

# Q1 FY'11 Earnings Conference Call

**January 21, 2011**



**AIR**  
**PRODUCTS** 

# Forward Looking Statement

**Note:** This presentation contains "forward-looking statements" within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including earnings guidance, projections and targets. These forward-looking statements are based on management's reasonable expectations and assumptions as of the date of the presentation 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 not anticipated by management, including, without limitation, slowing of global economic recovery; renewed deterioration in economic and business conditions; weakening demand for the Company's products; future financial and operating performance of major customers and industries served by the Company; unanticipated contract terminations or customer cancellations or postponement of projects and sales; the success of commercial negotiations; asset impairments due to economic conditions or specific product or customer events; 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; successful development and market acceptance of new products and applications, the ability to attract, hire and retain qualified personnel in all regions of the world where the Company operates; consequences of acts of war or terrorism impacting the United States and other markets; the effects of a natural disaster; the success of cost reduction and productivity programs and achieving anticipated acquisition synergies; the timing, impact, and other uncertainties of future acquisitions or divestitures; 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 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 guidance; the timing and rate at which tax credits can be utilized and other risk factors described in the Company's Form 10K for its fiscal year ended September 30, 2010. 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.

## ADDITIONAL INFORMATION

On February 11, 2010, Air Products Distribution, Inc. ("Purchaser"), a wholly owned subsidiary of Air Products and Chemicals, Inc. ("Air Products"), commenced a cash tender offer for all the outstanding shares of common stock of Airgas, Inc. ("Airgas") not already owned by Air Products, subject to the terms and conditions set forth in the Offer to Purchase dated as of February 11, 2010, as amended (the "Offer to Purchase"). The purchase price to be paid upon the successful closing of the tender offer is \$70 per share in cash, without interest and less any required withholding tax, subject to the terms and conditions set forth in the Offer to Purchase, as amended. The tender offer is scheduled to expire at midnight, New York City time, on Friday, February 4, 2011, unless further amended in the manner set forth in the Schedule TO.

This communication does not constitute an offer to buy or solicitation of an offer to sell any securities. The tender offer is being made pursuant to a tender offer statement on Schedule TO (including the Offer to Purchase, a related letter of transmittal and other tender offer materials) filed by Air Products with the U.S. Securities and Exchange Commission ("SEC") on February 11, 2010. **INVESTORS AND SECURITY HOLDERS OF AIRGAS ARE URGED TO READ THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** Investors and security holders can obtain free copies of these documents and other documents filed with the SEC by Air Products through the web site maintained by the SEC at <http://www.sec.gov>. The Offer to Purchase and related materials may also be obtained for free by contacting the Information Agent for the tender offer, MacKenzie Partners, Inc., at 212-929-5500 or toll-free at 800-322-2885.

# Q1 Financials

(\$millions, excluding items)	Q1 FY11	Fav/(Unfav) vs.	
		Q1 FY10	Q4 FY10
Sales	\$2,392	10%	2%
- Volume		10%	-%
- Price		1%	1%
- Energy/RM pass-thru		-%	(1%)
- Currency		(1%)	2%
Operating Income	\$404	17%	1%
Operating Margin	16.9%	100bp	(20bp)
Net Income	\$296	17%	1%
Diluted EPS (\$/share)	1.35	16%	-%
ROCE	13.2%	140bp	(10bp)

Non-GAAP, see appendix for reconciliation.



# Q1 EPS Analysis

	<u>Q1 FY11</u>	<u>Q1 FY10</u>	<u>Change</u>
As-reported diluted EPS	\$1.23	\$1.16	
- acquisition-related exp	(0.12)	-	
Adjusted EPS	<u>\$1.35</u>	<u>\$1.16</u>	<u>\$0.19</u>
Volume			\$0.25
Price / raw materials			0.00
Cost			(0.02)
			\$0.23
Currency/FX			(0.02)
Non-controlling interest			(0.01)
Higher shares outstanding			(0.01)
Increase			<u>\$0.19</u>

Non-GAAP, see appendix for reconciliation.

# Merchant Gases

	<u>Q1 FY11</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q1 FY10</u>	<u>Q4 FY10</u>
Sales	\$988	6%	4%
- Volume		7%	-%
- Price		1%	1%
- Currency		(2%)	3%
Operating Income	\$201	6%	8%
Operating Margin	20.3%	- bp	80bp

- Significant Asia volume growth
- Positive price in North America and Asia

# Merchant Gases: Q1 Sales Analysis vs PY

	<u>North America</u>	<u>Europe</u>	<u>Asia</u>
Sales % change	6%	(4%)	35%
- Volume	3%	3%	25%
- Price	3%	(1%)	5%
- Currency	-	(6%)	5%

- Record Asia revenue and income
- Europe liquid recovery tempered by packaged gas and healthcare weakness
- Positive North America volume and price strength

Note: The above excludes Latin America and small on-sites sale of equipment businesses. Europe includes homecare services.

# Tonnage Gases

	<u>Q1 FY11</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q1 FY10</u>	<u>Q4 FY10</u>
Sales	\$766	10%	2%
- Volume		12%	5%
- Energy/RM pass thru		(1%)	(4%)
- Currency		(1%)	1%
Operating Income	\$116	15%	(1%)
Operating Margin	15.1%	70bp	(50bp)

- Volume growth driven by loading and new plants
- Maintenance costs were lower than last year, but higher than last quarter



# Electronics & Performance Materials

		<u>Fav/(Unfav) vs.</u>	
	<u>Q1 FY11</u>	<u>Q1 FY10</u>	<u>Q4 FY10</u>
Sales	\$526	21%	1%
- Volume		21%	(2%)
- Price		-%	1%
- Currency		-%	2%
Operating Income	\$69	42%	(18%)
Operating Margin	13.1%	190bp	(300bp)
● Electronics sales		30%	4%
● Performance Materials sales		11%	(4%)

# Equipment & Energy

	<u>Q1 FY11</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q1 FY10</u>	<u>Q4 FY10</u>
Sales	\$112	3%	(13%)
Operating Income	\$20	159%	-%
Sales Backlog	\$209	(36%)	(24%)

- Higher LNG activity
- Backlog expected to improve

# Outlook

FQ1 2011 EPS

\$1.35

- New plants on-stream
- Improving economy
- Higher Equity Affiliates
  
- Lunar new year
- Higher tax rate



FQ2 2011 EPS

\$1.36-\$1.40

FY 2011 EPS

\$5.55-\$5.70

# Appendix Slides

The background is a solid green color. A thick, solid yellow curve starts from the bottom left and curves upwards and to the right, ending near the top right. A thin, dotted white curve starts from the bottom left and curves upwards and to the right, crossing the yellow curve and ending near the top right.

# Appendix: Q1 FY11 Results and Guidance

(\$ Millions, except per share data)

	GAAP Measure				Non GAAP Adjustments		Non GAAP Measure			
	Q111	Q110	\$ Change	% Change	Q111 (1)		Q111	Q110	\$ Change	% Change
<b>Q111 vs. Q110 - Total Co.</b>										
Sales	2,391.7	2,173.5	218.2	10%			2,391.7	2,173.5	218.2	10%
Operating Income	360.6	345.0	15.6	5%	43.5		404.1	345.0	59.1	17%
Operating Margin	15.1%	15.9%		(80bp)			16.9%	15.9%		100bp
Net Income Attributable to Air Products	268.6	251.8	16.8	7%	27.2		295.8	251.8	44.0	17%
Diluted EPS Attributable to Air Products	\$1.23	\$1.16	\$0.07	6%	\$0.12		\$1.35	\$1.16	\$0.19	16%
<b>Q111 vs. Q410 - Total Co.</b>										
Sales	2,391.7	2,351.2	40.5	2%	Q111 (1) Q410 (1)		2,391.7	2,351.2	40.5	2%
Operating Income	360.6	367.0	(6.4)	(2%)	43.5 34.7		404.1	401.7	2.4	1%
Operating Margin	15.1%	15.6%		(50bp)			16.9%	17.1%		(20bp)
Net Income Attributable to Air Products	268.6	272.1	(3.5)	(1%)	27.2 21.8		295.8	293.9	1.9	1%
Diluted EPS Attributable to Air Products	\$1.23	\$1.25	(\$0.02)	(2%)	\$0.12 \$0.10		\$1.35	\$1.35	\$0.00	0%

(1) Acquisition - related costs

	Diluted EPS
<b>Q2 FY11 Guidance</b>	
Q1 FY11 GAAP	\$1.23
Acquisition - related costs	\$0.12
Q1 FY11 Non GAAP	\$1.35
Q2 FY11 Guidance (1)	\$1.36-\$1.40
% Change	1%-4%
<b>FY11 Guidance</b>	
FY10 GAAP	\$4.74
Acquisition - related costs	\$0.28
FY10 Non GAAP	\$5.02
FY11 Guidance (1)	\$5.55-\$5.70
% Change	11%-14%

(1) Excludes acquisition - related costs

# Appendix: ROCE

\$ Millions									
Quarter Ended	<u>Q109</u>	<u>Q209</u>	<u>Q309</u>	<u>Q409</u>	<u>Q110</u>	<u>Q210</u>	<u>Q310</u>	<u>Q410</u>	<u>Q111</u>
<b>Numerator</b>									
Operating Income Reported		260.4	143.8	328.0	345.0	340.6	336.4	367.0	360.6
Equity Affiliate Income		<u>27.0</u>	<u>28.5</u>	<u>32.2</u>	<u>26.9</u>	<u>32.2</u>	<u>32.5</u>	<u>35.3</u>	<u>27.8</u>
Earnings before tax as reported		287.4	172.3	360.2	371.9	372.8	368.9	402.3	388.4
Global Cost Reduction Plan		0.0	124.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension Settlement Charge		0.0	8.0	0.0	0.0	0.0	0.0	0.0	0.0
Customer Bankruptcy and Asset Actions		0.0	32.1	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition - Related Costs		<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>23.4</u>	<u>37.9</u>	<u>34.7</u>	<u>43.5</u>
Earnings before tax ex items		287.4	336.4	360.2	371.9	396.2	406.8	437.0	431.9
Effective tax rate as reported		25.8%	17.5%	26.0%	24.5%	24.7%	22.9%	25.2%	22.8%
Earnings after tax as reported		213.3	142.1	266.5	280.8	280.7	284.4	300.9	299.8
Effective tax rate ex items		25.8%	25.7%	26.0%	24.5%	25.6%	24.4%	26.2%	24.4%
Earnings after tax ex items		213.3	249.9	266.5	280.8	294.8	307.5	322.5	326.5
4 Qtr trailing AT earnings (numerator) - as reported					902.7	970.1	1,112.4	1,146.8	1,165.8
4 Qtr trailing AT Earnings (numerator) - ex items					1,010.5	1,092.0	1,149.6	1,205.6	1,251.3
<b>Denominator</b>									
Total Debt	4,169.2	4,102.4	4,145.2	4,501.5	4,418.7	4,343.4	4,188.0	4,128.3	3,992.0
Air Products Shareholders' Equity	4,726.1	4,638.1	4,928.3	4,791.9	5,033.9	5,265.6	5,231.4	5,546.9	5,810.0
Noncontrolling Interest	<u>137.9</u>	<u>126.7</u>	<u>134.6</u>	<u>138.1</u>	<u>150.2</u>	<u>152.7</u>	<u>140.5</u>	<u>150.7</u>	<u>167.2</u>
Total Capital	9,033.2	8,867.2	9,208.1	9,431.5	9,602.8	9,761.7	9,559.9	9,825.9	9,969.2
5 Qtr Average Capital (denominator)					9,228.6	9,374.3	9,512.8	9,636.4	9,743.9
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					9.8%	10.3%	11.7%	11.9%	12.0%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					10.9%	11.6%	12.1%	12.5%	12.8%
Instantaneous ROCE ex items (Qtr earnings AT x 4) / 2 pt avg capital)					11.8%	12.2%	12.7%	13.3%	13.2%

# Appendix: ROCE Tax Rate

	<u>Q209</u>	<u>Q309</u>	<u>Q409</u>	<u>Q110</u>	<u>Q210</u>	<u>Q310</u>	<u>Q410</u>	<u>Q111</u>
<u>Reported</u>								
Income Before Taxes	257.4	144.8	332.3	340.3	343.3	338.9	371.5	357.4
Tax Expense	66.5	25.4	86.3	83.5	84.9	77.6	93.5	81.5
<b>Tax Rate Reported</b>	<b>25.8%</b>	<b>17.5%</b>	<b>26.0%</b>	<b>24.5%</b>	<b>24.7%</b>	<b>22.9%</b>	<b>25.2%</b>	<b>22.8%</b>
<u>ITEMS</u>								
<u>Operating Income</u>								
Global Cost Reduction Plan		124.0						
Pension Settlement Charge		8.0						
Customer Bankruptcy and Asset Actions		32.1						
Acquisition - related costs					23.4	37.9	34.7	43.5
<u>Tax Exp</u>								
Global Cost Reduction Plan		39.8						
Supp. Pension Plan Charge		3.0						
Customer Bankruptcy and Asset Actions		11.1						
Acquisition - related costs					8.8	14.2	12.9	16.3
<u>Ex Items</u>								
Income Before Taxes	257.4	308.9	332.3	340.3	366.7	376.8	406.2	400.9
Tax Expense	66.5	79.3	86.3	83.5	93.7	91.8	106.4	97.8
<b>Tax Rate ex Items</b>	<b>25.8%</b>	<b>25.7%</b>	<b>26.0%</b>	<b>24.5%</b>	<b>25.6%</b>	<b>24.4%</b>	<b>26.2%</b>	<b>24.4%</b>

Thank you...  
tell me more

