



Q1 FY09 Earnings Conference Call

January 21, 2009

Forward-Looking Statements

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Consolidated Q1 Financials

(\$Millions, Continuing Operations)	Q1 FY09	Fav/(Unfav) vs.	
		Q1 FY08	Q4 FY08
Sales	\$2,195	(9%)	(19%)
- Underlying business		(5%)	(8%)
- Currency		(5%)	(6%)
- Nat'l Gas/RM pass-thru		1%	(5%)
Operating Income	\$288	(24%)	(23%)
Operating Margin %	13.1%	(270bp)	(60bp)
Net Income	\$206	(21%)	(25%)
Diluted EPS	\$0.97	(18%)	(23%)
ROCE	12.5%	-	(50bp)

Comparison is non-GAAP, see appendix for reconciliation

EPS

	<u>Q1 FY09</u>	<u>Q1 FY08</u>	<u>Change</u>
As-reported diluted EPS	\$0.32	\$1.19	
- Discontinued operations	(0.10)	0.01	
- Restructuring charge	(0.55)	--	
Adjusted cont. ops. EPS*	<u>\$0.97</u>	<u>\$1.18</u>	<u>(\$0.21)</u>
Volume			(\$0.25)
Price / raw materials			0.05
Cost			0.03
			} (\$0.17)
Currency/FX			(0.13)
Lower interest expense			0.01
Lower tax rate			0.03
Fewer shares outstanding			0.05
Change			<u>(\$0.21)</u>

*Comparison is non-GAAP, see appendix for reconciliation

Merchant Gases

	<u>Q1 FY09</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q1 FY08</u>	<u>Q4 FY08</u>
Sales	\$925	(8%)	(16%)
- Volume		(6%)	(7%)
- Price		6%	-
- Currency		(8%)	(9%)
Operating Income	\$171	(15%)	(13%)
Operating Margin	18.4%	(150bp)	50bp

- Weak economies resulting in volume declines globally
- Prices holding

Merchant Gases: *Q1 Sales Analysis vs PY*

	<u>North America</u>	<u>Europe</u>	<u>Asia</u>
Sales % change	2%	(13%)	(8%)
- Volume	(6%)	(7%)	(6%)
- Price	8%	6%	5%
- Currency	-	(12%)	(7%)

- Volume decline accelerated in quarter with weak holiday period
- Weak demand across most industries
- Steel shutdowns impacting LAR supply in NA and Europe
- Higher pricing helped offset some volume weakness
- Strong applications-driven new business signings

Tonnage Gases

	<u>Q1 FY09</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q1 FY08</u>	<u>Q4FY08</u>
Sales	\$744	(6%)	(21%)
- Volume (excl. hurricanes)		(2%)	(7%)
- Hurricane impact		(2%)	3%
- Nat'l gas/RM pass thru		2%	(13%)
- Currency		(4%)	(4%)
Operating Income	\$109	(2%)	(19%)
Operating Margin	14.6%	60bp	30bp

- Hydrogen volumes up despite hurricane impact
- Lower GOX/GAN & CO volumes due to weak chemical and steel demand

Electronics & Performance Materials

	<u>Q1 FY09</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q1 FY08</u>	<u>Q4 FY08</u>
Sales	\$407	(21%)	(27%)
- Volume		(20%)	(24%)
- Price		1%	-
- Currency		(2%)	(3%)
Operating Income	\$25	(63%)	(41%)
Operating Margin	6.1%	(670bp)	(150bp)
● Electronics sales		(28%)	(26%)
■ Lower fab utilization rates			
● Performance Materials volume		(17%)	(26%)
■ Weaker end markets			

Equipment & Energy

	<u>Q1 FY09</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q1 FY08</u>	<u>Q4 FY08</u>
Sales	\$120	19%	(5%)
Operating Income	\$7	(25%)	(55%)
Sales Backlog	\$324	32%	(19%)

- **Backlog increases from prior year on higher ASU activity**

Outlook

FQ2 2009 EPS

\$0.80 - \$0.90

- Weaker end markets
- Cost improvement actions

FY2009 EPS

\$4.00 - \$4.30*

- WW manufacturing declines (4%) to (5%)
- MSI declines >20%
- Capex in-line with prior year

*Non-GAAP, see appendix for reconciliation

Appendix slides



Appendix: Q1 Sales Analysis

<u>Change versus</u>	<u>Q1 FY08</u>	<u>Q4 FY08</u>
Total Consolidated	(9%)	(19%)
Comprised of:		
● Base business growth	(5%)	(8%)
– Volume	(7%)	(9%)
– Hurricane impact	(1%)	1%
– Price	3%	-
● Currency	(5%)	(6%)
● Nat'l gas/RM pass thru	1%	(5%)

Appendix: "Other" Segment

	<u>Q1 FY09</u>	<u>Q1 FY08</u>
Operating Loss	<u>(\$23)</u>	<u>(\$4)</u>
● FX Gain/(Loss)	(\$8)	\$5
● LIFO reserve	(\$11)	(\$6)
● All other	(\$4)	(\$3)

Appendix

Q1 FY2009 Comparisons

(\$ Millions, except per share data)

	GAAP Measure			FY09	Non GAAP Measure		
	Q109	Q108	% Change	Non GAAP Adjustment	Q109	Q108	% Change Non GAAP Measure
<u>Q109 vs. Q108 - Total Co.</u>				<u>Q109 (1)</u>			
Sales	2,195.3	2,407.4	(9%)		2,195.3	2,407.4	(9%)
Operating Income	114.1	380.4	(70%)	174.2	288.3	380.4	(24%)
Operating Margins	5.2%	15.8%	nm		13.1%	15.8%	(270bp)
Income From Continuing Ops	90.0	262.3	(66%)	116.1	206.1	262.3	(21%)
Diluted EPS - Continuing Ops	\$0.42	\$1.18	(64%)	\$0.55	\$0.97	\$1.18	(18%)
<u>Q109 vs. Q408 - Total Co.</u>							
Sales	2,195.3	2,714.7	(19%)		2,195.3	2,714.7	(19%)
Operating Income	114.1	373.1	(69%)	174.2	288.3	373.1	(23%)
Operating Margins	5.2%	13.7%	nm		13.1%	13.7%	(60bp)
Income From Continuing Ops	90.0	273.4	(67%)	116.1	206.1	273.4	(25%)
Diluted EPS - Continuing Ops	\$0.42	\$1.26	(67%)	\$0.55	\$0.97	\$1.26	(23%)

(1) Global Cost Reduction Plan

Appendix: ROCE

\$ Millions Quarter Ended	Q107	Q207	Q307	Q407	Q108	Q208	Q308	Q408	Q109
Numerator									
Operating Income Reported		313.6	360.0	380.4	380.4	348.6	393.7	373.1	114.1
Equity Affiliate Income		27.5	29.5	30.1	25.3	42.4	46.5	30.8	24.5
Earnings before tax as reported		341.1	389.5	410.5	405.7	391.0	440.2	403.9	138.6
Global Cost Reduction Plan		0.0	0.0	13.7	0.0	0.0	0.0	0.0	174.2
Gain on Contract Termination		0.0	0.0	(36.8)	0.0	0.0	0.0	0.0	0.0
Pension Settlement Charge		0.0	0.0	10.3	0.0	26.3	0.0	0.0	0.0
Donation/Sale of Cost Investment		0.0	0.0	(5.0)	0.0	0.0	0.0	0.0	0.0
U.S. Healthcare Impairment		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before tax ex items		341.1	389.5	392.7	405.7	417.3	440.2	403.9	312.8
Effective tax rate as reported		26.6%	17.6%	18.4%	26.9%	25.3%	25.0%	23.3%	7.3%
Earnings after tax as reported		250.4	320.9	335.0	296.6	292.1	330.2	309.8	128.5
Effective tax rate ex items		26.6%	25.7%	25.6%	26.9%	26.1%	25.0%	23.3%	24.0%
Earnings after tax ex items		250.4	289.4	292.2	296.6	308.4	330.2	309.8	237.7
4 Qtr trailing AT earnings (numerator) - as reported					1,202.9	1,244.6	1,253.9	1,228.7	1,060.6
4 Qtr trailing AT Earnings (numerator) - ex items					1,128.6	1,186.6	1,227.4	1,245.0	1,186.1
Denominator									
Total Debt	3,146.8	3,305.3	3,772.5	3,667.8	3,972.5	4,383.9	4,027.3	3,966.8	4,169.2
Equity	5,111.5	5,276.5	5,456.3	5,495.6	5,603.0	5,524.3	5,568.7	5,030.7	4,726.1
Minority Interest	96.5	83.5	88.6	92.9	99.3	117.4	115.5	136.2	137.9
Total Capital	8,354.8	8,665.3	9,317.4	9,256.3	9,674.8	10,025.6	9,711.5	9,133.7	9,033.2
5 Qtr Average Capital (denominator)					9,053.7	9,387.9	9,597.1	9,560.4	9,515.8
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					13.3%	13.3%	13.1%	12.9%	11.1%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					12.5%	12.6%	12.8%	13.0%	12.5%

Appendix: ROCE Tax Rate

	<u>Q207</u>	<u>Q307</u>	<u>Q407</u>	<u>Q108</u>	<u>Q208</u>	<u>Q308</u>	<u>Q408</u>	<u>Q109</u>
<u>Reported</u>								
Income from Cont. Ops. Bef. Tax and Min. Int	303.9	345.4	368.4	364.9	352.1	400.7	361.1	102.1
Minority Interest	(4.4)	(5.1)	(6.2)	(6.1)	(4.5)	(7.6)	(4.8)	(5.0)
Income from Cont. Ops. Before Tax	299.5	340.3	362.2	358.8	347.6	393.1	356.3	97.1
Tax Expense	79.5	59.9	66.6	96.5	87.8	98.1	82.8	7.1
Tax Rate Reported	26.6%	17.6%	18.4%	26.9%	25.3%	25.0%	23.3%	7.3%
 <u>ITEMS</u>								
<u>Operating Income</u>								
Global Cost Reduction Plan			13.7					174.2
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					58.1
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	299.5	340.3	344.4	358.8	373.9	393.1	356.3	271.3
Tax Expense	79.5	87.4	88.3	96.5	97.6	98.1	82.8	65.2
Tax Rate ex Items	26.6%	25.7%	25.6%	26.9%	26.1%	25.0%	23.3%	24.0%

Appendix

FY2009 Guidance

	<u>Full Year FY09 Guidance</u>
<u>Diluted EPS - Continuing Ops.</u>	
GAAP	\$3.45-\$3.75
Q109 Global Cost Reduction Plan	<u>\$0.55</u>
Non GAAP	\$4.00-\$4.30

Thank you



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