholders about company news through:

Notice of Annual Meeting and Proxy Statement – mailed to shareholders in mid-December and available electronically on our Web site at [www.airproducts.com/invest](http://www.airproducts.com/invest).

Form 10-K Report – filed annually with the Securities and Exchange Commission in mid-December.

Earnings Information – shareholders and investors can obtain copies of earnings releases, Annual Reports, 10-Ks and news releases by dialing 800-AIR-6525. Shareholders and investors can also register for e-mail updates on our Web site.

## Dividend Policy

Dividends on Air Products' common stock are declared by the board of directors and, when declared, usually will be paid during the sixth week after the close of the fiscal quarter. It is the company's objective to pay dividends consistent with the reinvestment of earnings necessary for long-term growth.

## Direct Investment Program

Current shareholders and new investors can conveniently and economically purchase shares of Air Products' common stock and reinvest cash dividends through American Stock Transfer and Trust Company. Registered shareholders can purchase shares on American Stock Transfer and Trust's Web site, [www.investpower.com](http://www.investpower.com). New investors can obtain information on the Web site or by calling 877-322-4941 or 718-921-8200.

## Annual Meeting

The annual meeting of shareholders will be held on Thursday, January 25, 2007, 2:00 p.m., at Cedar Crest College, Allentown, Pennsylvania.

## Terminology

The term Air Products and Chemicals, Inc., as used in this Report, refers solely to the Delaware corporation of that name. The use of such terms as Air Products, company, division, organization, we, us, our and its, when referring to either Air Products and Chemicals, Inc. and its consolidated subsidiaries or to its subsidiaries and affiliates, either individually or collectively, is only

## 2006 Quarterly Stock Information

	High	Low	Close	Dividend
First	\$61.89	\$53.00	\$59.19	\$ .32
Second	68.10	58.01	67.19	.34
Third	69.54	59.18	63.92	.34
Fourth	68.48	60.92	66.37	.34
				\$1.34

## 2005 Quarterly Stock Information

	High	Low	Close	Dividend
First	\$59.18	\$51.85	\$57.97	\$ .29
Second	65.81	55.99	63.29	.32
Third	64.06	55.53	60.30	.32
Fourth	61.60	53.30	55.14	.32
				\$1.25

for convenience and is not intended to describe legal relationships. Significant subsidiaries are listed as an exhibit to the Form 10-K Report filed by Air Products and Chemicals, Inc. with the Securities and Exchange Commission. Groups, divisions or other business segments of Air Products and Chemicals, Inc. described in this Report are not corporate entities.

## Annual Certifications

The most recent certifications by our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to our Form 10-K. We have also filed with the New York Stock Exchange the most recent Annual CEO Certification as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

## Additional Information

The forward-looking statements contained in this Report are qualified by reference to the section entitled "Forward-Looking Statements" on page 42 of the Financials section.

## Acknowledgments

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