



**Q3 FY08 Earnings**

**Conference Call**

July 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.

# Portfolio Management Actions

- **Completed sale of remaining Polymer Emulsions assets to Ashland, Inc.**
  - **\$0.08 gain on sale (discontinued operations)**
- **Decided to sell U.S. Healthcare business**
  - **(\$1.09) impairment charge**
  - **Moving results to discontinued operations in fiscal Q4**
  - **\$0.11 accretive to EPS on a full year basis**
  - **Improves ROCE ~30 bp**
  - **Improves operating margin ~70 bp**

# EPS up 18%

	<u>Q3 FY08</u>	<u>Q3 FY07</u>	<u>Change</u>
<b>As-reported diluted EPS</b>	<b>\$0.32</b>	<b>\$1.28</b>	
<b>- Discontinued Operations</b>	<b>0.09</b>	<b>0.04</b>	
<b>+ U.S. HC charge/PY Tax</b>	<b>1.09</b>	<b>(0.12)</b>	
<b>Continuing Operations EPS</b>	<b><u>\$1.32</u></b>	<b><u>\$1.12</u></b>	<b><u>\$0.20</u></b>
<b>Volume</b>			<b>\$0.06</b>
<b>Price / raw materials</b>			<b>(0.02)</b>
<b>Cost</b>			<b>0.00</b>
<b>Currency/FX</b>			<b>0.06</b>
<b>Equity Affiliates income</b>			<b>0.06</b>
<b>Fewer shares outstanding</b>			<b>0.03</b>
<b>Lower interest exp, tax rate, all other</b>			<b>0.01</b>
<b>Change</b>			<b><u>\$0.20</u></b>

**\$0.04**

# Consolidated Q3 Financials

<u>(\$Millions, Continuing Operations)</u>	<u>Q3 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q3 FY07</u>	<u>Q2 FY08</u>
<b>Sales</b>	<b>\$2,808</b>	<b>16%</b>	<b>8%</b>
<b>SG&amp;A as a % of Sales</b>	<b>11.4%</b>	<b>80bp</b>	<b>60bp</b>
<b>Operating Income</b>	<b>\$382</b>	<b>9%</b>	<b>5%</b>
<b>Operating Margin %</b>	<b>13.6%</b>	<b>(100bp)</b>	<b>(40bp)</b>
<b>Net Income</b>	<b>\$288</b>	<b>16%</b>	<b>7%</b>
<b>Diluted EPS</b>	<b>\$1.32</b>	<b>18%</b>	<b>7%</b>
<b>ROCE</b>	<b>12.5%</b>	<b>50bp</b>	<b>10bp</b>
<b>ORONA</b>	<b>12.5%</b>	<b>40bp</b>	<b>- bp</b>

# Merchant Gases

	<u>Q3 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q3 FY07</u>	<u>Q2 FY08</u>
<b>Sales</b>	<b>\$973</b>	<b>19%</b>	<b>8%</b>
- Volume		5%	5%
- Price		4%	1%
- Currency		8%	2%
- Acquisitions		2%	-
<b>Operating Income</b>	<b>\$177</b>	<b>20%</b>	<b>6%</b>
<b>Operating Margin</b>	<b>18.2%</b>	<b>20bp</b>	<b>(30bp)</b>

- Volume growth in all regions, strong signings
- Higher energy costs

# Merchant Gases: *Q3 Sales Analysis vs PY*

	<u>North America</u>	<u>Europe</u>	<u>Asia</u>
<b>Sales % change</b>	<b>11%</b>	<b>23%</b>	<b>21%</b>
- Volume	4%	1%	15%
- Price	7%	3%	2%
- Currency	-	15%	4%
- Acquisitions	-	4%	-

- Higher volumes globally

# Tonnage Gases

	<u>Q3 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q3 FY07</u>	<u>Q2FY08</u>
<b>Sales</b>	<b>\$976</b>	<b>26%</b>	<b>13%</b>
- Volume		-	(3%)
- Nat'l gas/RM pass thru		23%	15%
- Currency		3%	1%
<b>Operating Income</b>	<b>\$126</b>	<b>4%</b>	<b>13%</b>
<b>Operating Margin</b>	<b>12.9%</b>	<b>(260bp)</b>	<b>10bp</b>

- Higher natural gas pricing suppresses margins



# Electronics & Performance Materials

	<u>Q3 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q3 FY07</u>	<u>Q2 FY08</u>
<b>Sales</b>	<b>\$580</b>	<b>9%</b>	<b>3%</b>
- Volume		6%	3%
- Price		1%	-
- Currency		2%	-
<b>Operating Income</b>	<b>\$70</b>	<b>13%</b>	<b>4%</b>
<b>Operating Margin</b>	<b>12.1%</b>	<b>40bp</b>	<b>10bp</b>
● <b>Electronics sales</b>		<b>5%</b>	<b>(1%)</b>
● <b>Performance Materials volume</b>		<b>5%</b>	<b>7%</b>

# Equipment & Energy

	<u>Q3 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q3 FY07</u>	<u>Q2 FY08</u>
<b>Sales</b>	<b>\$107</b>	<b>(20%)</b>	<b>2%</b>
<b>Operating Income</b>	<b>\$4</b>	<b>(75%)</b>	<b>(60%)</b>
<b>Sales Backlog</b>	<b>\$228</b>	<b>(15%)</b>	<b>12%</b>

- **New ASU orders**

# Healthcare

	<u>Q3 FY08</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q3 FY07</u>	<u>Q2 FY08</u>
<b>Sales</b>	<b>\$172</b>	<b>9%</b>	<b>1%</b>
– Volume		1%	(1%)
– Price/mix		-	-
– Currency		8%	2%
<b>Operating Income</b>	<b>\$13</b>	<b>54%</b>	<b>39%</b>
<b>Operating Margin</b>	<b>7.6%</b>	<b>220bp</b>	<b>210bp</b>

- Continued growth in Europe, selling U.S. business
- Excludes (\$315MM) impairment charge

# FY 2008 Guidance

<b>Prior quarter guidance</b>	<b>\$4.95</b>	<b>-</b>	<b>\$5.05</b>
<b>- U.S. Healthcare to Disc. Ops.</b>		<b>0.11</b>	
<b>Adjusted Guidance</b>	<b>5.06</b>		<b>5.16</b>
<b>+ Guidance Increase</b>	<b>0.10</b>		<b>0.05</b>
<b>Current full year Guidance FY2008</b>	<b>\$5.16</b>	<b>-</b>	<b>\$5.21</b>
<b>- Q1-Q3 Diluted EPS (non-GAAP)</b>		<b>3.79</b>	
<b>Q4 FY08 Guidance</b>	<b>\$1.37</b>	<b>-</b>	<b>\$1.42</b>

# FQ4 '08 Financial Outlook

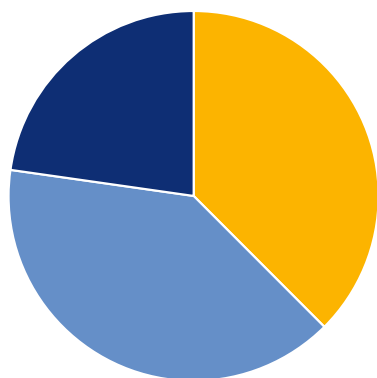
**FQ3 2008 EPS** **\$1.32**

**FQ3 2008 EPS** **\$1.35** (excl. U.S. Healthcare)

- **Higher Merchant Gases pricing**
- **Higher Tonnage results**
- **Higher Electronics & Perf Materials results**
- **Lower taxes**
- **Lower Equity Affiliates income**

**FQ4 2008 EPS** **\$1.37 - \$1.42** (excl. U.S. Healthcare)

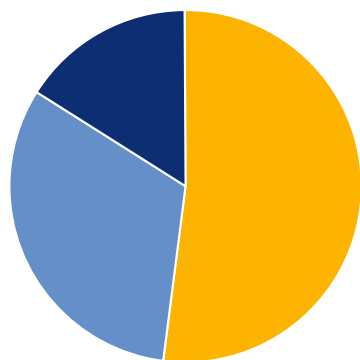
# Capital Spending Outlook



- On-site
- Merchant
- Support

## FY2008

PP&E CapEx	\$1.2B
Capital leases	0.2
<b>Total</b>	<b><u><u>\$1.4B</u></u></b>



- On-site
- Merchant
- Support

## FY2009 Forecast

<b>Total</b>	<b><u><u>\$1.7-\$2.0B</u></u></b>
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On-site includes long-term contracts reported in our Tonnage, Electronics and Merchant Gas business segments.

Merchant includes liquid & bulk gas, packaged gas, specialty and performance materials and equipment & services capital.

Support includes maintenance capital and other non-revenue generating capital spending.

# FY2009 Outlook

- **Volume and price growth ~6-7%**
  - **Merchant**
  - **Tonnage**
  - **Electronics & Performance Materials**
- **Equipment & Energy similar to 2008**
- **Productivity to expand margins and returns**
  - **Electronics product line rationalization**
  - **Transactional shared services/SAP**
  - **Improved decisions from SAP information**
  - **Energy cost savings**

# Appendix slides





# Appendix: Q3 Sales Analysis

<u>Change versus</u>	<u>Q3 FY07</u>	<u>Q2 FY08</u>
<b>Total Consolidated</b>	<b>16%</b>	<b>8%</b>
<b>Comprised of:</b>		
● <b>Base business growth</b>	<b>3%</b>	<b>2%</b>
– Volume	3%	1%
– Energy & Equip segment	(2%)	-
– Price	2%	1%
● <b>Acquisitions/Divest.</b>	<b>1%</b>	<b>-</b>
● <b>Nat'l gas/RM pass thru</b>	<b>7%</b>	<b>5%</b>
● <b>Currency</b>	<b>5%</b>	<b>1%</b>

# *Appendix:*

## Operating Margins ex U.S Healthcare and Q2 Pension Charge

(\$ Millions)

<u>Q308YTD - Total co. GAAP measure</u>	<u>Q308YTD</u>
Sales	7,886.9
Operating Income	777.8
Operating Margin	9.9%
<u>Adjustments</u>	
Sales - U.S. Healthcare	(187.1)
Operating Income - U.S. Healthcare	344.9
Operating Income - Q208 Pension Charge	26.3
<u>Q308YTD - Total co. Non GAAP measure</u>	
Sales	7,699.8
Operating Income	<u>1,149.0</u>
Operating Margin	14.9%

# Appendix

## EPS Reconciliation

Actual	<u>FY2007</u>	<u>Jun YTD</u> <u>FY2008</u>
Diluted EPS as reported	\$4.67	\$2.95
- Discontinued Operations EPS	<u>0.17</u>	<u>0.40</u>
Diluted EPS Continuing Operations	4.50	2.55
- disclosed items <small>(contract settlement/tax items/pension settlements)</small>	<u>0.30</u>	<u>(0.08)</u>
sub-total non GAAP Diluted EPS	4.20	2.63
- move U.S. Healthcare to Disc. Ops.	<u>(0.07)</u>	<u>(1.16)</u>
Non-GAAP Diluted EPS (excl. U.S. HC)	<u>\$4.27</u>	<b>\$3.79</b>

FY2008 Guidance		
EPS forecasted last quarter	\$4.95	to \$5.05
- move U.S. Healthcare to Disc. Ops.	<u>(0.11)</u>	<u>(0.11)</u>
Adjusted Guidance excl. U.S. HC	5.06	5.16
+ Increased Guidance	<u>0.10</u>	<u>0.05</u>
<b>New Guidance FY2008</b>	<b>\$5.16</b>	<b>\$5.21</b>
- Jun YTD non-GAAP Diluted EPS	<b>3.79</b>	<b>3.79</b>
<b>Q4 FY08 Guidance</b>	<b>\$1.37</b>	<b>\$1.42</b>

# Appendix: Comparisons to Prior Periods

(\$ Millions, except per share data)

	GAAP Measure			FY08		FY07	Non GAAP Measure		
				Non GAAP Adjustment	Non GAAP Adjustment	Non GAAP Adjustment			% Change Non GAAP Measure
	Q308	Q307	% Change	Q308 Impairment	Q208 Pension Settlement	Q307 Tax Adjustment	Q308	Q307	
<b>Q308 vs. Q307 - Total Co.</b>									
Sales	2,808.0	2,416.2	16%				2,808.0	2,416.2	16%
Operating Income	67.6	352.4	(81%)	314.8			382.4	352.4	9%
Operating Margins	2.4%	14.6%	nm				13.6%	14.6%	(100bp)
Income From Continuing Ops	50.8	275.5	(82%)	237.0		(27.5)	287.8	248.0	16%
Diluted EPS - Continuing Ops	\$0.23	\$1.24	(81%)	\$1.09		(\$0.12)	\$1.32	\$1.12	18%
<b>Q308 vs. Q208 - Total Co.</b>									
Sales	2,808.0	2,605.3	8%				2,808.0	2,605.3	8%
Operating Income	67.6	338.2	(80%)	314.8	26.3		382.4	364.5	5%
Operating Margins	2.4%	13.0%	nm				13.6%	14.0%	(40bp)
Income From Continuing Ops	50.8	253.1	(80%)	237.0	16.5		287.8	269.6	7%
Diluted EPS - Continuing Ops	\$0.23	\$1.15	(80%)	\$1.09	\$0.08		\$1.32	\$1.23	7%
<b>Q308 vs. Q307 - Healthcare</b>				Impairment					
Sales	172.2	158.6	9%				172.2	158.6	9%
Operating Income	(301.7)	8.5	nm	314.8			13.1	8.5	54%
Operating Margins	nm	5.4%	nm				7.6%	5.4%	220bp
<b>Q308 vs. Q208 - Healthcare</b>									
Sales	172.2	169.7	1%				172.2	169.7	1%
Operating Income	(301.7)	9.4	nm	314.8			13.1	9.4	39%
Operating Margins	nm	5.5%	nm				7.6%	5.5%	210bp

nm - Not Meaningful

# Appendix: ROCE

\$ Millions Quarter Ended	Q106	Q206	Q306	Q406	Q107	Q207	Q307	Q407	Q108	Q208	Q308
<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	67.6
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>	<u>46.5</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	114.1
Global Cost Reduction Plan	0.0	0.0	0.0	72.1	0.0	0.0	0.0	13.7	0.0	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	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	0.0
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	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>	<u>0.0</u>	<u>0.0</u>	<u>314.8</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	428.9
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%	24.1%
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	86.6
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%	24.6%
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	323.4
4 Qtr trailing AT earnings (numerator) - as reported					869.1	906.6	1,003.6	1,147.9	1,186.1	1,224.5	994.5
4 Qtr trailing AT Earnings (numerator) - ex items					914.8	952.3	1,017.6	1,073.1	1,111.3	1,165.8	1,204.3
<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	4,030.0
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	5,568.7
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>	<u>115.5</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	9,714.2
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	9,600.1
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					11.0%	11.1%	11.9%	13.2%	13.1%	13.0%	10.4%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					11.6%	11.7%	12.0%	12.3%	12.3%	12.4%	12.5%

# Appendix: ROCE Tax Rate

	Q106	Q206	Q306	Q406	Q107	Q207	Q307	Q407	Q108	Q208	Q308
<u>Reported</u>											
Income from Cont. Ops. Bef. Tax and Min. Int	248.7	262.1	266.6	206.9	305.6	298.8	337.7	361.1	356.3	341.5	74.5
Minority Interest	(4.8)	(5.2)	(4.8)	(4.1)	(5.1)	(4.4)	(5.2)	(6.1)	(6.1)	(4.5)	(7.6)
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	66.9
Tax Expense	65.2	69.3	67.8	48.2	79.5	77.6	57.0	63.9	93.2	83.9	16.1
<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>	<b>24.1%</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.S. Healthcare Impairment											314.8
<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.S. Healthcare Impairment											77.8
<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	381.7
Tax Expense	65.2	69.3	67.8	73.5	79.5	77.6	84.5	85.6	93.2	93.7	93.9
<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>	<b>24.6%</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>	<u>Q308</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	67.6
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)	-	-	-
U.S. Healthcare impairment	-	-	-	-	-	-	-	-	-	-	314.8
Op Inc. ex items	249.6	265.4	276.4	292.2	317.4	308.6	352.4	355.3	372.0	364.5	382.4
<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	13,075.9
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	865.0
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	3.0
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	12,207.9
<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	1,150.9
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	11,836.4
<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>9.7%</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	1,474.2
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	11,836.4
<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>	<b>12.5%</b>

# Thank you



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