# Strategy for Success

## Innovation, Integration and Improvement


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Bank of America Merrill Lynch Industrials Conference

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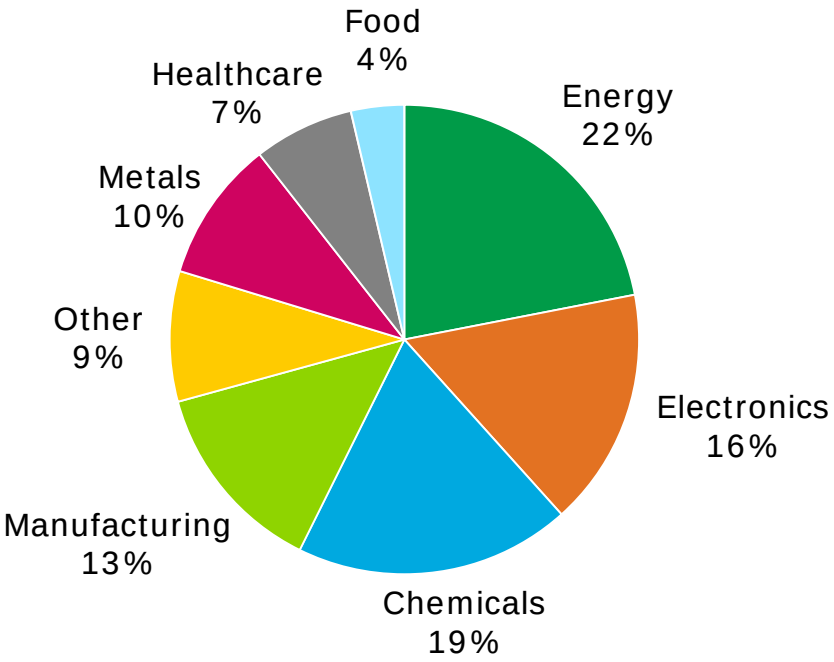
AIR PRODUCTS

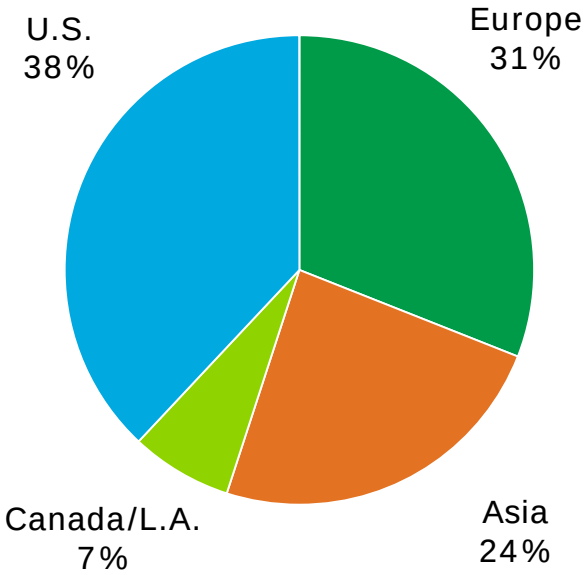
# Forward Looking Statement

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 this presentation. 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, renewed deterioration in global economic and business conditions, including weakening demand for the Company's products and inability to maintain pricing; 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 Company’s ability to recover energy and raw material costs from customers ; the Company’s ability to maintain and improve cost efficiency of operations; 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; the success of cost reduction and productivity programs; the timing, impact, and other uncertainties of future acquisitions, divestitures and restructuring activities; 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, 2011. 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.

# Air Products At a Glance

- $10B in revenues across diverse markets and geographies
- Positioned for continued long-term value creation



# FY 2011 Summary

- Key Wins in High Growth Markets
  - Hydrogen – Valero, Shell, Motiva, Marathon, GC Pipeline
  - Oxygen – Wison - Nanjing, China
  - Nitrogen – Samsung – Korea; UMC – Taiwan; US customer
  - Merchant Capacity – China, US, India, Helium
  - Equity Affiliates – AHG in Saudi Arabia
- Consistent Cash Priorities – Shareholder returns
  - Strong operating cash flow
  - Dividend increased for 29th consecutive year
  - $649MM share repurchase and new $1B authorization
- Consistent Performance
  - EPS of $5.73, up 14% and above top of original guidance range
  - Capex of $1.6B
- Sustainability
  - Carbon Disclosure Project indices
  - Dow Jones Sustainability indices



non-GAAP, see appendix for reconciliation

# Air Products Supply Modes
## *Stability and Profitable Growth*

### Onsite/Pipeline

15-20 year Contracts
Limited Volume Risk
Energy Pass through

### Package Gases & Specialty Materials

Short-Term Contracts
Differentiated Positions

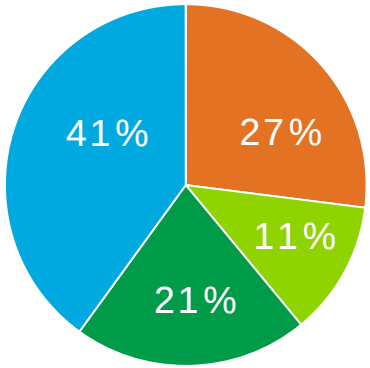
### Liquid/Bulk

3-5 year Contracts
Cost Recovery

### Equipment & Services

Sale of Equipment
PO Based

FY11




- Onsite/Pipeline
- Packaged Gases & Specialty Material
- Equipment & Services
- Liquid/Bulk

# Global Trends Drive Growth

## Increasing Energy Demand

- Refining
- Gasification

## Environmental Focus

- Refining
- Glass
- Coatings & Construction

## Emerging Markets

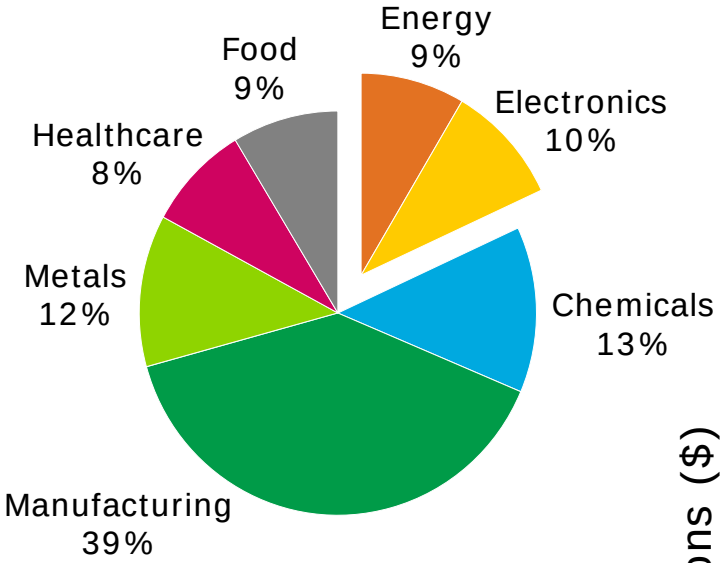
- Metals
- Chemicals
- Food
- Electronics

## Digital Revolution

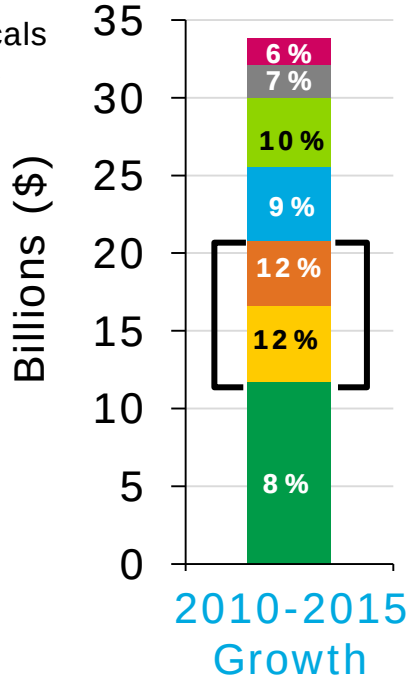
- Semiconductor
- Display

# Air Products Market Exposure

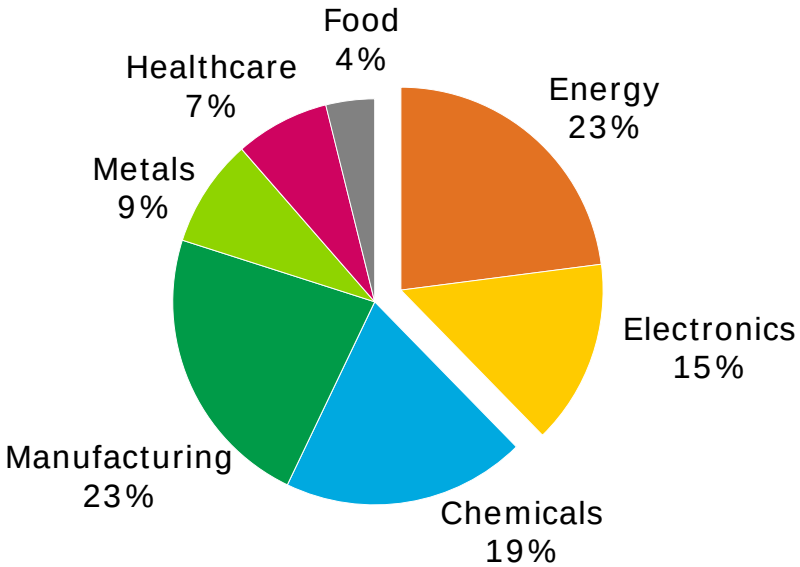
## 2010 IG Market $63B




2010-2015 Market Growth = 9%




## 2010 APD $9B




2010-2015 AP Growth = 10-11%

# Air Products Advantage:
# Profitable Joint Ventures with Leadership Positions

| | Mexico | Italy | South Africa | India | Thailand |
|---|---|---|---|---|---|
| Sales (100%) | $0.7B | $0.6B | $0.2B | $0.2B | $0.1B |
| AP Ownership | 40% | 49% | 50% | 50% | 49% |

| FY 2011 | Air Products (as reported) | Equity Affiliates[1] (100% basis) | Combined[2] (AP +100% EA) |
|---|---|---|---|
| Sales ($MM) | $10,082 | $2,650 | $12,732 |
| Op Inc ($MM) | $1,671 | $537 | $2,208 |
| Op Margin | 16.6% | 20.3% | 17.3% |

**Partially owned JV's create exposure to 26% more sales and 32% more op income**

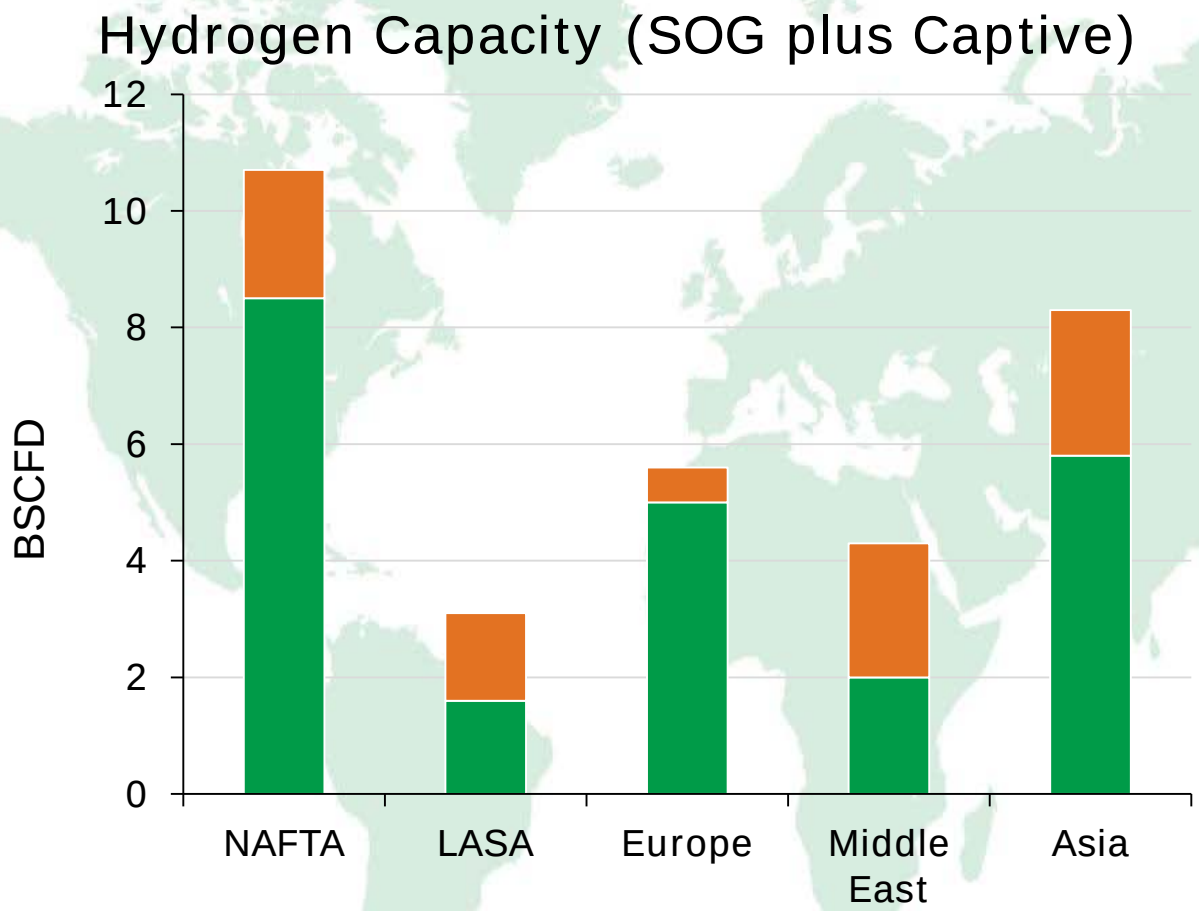
*Notes: 1)* Please refer to financial statements for equity affiliate accounting. 2) Non-GAAP. If Air Products was to gain controlling financial interest and then consolidate, the results would be different than shown here

# Accelerating Air Products Growth

## 2010-2015

| Growth Component | % Increase |
|---|---|
| Market Growth | 9% |
| Air Products Market Position | 1%-2% |
| Consolidation / M&A | 1%-2% |
| **Total** | **11-13%** |

# Hydrogen Geographies Are Expanding over the Next Decade…

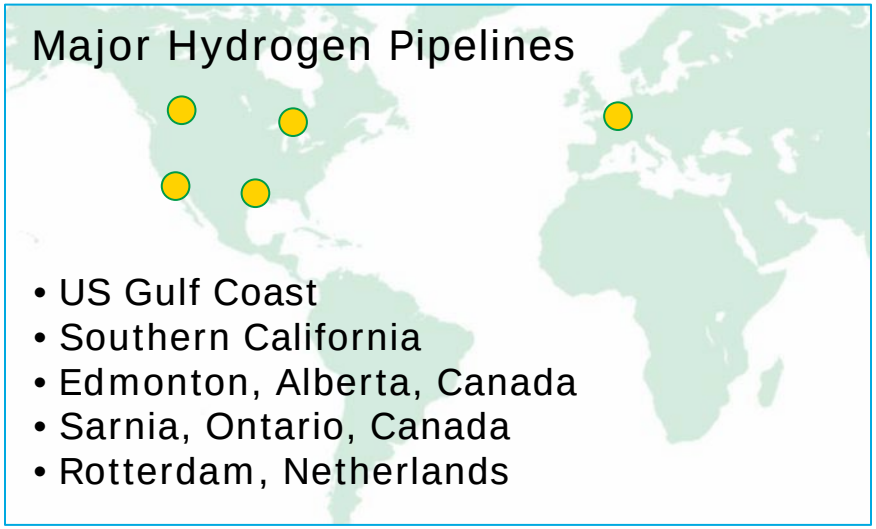


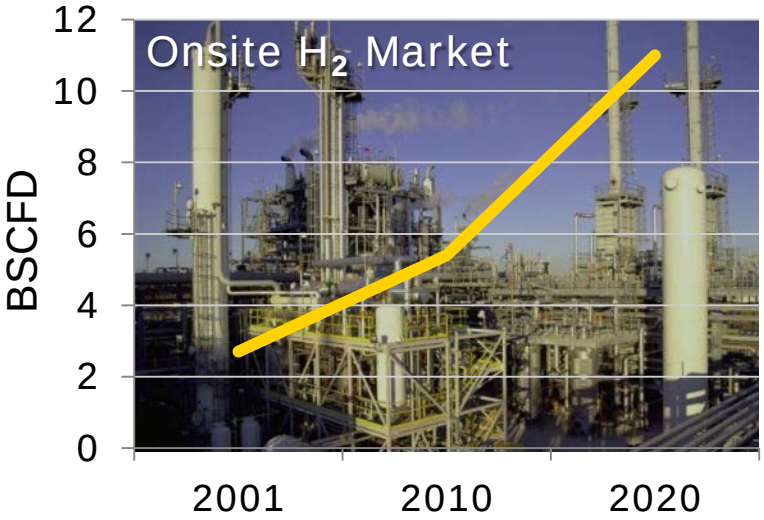

2020 = 32 BSCFD

2010 = 23 BSCFD

Oppty = 10 BSCFD
(new/replace/acquire)

# Air Products Advantage:
# Hydrogen Leadership



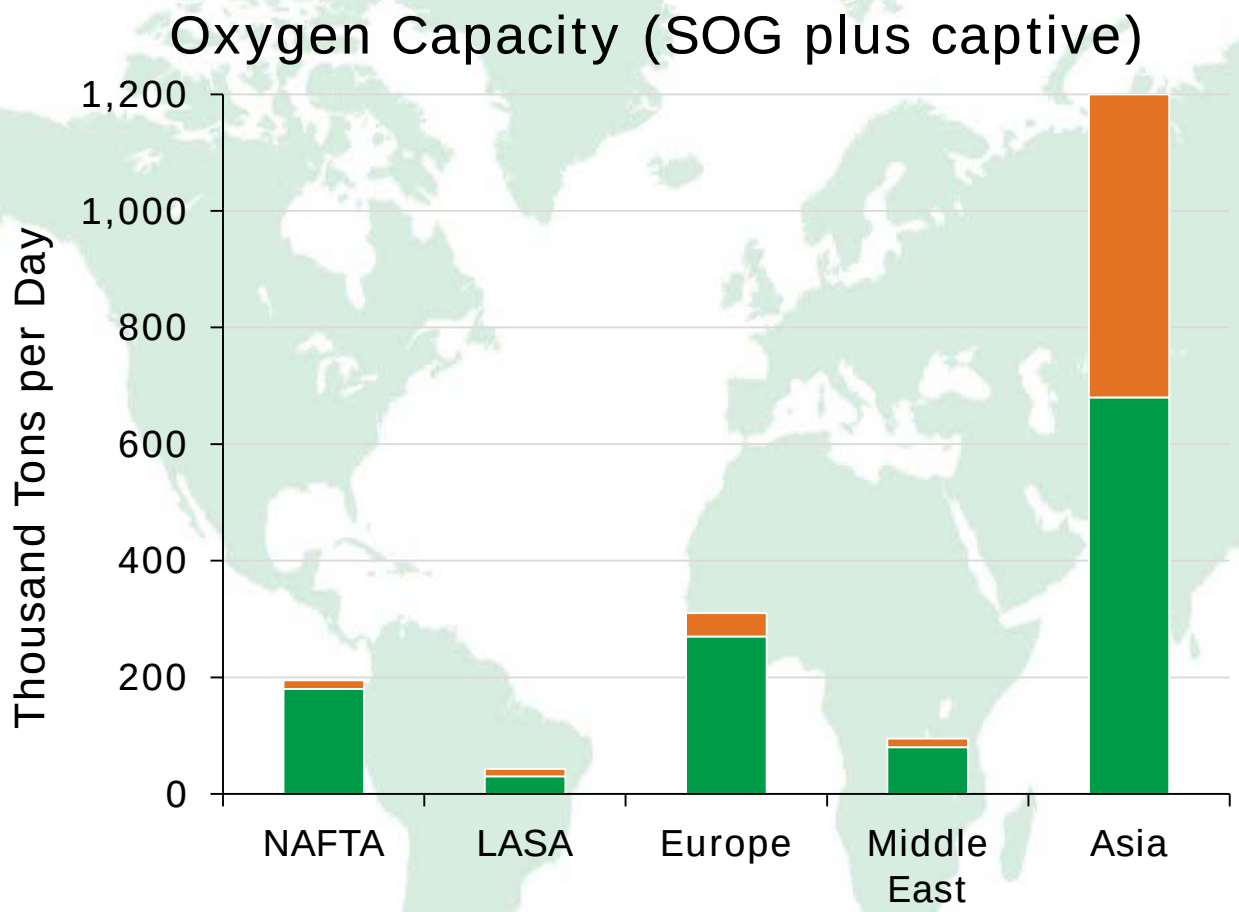

**#1 market share for over two decades**

# Integrated Gulf Coast Pipeline Drives Efficiency and Reliability


- >1 billion SCFD of capacity
- >20 operating plants
- >600 miles of pipeline
- On-stream 2012

**Enhances leadership position in world's largest refining market**

# Oxygen Growth driven by Asia over the Next Decade…




2020 = 1.8 M TPD

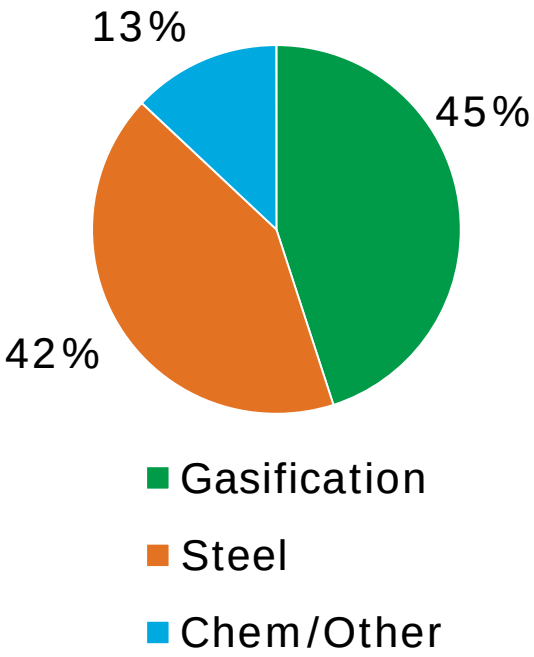
2010 = 1.2 M TPD

Oppty = 0.9 M TPD
(new/replace/acquire)

# Tonnage Gases
## Significant New Markets for Oxygen

- Gasification
  - China's abundance of coal
  - Growing Demand - Coal to Natural Gas:
    - "Substitute Natural Gas" (SNG)
  - Feedstock independence
  - Chemicals, Energy, Refining
- Steel
  - Asian infrastructure growth
  - Mill modernization
  - Replacement of aging plants
  - Acquisition of captive plants
- Air Products Advantage
  - Very large ASU operating experience
  - Product based plant design
  - Local engineering, production and sourcing

Oxygen Opportunity
New/Replace/Acquire




900,000 tons-per-day new oxygen capacity by 2020 = 300+ new plants

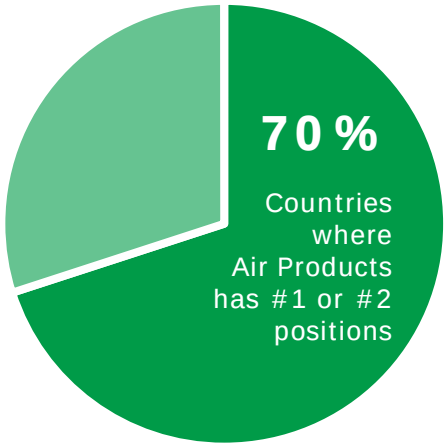
# Major Projects

| Plant | Location | Capacity | Timing |
|---|---|---|---|
| H2 | Rotterdam, Netherlands | World Scale | Q1FY12 |
| ASU/Liquid | Laporte, TX | World Scale | Q1FY12 |
| Helium | Wyoming | 200 MMSCFY | Q1FY12 |
| H2 | Luling, LA | 120 MMSCFD H2 | Q2FY12 |
| H2 Pipeline | Gulf Coast, US | 180 miles | Q4FY12 |
| ASU/Liquid | Petrochina, Chengdu, China | World Scale | H2FY12 |
| ASU | Samsung, Tangjeong, Korea | World Scale | H2FY12 |
| H2 | Petrochina, Chengdu, China | 90 MMSCFD H2 | H1FY13 |
| H2 | Marathon, Detroit | 60 MMSCFD H2 | FY13 |
| ASU | PCEC, Weinan, China | 8200 TPD O2 | FY13 |
| ASU/Liquid | Gent, Belgium | 2000 TPD O2 | FY13 |
| ASU/Liquid | Wison, Nanjing, China | 1500 TPD O2 | FY14 |

Plus ~$250MM for new nitrogen on-sites for Electronics customers

## Air Products Advantage:
# Asia Merchant Leadership


Asia 2011
Manufacturing Output

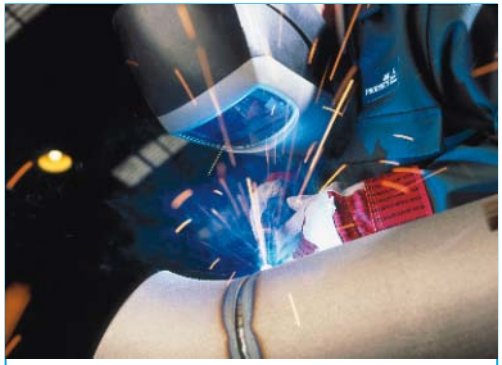



**#1 positions in high growth markets**

# Driving Profits through Innovation
## Responding to Market Needs

Low cost start-up
food freezing solutions

**Freshline® QS Freezer**



Safer, more convenient
welding & cutting

**Integra® Cylinder**

Improved yield, lower emission
aluminum recycling

**Advanced Low
Emission Aluminum Melting**

# Electronics reported Revenue $1.3Billion plus $0.35B in Merchant

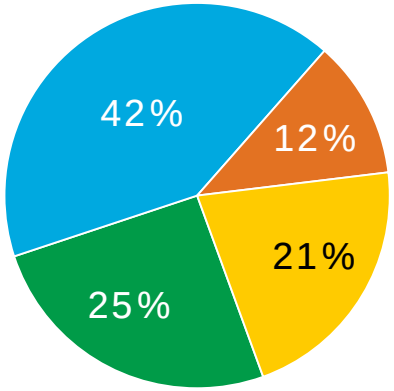
Specialty Gases & Chemicals

Enabling Equipment

Onsite Gas Supply

Liquid/Bulk

FY11 Overall Revenue

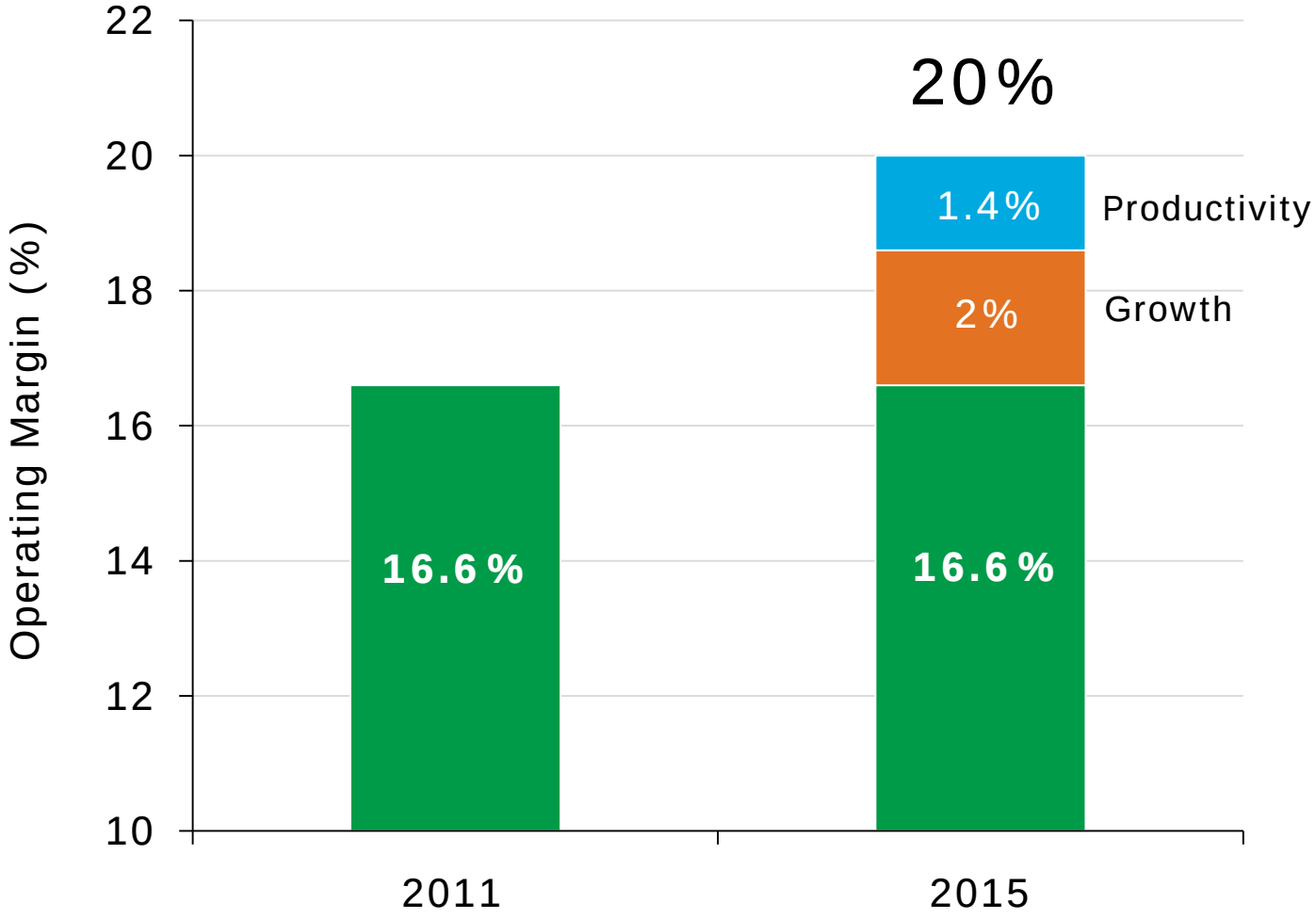



- Onsite Gas Supply
- Specialty Gases & Chemicals
- Enabling Equipment
- Liquid / Bulk

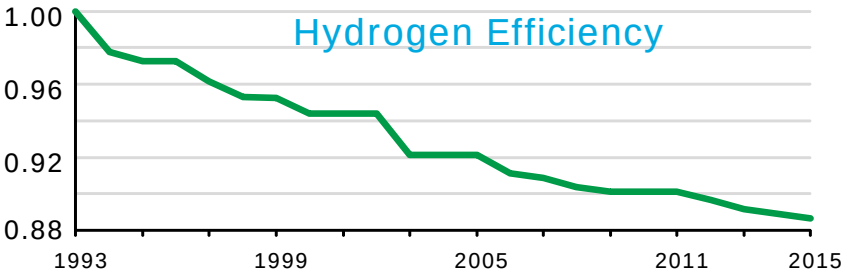
# 2015 by 2015

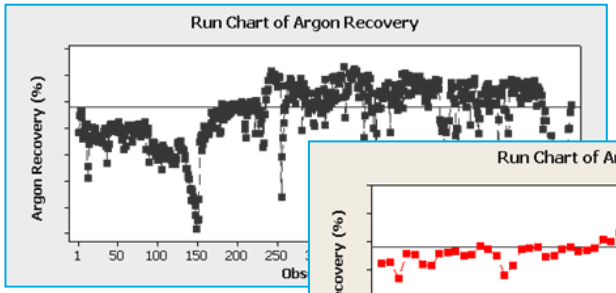
| Revenue Growth | Operating Margin | Return on Capital |
|---|---|---|
| **11%-13% per year** | **20%** | **15%** |
| From $9B in 2010 to $15B+ in 2015 | From 16.5% in 2010 to 20% in 2015 | From 12.5% in 2010 to 15% in 2015 |

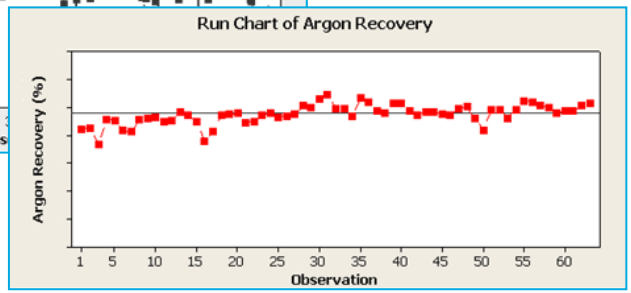
# Roadmap to 20% Margin



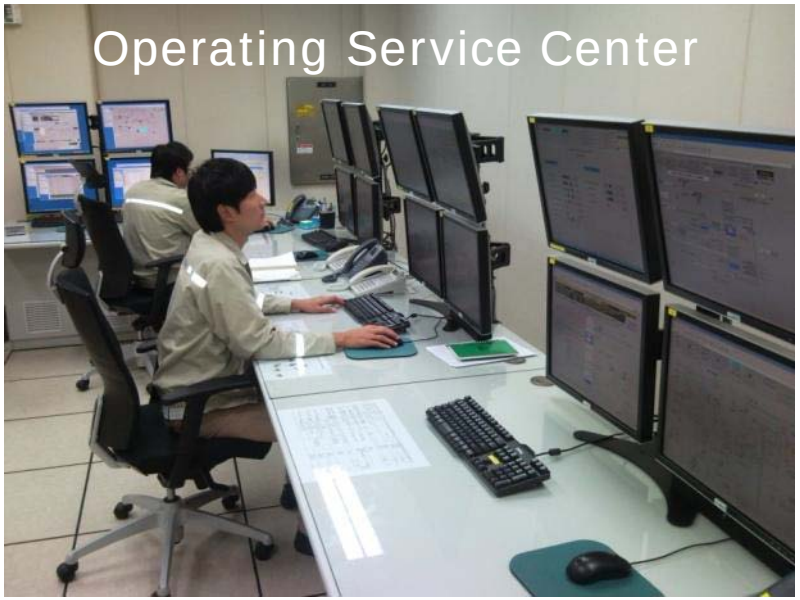
# Variable Cost Leverage




Argon Recovery

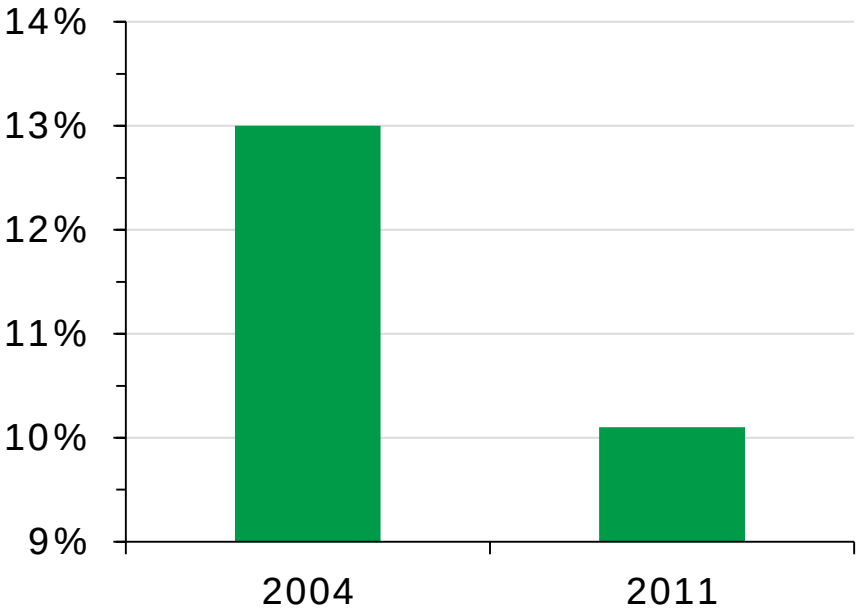



**$100MM/year improvement**

# Fixed Cost Leverage

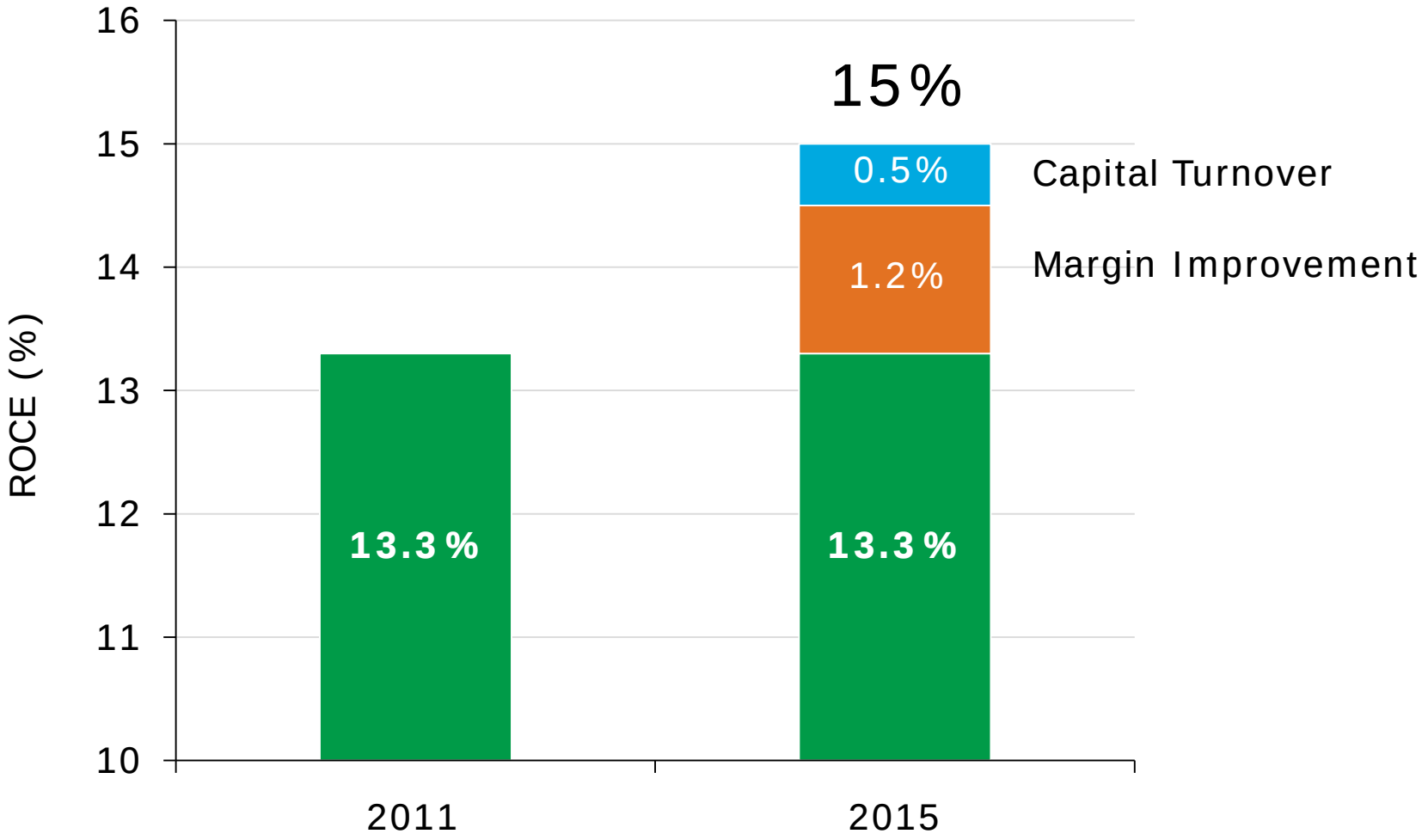
## Operating Service Center

## SG&A as a % of Sales

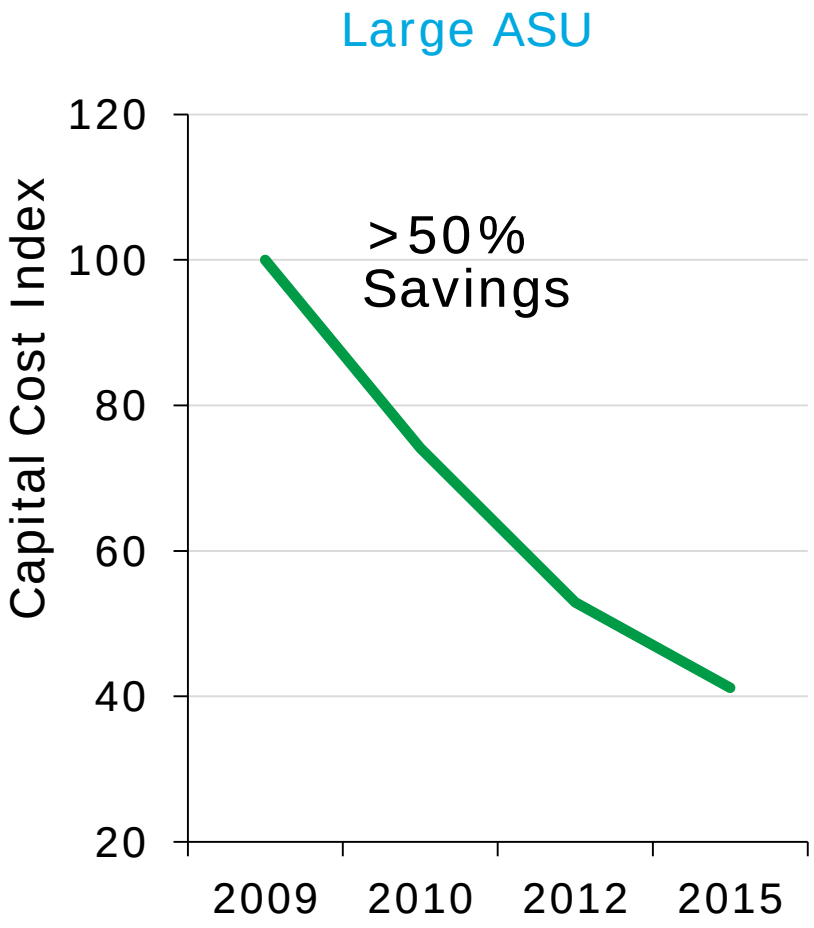


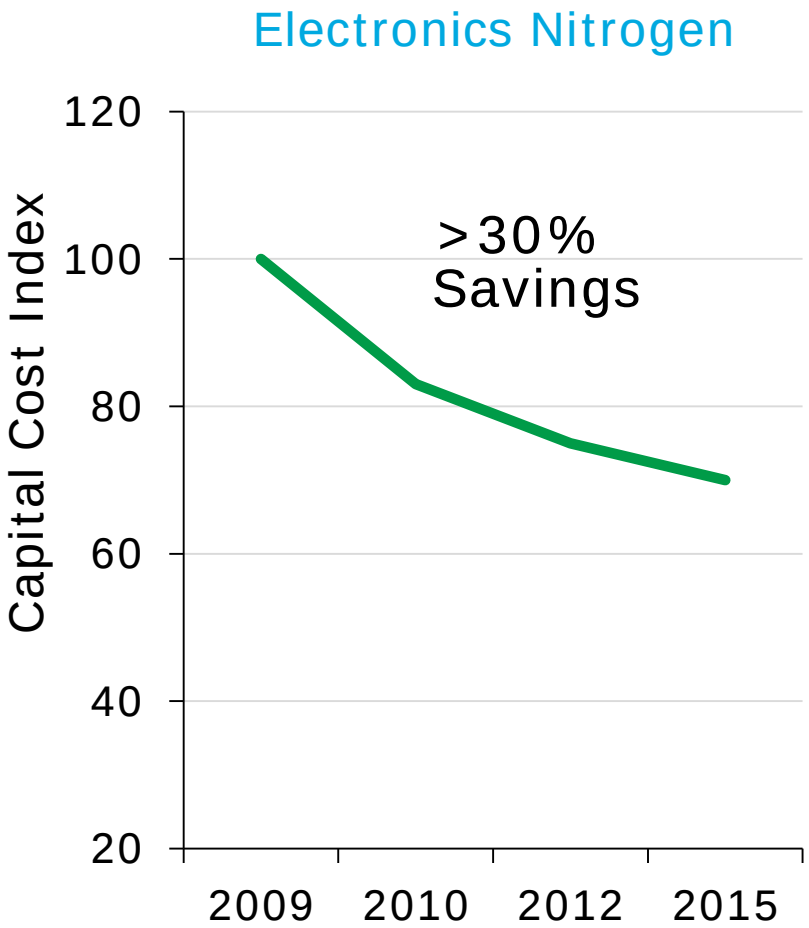

**$50MM/year improvement**

# Driving Returns Higher



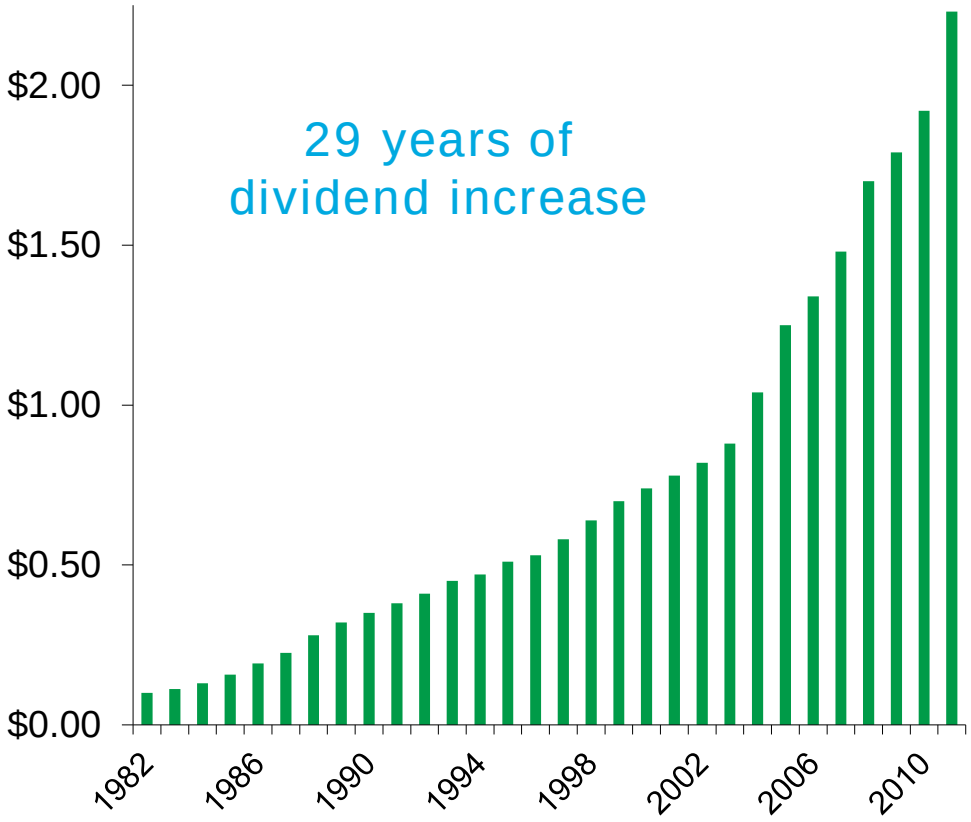
# Driving Capital Cost Lower



# Cash Priorities Remain Consistent

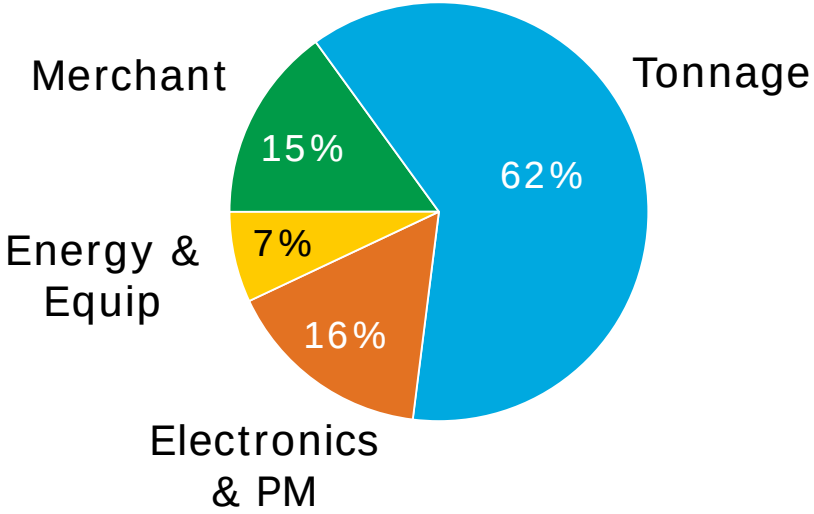
- Invest in the best return projects
- Maintain A bond rating
- Dividend increase each year
- Share repurchase with excess cash



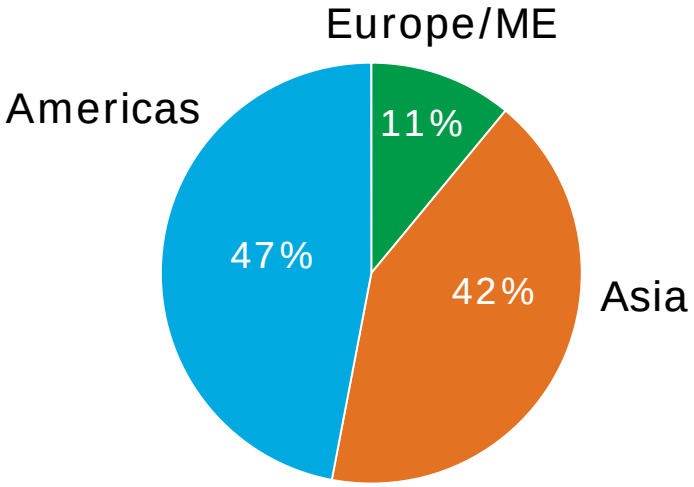
# Capital Spending Outlook

FY12 Forecast $1.9B-$2.2B
+20-40% from FY11

## FY12 Growth CapEx by Segment




## FY12 Growth CapEx by Region



# FY'12 Full Year Outlook

- FY'12 overall… more uncertainty, wider range
- WW manufacturing growth
  - Global 2% - 5%
  - US 1% - 5%
  - Asia 4% - 9%
  - EU (2%) - 1%
- Silicon growth 0% - 5%
- CapEx forecast
  - ~$1.9B to $2.2B
  - +20% to 40% vs PY

- FY'11 Adjusted Diluted EPS $5.73
  - Tonnage new projects/loading
  - Merchant and E&PM loading
  - Lower E&E results
  - Pension Expense
  - Tax rate about 26%
- FY'12 EPS $5.90-$6.30
  - +3% to 10% vs PY

non-GAAP, see appendix for reconciliation
FY12 excludes tax settlement or any potential restructuring charges

# 2015 by 2015

**$15+** Billion in Sales

**20%** Operating Margin

**15%** Return on Capital Employed



AIR PRODUCTS

# Appendix: Q4 and Full Year FY11 Results and Guidance

($ Millions, except per share data)

| | GAAP Measure | | | | Non GAAP Adjustments | | Non GAAP Measure | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Q411 vs. Q410 - Total Co. Cont. Ops | Q411 | Q410 | $ Change | % Change | | Q410 (1) | Q411 | Q410 | $ Change | % Change |
| Sales | 2,611.2 | 2,351.2 | 260.0 | 11% | | | 2,611.2 | 2,351.2 | 260.0 | 11% |
| Operating Income | 425.3 | 367.0 | 58.3 | 16% | | 34.7 | 425.3 | 401.7 | 23.6 | 6% |
| Operating Margin | 16.3% | 15.6% | | 70bp | | | 16.3% | 17.1% | | (80bp) |
| Income From Continuing Ops * | 324.8 | 272.1 | 52.7 | 19% | | 21.8 | 324.8 | 293.9 | 30.9 | 11% |
| Diluted EPS - Continuing Ops * | $1.51 | $1.25 | $0.26 | 21% | | $0.10 | $1.51 | $1.35 | $0.16 | 12% |
| FY11 vs. FY10 - Total Co. Cont. Ops | FY11 | FY10 | $ Change | % Change | FY11 (1) | FY10 (1) | FY11 | FY10 | $ Change | % Change |
| Sales | 10,082.0 | 9,026.0 | 1,056.0 | 12% | | | 10,082.0 | 9,026.0 | 1,056.0 | 12% |
| Operating Income | 1,622.2 | 1,389.0 | 233.2 | 17% | 48.5 | 96.0 | 1,670.7 | 1,485.0 | 185.7 | 13% |
| Operating Margin | 16.1% | 15.4% | | 70bp | | | 16.6% | 16.5% | | 10bp |
| Income From Continuing Ops * | 1,215.3 | 1,029.1 | 186.2 | 18% | 31.6 | 60.1 | 1,246.9 | 1,089.2 | 157.7 | 14% |
| Diluted EPS - Continuing Ops * | $5.59 | $4.74 | $0.85 | 18% | $0.14 | $0.28 | $5.73 | $5.02 | $0.71 | 14% |

* Attributable to Air Products

(1) Acquisition - related costs

| FY12 Guidance | EPS |
|---|---|
| FY11 GAAP | $5.59 |
| Q111 Acquisition - related costs | $0.12 |
| Q211 Acquisition - related costs | $0.02 |
| FY11 Non GAAP | $5.73 |
| FY12 Guidance | $5.90-$6.30 |
| % Change | 3%-10% |

| Capital Expenditures | $Million |
|---|---|
| FY11 GAAP | 1,408.3 |
| Capital lease expenditures | 173.5 |
| FY11 Non GAAP | 1,581.8 |
| FY12 GAAP - guidance | 1,600-1,800 |
| Capital lease expenditures | 300-400 |
| FY12 Non GAAP - guidance | 1,900-2,200 |

Thank you…
tell me more