

# Q2 FY'11 Earnings Conference Call

**April 21, 2011**



**AIR**  
**PRODUCTS** 

# Forward Looking Statement

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# Q2 Financials

(\$millions, excluding items)	Q2 FY11	Fav/(Unfav) vs.	
		Q2 FY10	Q1 FY11
Sales	\$2,501	11%	5%
- Volume		11%	2%
- Price		1%	1%
- Energy/RM pass-thru		(2%)	1%
- Currency		1%	1%
Operating Income	\$425	17%	5%
Operating Margin	17.0%	80bp	10bp
Net Income	\$309	16%	4%
Diluted EPS (\$/share)	1.41	15%	4%
ROCE	13.3%	110bp	10bp

Non-GAAP, see appendix for reconciliation.



# Q2 EPS Analysis

	<u>Q2 FY11</u>	<u>Q2 FY10</u>	<u>Change</u>
As-reported diluted EPS	\$1.39	\$1.16	
- acquisition-related exp.	(0.09)	(0.07)	
- acquisition-related gain	0.07	-	
Adjusted EPS	<u>\$1.41</u>	<u>\$1.23</u>	<u>\$0.18</u>
Volume			\$0.27
Price / raw materials			(0.02)
Cost			(0.04)
			\$0.21
Currency/FX			(0.01)
Higher tax rate			(0.01)
Higher shares outstanding			(0.01)
Increase			<u>\$0.18</u>

Non-GAAP, see appendix for reconciliation.

# Merchant Gases

	<u>Q2 FY11</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY10</u>	<u>Q1 FY11</u>
Sales	\$1,013	10%	3%
- Volume		8%	1%
- Price		1%	1%
- Currency		1%	1%
Operating Income	\$185	4%	(8%)
Operating Margin	18.3%	(100bp)	(200bp)

- Significant Asia volume growth
- Positive price in North America and Asia
- Energy, operations and distribution cost impacts

# Merchant Gases: Q2 Sales Analysis vs PY

	<u>North America</u>	<u>Europe</u>	<u>Asia</u>
Sales % change	5%	3%	30%
- Volume	3%	4%	18%
- Price	2%	(1%)	7%
- Currency	-	-%	5%

- Strong Asia volumes and continued argon pricing
- Positive North America volume and price strength
- Strong Europe liquid/bulk volumes
- Weak Europe liquid/bulk and healthcare pricing

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

# Tonnage Gases

	<u>Q2 FY11</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY10</u>	<u>Q1 FY11</u>
Sales	\$799	6%	4%
- Volume		10%	-%
- Energy/RM pass thru		(5%)	4%
- Currency		1%	-%
Operating Income	\$121	13%	5%
Operating Margin	15.1%	90bp	-bp

- Volume growth driven by new investments
- Pipeline system efficiency improvements

# Electronics & Performance Materials

		<u>Fav/(Unfav) vs.</u>	
	<u>Q2 FY11</u>	<u>Q2 FY10</u>	<u>Q1 FY11</u>
Sales	\$576	28%	9%
- Volume		23%	6%
- Price		3%	2%
- Currency		2%	1%
Operating Income	\$92	61%	33%
Operating Margin	15.9%	330bp	280bp
● Electronics sales		33%	6%
● Performance Materials sales		22%	14%
● No significant Japan impact			



# Equipment & Energy

	<u>Q2 FY11</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY10</u>	<u>Q1 FY11</u>
Sales	\$114	(5%)	1%
Operating Income	\$23	24%	11%
Sales Backlog	\$184	(46%)	(12%)

- Lower sales on less ASU activity
- Higher operating income on more LNG activity
- One LNG exchanger order added to backlog

# Outlook

FQ2 2011 EPS

\$1.41

- Higher Merchant volumes
- Improved cost performance
- Higher E&PM volumes
- Lower tax rate
  
- Tonnage - lower bonuses and higher maintenance costs
- Lower Equipment results
- Japan uncertainty



FQ3 2011 EPS

\$1.42-\$1.47

FY 2011 EPS

\$5.65-\$5.75

# 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: Q2 FY11 Results and Guidance

(\$ Millions, except per share data)

	GAAP Measure				Non GAAP Adjustments		Non GAAP Measure			
	Q211	Q210	\$ Change	% Change	Q211 (1)	Q210 (1)	Q211	Q210	\$ Change	% Change
<b>Q211 vs. Q210 - Total Co.</b>										
Sales	2,501.3	2,249.0	252.3	11%			2,501.3	2,249.0	252.3	11%
Operating Income	419.5	340.6	78.9	23%	5.0	23.4	424.5	364.0	60.5	17%
Operating Margin	16.8%	15.1%		170bp			17.0%	16.2%		80bp
Net Income Attributable to Air Products	304.3	252.0	52.3	21%	4.4	14.6	308.7	266.6	42.1	16%
Diluted EPS Attributable to Air Products	\$1.39	\$1.16	\$0.23	20%	\$0.02	\$0.07	\$1.41	\$1.23	\$0.18	15%
			\$	%					\$	%
<b>Q211 vs. Q111 - Total Co.</b>										
Sales	2,501.3	2,391.7	109.6	5%			2,501.3	2,391.7	109.6	5%
Operating Income	419.5	360.6	58.9	16%	5.0	43.5	424.5	404.1	20.4	5%
Operating Margin	16.8%	15.1%		170bp			17.0%	16.9%		10bp
Net Income Attributable to Air Products	304.3	268.6	35.7	13%	4.4	27.2	308.7	295.8	12.9	4%
Diluted EPS Attributable to Air Products	\$1.39	\$1.23	\$0.16	13%	\$0.02	\$0.12	\$1.41	\$1.35	\$0.06	4%

(1) Acquisition - related costs

<u>Q3 FY11 Guidance</u>	<u>Diluted EPS</u>
Q3 FY10 GAAP	\$1.17
Acquisition - related costs	<u>\$0.11</u>
Q3 FY10 Non GAAP	\$1.28
Q3 FY11 Guidance (1)	\$1.42-\$1.47
% Change	11%-15%
<u>FY11 Guidance</u>	
FY10 GAAP	\$4.74
Acquisition - related costs	<u>\$0.28</u>
FY10 Non GAAP	\$5.02
FY11 Guidance (1)	\$5.65-\$5.75
% Change	13%-15%

(1) Excludes acquisition - related costs

# Appendix: ROCE

\$ Millions Quarter Ended	Q109	Q209	Q309	Q409	Q110	Q210	Q310	Q410	Q111	Q211
<b>Numerator</b>										
Operating Income Reported		260.4	143.8	328.0	345.0	340.6	336.4	367.0	360.6	419.5
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>	<u>31.7</u>
Earnings before tax as reported		287.4	172.3	360.2	371.9	372.8	368.9	402.3	388.4	451.2
Global Cost Reduction Plan		0.0	124.0	0.0	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	0.0
Customer Bankruptcy and Asset Actions		0.0	32.1	0.0	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>	<u>5.0</u>
Earnings before tax ex items		287.4	336.4	360.2	371.9	396.2	406.8	437.0	431.9	456.2
Effective tax rate as reported		25.8%	17.5%	26.0%	24.5%	24.7%	22.9%	25.2%	22.8%	26.1%
Earnings after tax as reported		213.3	142.1	266.5	280.8	280.7	284.4	300.9	299.8	333.4
Effective tax rate ex items		25.8%	25.7%	26.0%	24.5%	25.6%	24.4%	26.2%	24.4%	26.0%
Earnings after tax ex items		213.3	249.9	266.5	280.8	294.8	307.5	322.5	326.5	337.6
4 Qtr trailing AT earnings (numerator) - as reported					902.7	970.1	1,112.4	1,146.8	1,165.8	1,218.5
4 Qtr trailing AT Earnings (numerator) - ex items					1,010.5	1,092.0	1,149.6	1,205.6	1,251.3	1,294.1
<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	4,395.9
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	5,825.2
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>	<u>174.0</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	10,395.1
5 Qtr Average Capital (denominator)					9,228.6	9,374.3	9,512.8	9,636.4	9,743.9	9,902.4
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					9.8%	10.3%	11.7%	11.9%	12.0%	12.3%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					10.9%	11.6%	12.1%	12.5%	12.8%	13.1%
Instantaneous ROCE ex items (Qtr earnings AT x 4) / 2 pt avg capital)					11.8%	12.2%	12.7%	13.3%	13.2%	13.3%

# 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>Q211</u>
<u>Reported</u>									
Income Before Taxes	257.4	144.8	332.3	340.3	343.3	338.9	371.5	357.4	421.8
Tax Expense	66.5	25.4	86.3	83.5	84.9	77.6	93.5	81.5	110.3
<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>	<b>26.1%</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	5.0
<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	0.6
<u>Ex Items</u>									
Income Before Taxes	257.4	308.9	332.3	340.3	366.7	376.8	406.2	400.9	426.8
Tax Expense	66.5	79.3	86.3	83.5	93.7	91.8	106.4	97.8	110.9
<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>	<b>26.0%</b>

Thank you...  
tell me more

