



# Q4 FY08 Earnings Conference Call

October 22, 2008

# Forward-Looking Statements

NOTE: This presentation contains “forward-looking statements” based on management’s reasonable expectations and assumptions as of the date of this document. Events or results described in forward-looking statements may be influenced by many factors not anticipated by management, including without limitation, deterioration in economic and business conditions; future financial and operating performance of major customers and industries served by the Company; unanticipated contract terminations or customer cancellation or postponement of projects or sales; the impact of competitive products and pricing; interruption in ordinary sources of supply of raw materials; the ability to attract, hire and retain qualified personnel in all regions of the world where the Company operates; significant fluctuations in interest rates and foreign currencies; 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; and other risk factors described in the Company’s Quarterly Report on Form 10Q for the quarter ended December 31, 2007. 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.

# *Fiscal Year 2008:* Fifth Year of Double-Digit Growth\*

Continuing Operations			Growth vs. PY	
<u>(\$Millions)</u>	<u>FY07</u>	<u>FY08</u>	<u>\$ Δ</u>	<u>% Δ</u>
Sales	\$9,148	\$10,415	\$1,267	14%
Operating Income	1,358	1,522	164	12%
Operating Margin	14.8%	14.6%		(20bp)
Equity Affiliates Inc.	114	145	31	27%
Net Income	953	1,107	154	16%
EPS (\$/share)	4.27	5.05	0.78	18%
ROCE (%)	12.5%	13.0%		50bp

- \$787MM in shares repurchased, \$650MM authorization remaining
- Continued to improve the portfolio, sold Emulsions & HPPC, selling U.S. Healthcare business

\* Comparison is non-GAAP, see appendix for reconciliation

# Consolidated Q4 Financials

(\$Millions, Continuing Operations)	Q4 FY08	Fav/(Unfav) vs.	
		Q4 FY07	Q3 FY08
<b>Sales</b>	<b>\$2,715</b>	<b>14%</b>	<b>(1%)</b>
<b>SG&amp;A as a % of Sales</b>	<b>10.1%</b>	<b>80bp</b>	<b>20bp</b>
<b>Operating Income</b>	<b>\$373</b>	<b>3%</b>	<b>(5%)</b>
<b>Operating Margin %</b>	<b>13.7%</b>	<b>(160bp)</b>	<b>(60bp)</b>
<b>Net Income</b>	<b>\$273</b>	<b>7%</b>	<b>(7%)</b>
<b>Diluted EPS</b>	<b>\$1.26</b>	<b>10%</b>	<b>(7%)</b>

- Plant fire & hurricanes impact Q4

# EPS up 10%

	<u>Q4 FY08</u>	<u>Q4 FY07</u>	<u>Change</u>	
As-reported diluted EPS	\$1.21	\$1.31		
- Discontinued Operations	0.05	0.01		
- PY disclosed items (gain)	--	(0.17)*		
Adjusted Cont. Ops. EPS	<u>\$1.26</u>	<u>\$1.15</u>	<u>\$0.11</u>	
Volume			\$0.06	} \$0.06
Price / raw materials			0.03	
Cost			(0.03)	
Currency/FX			0.07	
Plant fire and hurricanes			(0.10)	
Lower tax rate			0.04	
Fewer shares outstanding			0.03	
All other, net			<u>0.01</u>	
Change			<u>\$0.11</u>	

\*Comparison is non-GAAP, see appendix for reconciliation

# Merchant Gases

		Fav/(Unfav) vs.	
	<u>Q4 FY08</u>	<u>Q4 FY07*</u>	<u>Q3 FY08</u>
<b>Sales</b>	<b>\$1,095</b>	<b>15%</b>	<b>1%</b>
- Volume		4%	1%
- Price		6%	2%
- Currency		5%	(2%)
<b>Operating Income</b>	<b>\$196</b>	<b>12%</b>	<b>(4%)</b>
<b>Operating Margin</b>	<b>17.9%</b>	<b>(50bp)</b>	<b>(90bp)</b>

- Volume growth in all regions
- Solid pricing gains

\* Comparison excludes PY sale/donation gain, see appendix for reconciliation

# Merchant Gases:

## *Q4 Sales Analysis vs PY*

	<u>North America</u>	<u>Europe</u>	<u>Asia</u>
<b>Sales % change</b>	<b>14%</b>	<b>17%</b>	<b>12%</b>
- Volume	5%	4%	4%
- Price	9%	5%	5%
- Currency	-	8%	3%

- Europe now includes homecare business

# Tonnage Gases

	<u>Q4 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q4 FY07*</u>	<u>Q3FY08</u>
<b>Sales</b>	<b>\$940</b>	<b>21%</b>	<b>(4%)</b>
- Volume (excl. hurricanes)		1%	2%
- Hurricane impact		(6%)	(5%)
- Nat'l gas/RM pass thru		25%	-
- Currency		1%	(1%)
<b>Operating Income</b>	<b>\$135</b>	<b>14%</b>	<b>7%</b>
<b>Operating Margin</b>	<b>14.3%</b>	<b>(90bp)</b>	<b>140bp</b>

- Higher natural gas pricing suppresses margins
- Sequential improvement despite hurricanes due to operating efficiencies and bonuses

\* Comparison excludes PY contract termination gain, see appendix for reconciliation



# Electronics & Performance Materials

		Fav/(Unfav) vs.	
	<u>Q4 FY08</u>	<u>Q4 FY07</u>	<u>Q3 FY08</u>
<b>Sales</b>	<b>\$553</b>	<b>6%</b>	<b>(5%)</b>
- Volume		3%	(5%)
- Price		2%	1%
- Currency		1%	(1%)
<b>Operating Income</b>	<b>\$42</b>	<b>(31%)</b>	<b>(40%)</b>
<b>Operating Margin</b>	<b>7.6%</b>	<b>(400bp)</b>	<b>(450bp)</b>
● <b>Electronics sales</b>		<b>(1%)</b>	<b>(9%)</b>
■ <b>Plant fire / soft volumes</b>			
● <b>Performance Materials volume</b>		<b>4%</b>	<b>(1%)</b>

# Equipment & Energy

		<u>Fav/(Unfav) vs.</u>	
	<u>Q4 FY08</u>	<u>Q4 FY07</u>	<u>Q3 FY08</u>
<b>Sales</b>	<b>\$126</b>	<b>2%</b>	<b>18%</b>
<b>Operating Income</b>	<b>\$16</b>	<b>(12%)</b>	<b>↑</b>
<b>Sales Backlog</b>	<b>\$399</b>	<b>54%</b>	<b>75%</b>

- Sequential profit improvement driven by favorable cost performance
- Backlog increases on two new LASU orders

# FY09 Full-Year Outlook

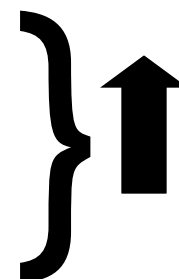
- FY09 overall... expect more modest and slowing growth
- WW manufacturing growth
  - Globally 1% to 2%
  - U.S. and Europe both contract (1%) to (2%)
  - Asia ex. Japan 5% to 6%
- Silicon growth 0% to (5%)
- PP&E capex forecast ...
  - ~\$1.6 to \$1.8B
- FY'08 Adjusted Diluted EPS \$5.05
  - Merchant pricing
  - Tonnage loading
  - E&E less favorable mix
  - E&PM challenging end markets
  - Productivity a key driver
  - Tax rate about 25% to 26%
  - Currency headwind
- FY09 EPS \$5.10-\$5.35

# FQ1 '09 Outlook

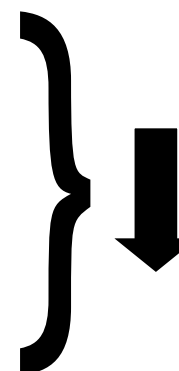
## FQ4 2008 EPS

\$1.26

- Higher Merchant pricing
- Less impact from Q4 plant fire & hurricanes
- Improved cost performance



- Seasonality/outage costs
- Lower Equipment & Energy results
- Higher tax rate, 25.5% FY'09
- Currency/FX

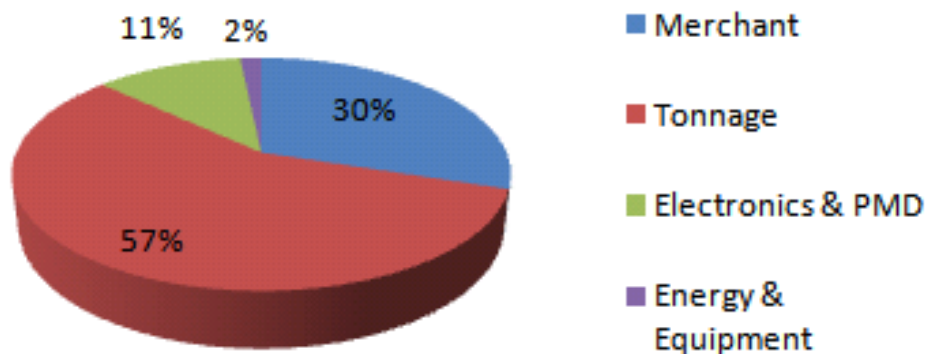


## FQ1 2009 EPS

\$1.15 - \$1.21

# Capital Spending Outlook

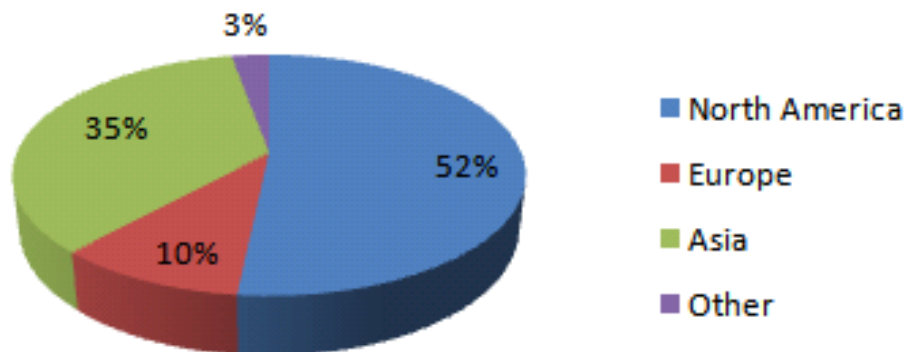
FY09 GROWTH CAPEX BY SEGMENT



**FY09 Forecast**

**Total \$1.6-\$1.8B**

FY09 GROWTH CAPEX BY REGION



# Appendix slides



# *Appendix:* FY 2008 Sales Analysis

## Change versus

## FY2007

**Total Consolidated 14%**

**Comprised of:**

- **Base business growth 4%**
  - Volume 4%
  - Energy & Equip segment (2%)
  - Price 2%
- **Acquisitions/Divest. 1%**
- **Nat'l gas/RM pass thru 5%**
- **Currency 4%**

# Appendix:

## Q4 Sales Analysis

<u>Change versus</u>	<u>Q4 FY07</u>	<u>Q3 FY08</u>
<b>Total Consolidated</b>	<b>14%</b>	<b>(1%)</b>
<b>Comprised of:</b>		
● <b>Base business growth</b>	<b>3%</b>	<b>-</b>
– Volume	2%	1%
– Hurricane impact	(2%)	(2%)
– Price	3%	1%
● <b>Acquisitions/Divest.</b>	<b>-</b>	<b>-</b>
● <b>Nat'l gas/RM pass thru</b>	<b>8%</b>	<b>-</b>
● <b>Currency</b>	<b>3%</b>	<b>(1%)</b>



# FY 2007 Q4 Items

<u>(\$Millions, except per share amounts)</u>	<u>Operating Income</u>	<u>Net Income</u>	<u>EPS</u>
<b>Q4 FY07 GAAP</b>	<b>\$380.4</b>	<b>\$292.8</b>	<b>\$1.31</b>
<b><u>Adjustments:</u></b>			
Loss from discontinued ops	--	2.8	0.01
PUI contract settlement gain	(36.8)	(23.6)	(0.11)
Investment sale & donation	(5.0)	(19.8)	(0.09)
Supp. pension plan charge	10.3	6.4	0.03
Global cost reduction charge	13.7	8.8	0.04
Favorable tax audit settlements	--	(11.3)	(0.05)
<b>Q4 FY07 Non-GAAP</b>	<b>\$362.6</b>	<b>\$256.1</b>	<b>\$1.15</b>

# Appendix

## Full Year FY2008 Comparisons

	FY08					FY07				
	<u>Sales</u>	<u>Operating Income</u>	<u>Operating Margin</u>	<u>Cont Ops Income</u>	<u>EPS</u>	<u>Sales</u>	<u>Operating Income</u>	<u>Operating Margin</u>	<u>Cont Ops Income</u>	<u>EPS</u>
GAAP Measure	\$10,414.5	\$1,495.8	14.4%	\$1,090.5	\$4.97	\$9,148.2	\$1,375.6	15.0%	\$1,019.6	\$4.57
Gain on contract settlement							(\$36.8)		(\$23.6)	(\$0.11)
Global cost reduction plan							\$13.7		\$8.8	\$0.04
Pension Settlement		\$26.3		\$16.5	\$0.08		\$10.3		\$6.4	\$0.03
Donation/sale of cost investment							(\$5.0)		(\$19.8)	(\$0.09)
Tax Audit Settlements/Adjusts. (Q407)									(\$11.3)	(\$0.05)
Tax Audit Settlements/Adjusts. (Q307)									(\$27.5)	(\$0.12)
Non GAAP Measure	\$10,414.5	\$1,522.1	14.6%	\$1,107.0	\$5.05	\$9,148.2	\$1,357.8	14.8%	\$952.6	\$4.27

### Q408 vs. Q407 Gaap

GAAP Measure	14%	9%	(60 bp)	7%	9%
Non GAAP Measure	14%	12%	(20 bp)	16%	18%

# Appendix

## Q4 FY2008 Comparisons

	Q408					Q407				
	Sales	Operating Income	Operating Margin	Cont Ops Income	EPS	Sales	Operating Income	Operating Margin	Cont Ops Income	EPS
GAAP Measure	\$2,714.7	\$373.1	13.7%	\$273.4	\$1.26	\$2,371.3	\$380.4	16.0%	\$295.6	\$1.32
Gain on contract settlement							(\$36.8)		(\$23.6)	(\$0.11)
Global cost reduction plan							\$13.7		\$8.8	\$0.04
Pension Settlement							\$10.3		\$6.4	\$0.03
Donation/sale of cost investment							(\$5.0)		(\$19.8)	(\$0.09)
Tax Audit Settlements/Adjustments									(\$11.3)	(\$0.05)
Non GAAP Measure	\$2,714.7	\$373.1	13.7%	\$273.4	\$1.26	\$2,371.3	\$362.6	15.3%	\$256.1	\$1.15

### Q408 vs. Q407 GAAP

GAAP Measure	14%	(2%)	(230 bp)	(8%)	(5%)
Non GAAP Measure	14%	3%	(160 bp)	7%	10%

# Appendix: Segment Results

		FY07 Q4			
	<u>FY08 Q4</u>	<u>GAAP</u>	<u>Proforma Adjustment (1)</u>	<u>Non GAAP</u>	<u>Non GAAP Q408 vs. FY07 Q4</u>
<b><u>Merchant Gases</u></b>					
Sales	1,095.0	948.9		948.9	
Operating Income	196.2	179.6	(5.0)	174.6	12%
Operating Margin	17.9%	18.9%		18.4%	(50bp)
<b><u>Tonnage Gases</u></b>					
Sales	940.3	775.7		775.7	
Operating Income	134.9	155.0	(36.8)	118.2	14%
Operating Margin	14.3%	20.0%		15.2%	(90bp)

(1) Merchant - Sale/donation of Cost Investment. Tonnage - Contract Termination Gain

# Appendix:

## ROCE

\$ Millions Quarter Ended Numerator	<u>Q406</u>	<u>Q107</u>	<u>Q207</u>	<u>Q307</u>	<u>Q407</u>	<u>Q108</u>	<u>Q208</u>	<u>Q308</u>	<u>Q408</u>
Operating Income Reported		321.6	313.6	360.0	380.4	380.4	348.6	393.7	373.1
Equity Affiliate Income		<u>27.3</u>	<u>27.5</u>	<u>29.5</u>	<u>30.1</u>	<u>25.3</u>	<u>42.4</u>	<u>46.5</u>	<u>30.8</u>
Earnings before tax as reported		348.9	341.1	389.5	410.5	405.7	391.0	440.2	403.9
Global Cost Reduction Plan		0.0	0.0	0.0	13.7	0.0	0.0	0.0	0.0
Gain on Contract Termination		0.0	0.0	0.0	(36.8)	0.0	0.0	0.0	0.0
Pension Settlement Charge		0.0	0.0	0.0	10.3	0.0	26.3	0.0	0.0
Donation/Sale of Cost Investment		0.0	0.0	0.0	(5.0)	0.0	0.0	0.0	0.0
U.S. Healthcare Impairment		<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>0.0</u>
Earnings before tax ex items		348.9	341.1	389.5	392.7	405.7	417.3	440.2	403.9
Effective tax rate as reported		26.6%	26.5%	17.6%	18.4%	26.9%	25.3%	25.0%	23.3%
Earnings after tax as reported		256.1	250.7	320.9	335.0	296.6	292.1	330.2	309.8
Effective tax rate ex items		26.6%	26.5%	25.7%	25.6%	26.9%	26.1%	25.0%	23.3%
Earnings after tax ex items		256.1	250.7	289.4	292.2	296.6	308.4	330.2	309.8
4 Qtr trailing AT earnings (numerator) - as reported					1,162.7	1,203.2	1,244.6	1,253.9	1,228.7
4 Qtr trailing AT Earnings (numerator) - ex items					1,088.4	1,128.9	1,186.6	1,227.4	1,245.0
<u>Denominator</u>									
Total Debt	2,846.1	3,146.8	3,305.3	3,772.5	3,667.8	3,972.5	4,383.9	4,027.3	3,966.8
Equity	4,924.0	5,111.5	5,276.5	5,456.3	5,495.6	5,603.0	5,524.3	5,568.7	5,030.7
Minority Interest in subsidiary cos.	<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>	<u>115.5</u>	<u>136.2</u>
Total Capital	7,858.7	8,354.8	8,665.3	9,317.4	9,256.3	9,674.8	10,025.6	9,711.5	9,133.7
5 Qtr Average Capital (denominator)					8,690.5	9,053.7	9,387.9	9,597.1	9,560.4
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					13.4%	13.3%	13.3%	13.1%	12.9%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					12.5%	12.5%	12.6%	12.8%	13.0%

# Appendix:

## ROCE Tax Rate

	<u>Q107</u>	<u>Q207</u>	<u>Q307</u>	<u>Q407</u>	<u>Q108</u>	<u>Q208</u>	<u>Q308</u>	<u>Q408</u>
<u>Reported</u>								
Income from Cont. Ops. Bef. Tax and Min. Int	309.9	303.9	345.4	368.4	364.9	352.1	400.7	361.1
Minority Interest	(5.1)	(4.4)	(5.1)	(6.2)	(6.1)	(4.5)	(7.6)	(4.8)
Income from Cont. Ops. Before Tax	304.8	299.5	340.3	362.2	358.8	347.6	393.1	356.3
Tax Expense	81.2	79.5	59.9	66.6	96.5	87.8	98.1	82.9
<b>Tax Rate Reported</b>	<b>26.6%</b>	<b>26.5%</b>	<b>17.6%</b>	<b>18.4%</b>	<b>26.9%</b>	<b>25.3%</b>	<b>25.0%</b>	<b>23.3%</b>
<u>ITEMS</u>								
<u>Operating Income</u>								
Global Cost Reduction Plan				13.7				
Gain on Contract Termination				(36.8)				
Supp. Pension Plan Charge				10.3		26.3		
Donation/Sale of Cost Investment				(5.0)				
U.S. Healthcare Impairment								
<u>Tax Exp</u>								
Tax Audit Settlement			27.5					
Global Cost Reduction Plan				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.S. Healthcare Impairment								
<u>Ex Items</u>								
Income from Cont. Ops. Before Tax	304.8	299.5	340.3	344.4	358.8	373.9	393.1	356.3
Tax Expense	81.2	79.5	87.4	88.3	96.5	97.6	98.1	82.9
<b>Tax Rate ex Items</b>	<b>26.6%</b>	<b>26.5%</b>	<b>25.7%</b>	<b>25.6%</b>	<b>26.9%</b>	<b>26.1%</b>	<b>25.0%</b>	<b>23.3%</b>

# Appendix

## FY2009 Guidance

### EPS

	<u>EPS</u>
FY2009 Guidance	\$5.10-\$5.35
FY2008 GAAP	\$4.97
% Change GAAP	3%-8%

FY2009 Guidance	\$5.10-\$5.35
FY2008 Non-GAAP (1)	\$5.05
% Change Non-GAAP	1%-6%

(1) See previous appendix for non-GAAP FY2008 EPS reconciliation

### CAPITAL EXPENDITURES

	YTD 2008 Actual	YTD 2009 Forecast
Billions of dollars		
Capital expenditures - GAAP basis	\$1.2	\$1.3 to \$1.5
Capital lease expenditures under EITF No. 01-08	\$0.2	\$0.3
Capital expenditures - Non GAAP basis	\$1.4	\$1.6 to \$1.8

# Thank you



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