

# Strategy for Success

Innovation, Integration and Improvement

## Paul Huck

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R.W. Baird Industrial Conference

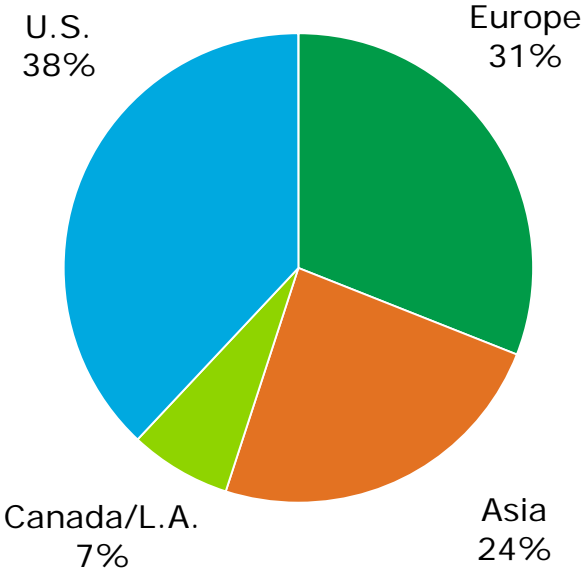
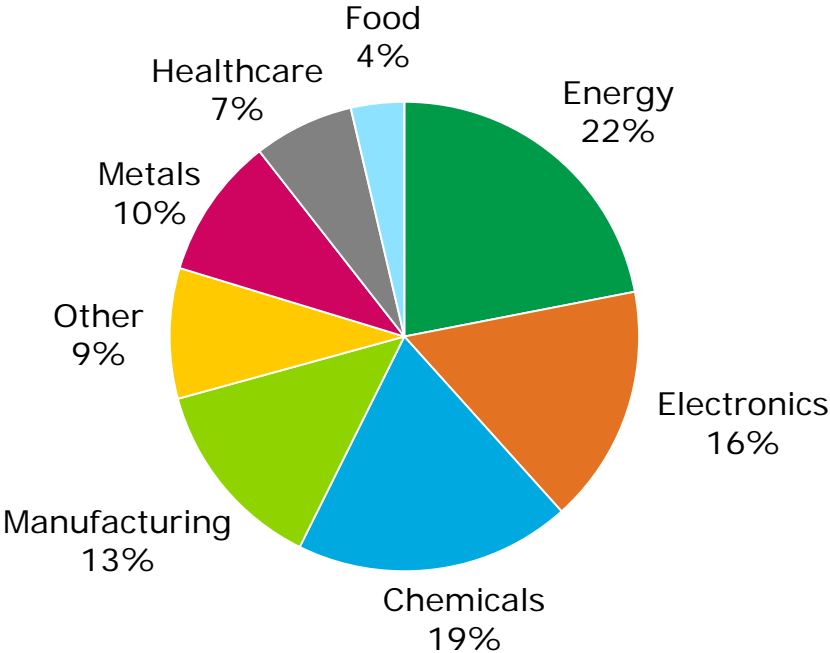
November 9, 2011

# 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, 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.

# Air Products At a Glance

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



# 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



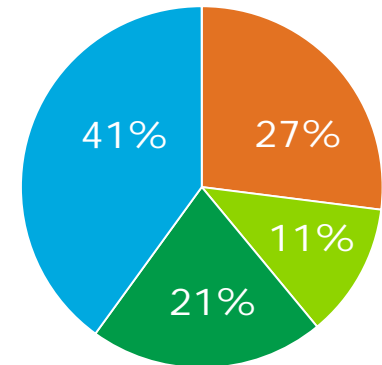
3-5 year Contracts  
Cost Recovery

### Equipment & Services



Sale of Equipment  
PO Based

FY11



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

# 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 29<sup>th</sup> consecutive year
  - \$649MM share repurchase and new \$1B authorization
- Consistent Performance
  - EPS above top of original guidance range
  - Capex of \$1.6B
- Sustainability
  - Carbon Disclosure Project indices
  - Dow Jones Sustainability indices

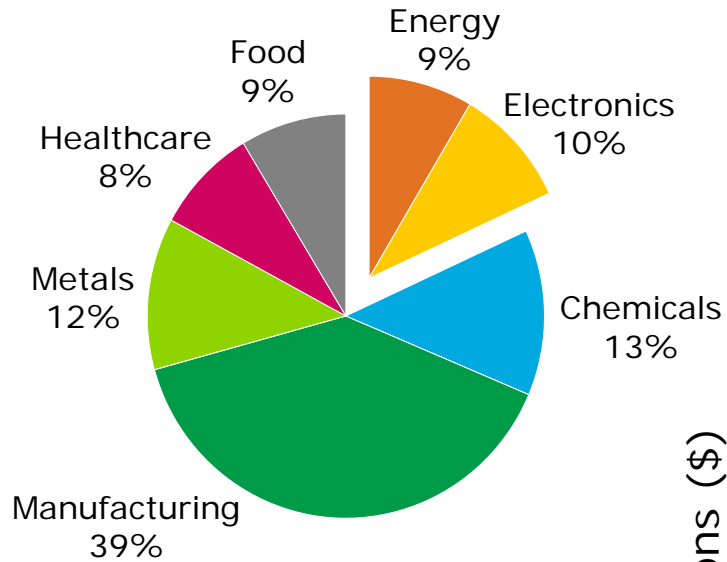
# FY 2011 Summary

<u>(\$billions, continuing ops., ex. items)</u>	<u>FY11</u>	<u>FY10</u>	<u>Change vs. PY</u>	
			<u>\$ Δ</u>	<u>% Δ</u>
Sales	\$10.1	\$9.0	\$1.1	12%
<ul style="list-style-type: none"> <li>- Volume</li> <li>- Price</li> <li>- Currency</li> </ul>				
Operating Income	\$1.7	\$1.5	\$0.2	13%
Operating Margin	16.6%	16.5%		10bp
EPS (\$/share)	5.73	5.02	0.71	14%
ROCE	13.3%	12.5%		80bp

- Good volume growth and Return on Capital improvement
- Progress toward long-term financial goals

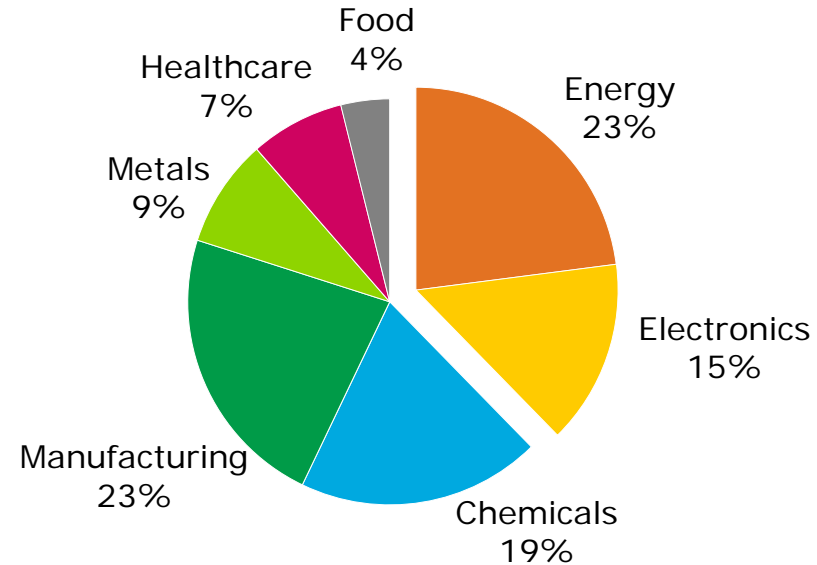
# Air Products Market Exposure 2010

IG Market \$63 Billion

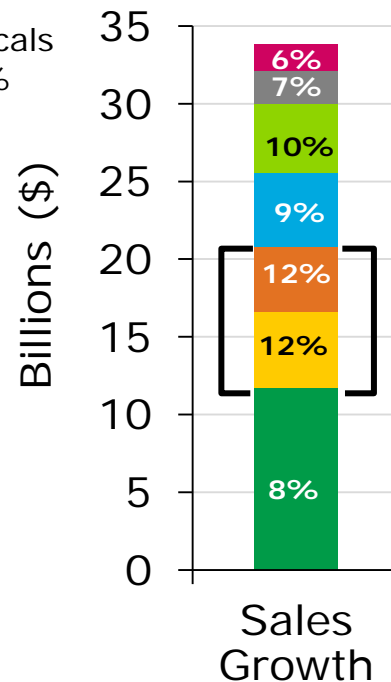


~9% Growth

APD \$9 Billion



~10-11% Growth



# Air Products Advantage: Profitable Joint Ventures with Leadership Positions

Mexico	Italy	South Africa	India	Thailand
				

<b>Sales (100%)</b>	\$0.7B	\$0.6B	\$0.2B	\$0.2B	\$0.1B
<b>AP Ownership</b>	40%	49%	50%	50%	49%

FY 2011	Air Products (as reported)	Equity Affiliates <sup>1</sup> (100% basis)	Combined <sup>2</sup> (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

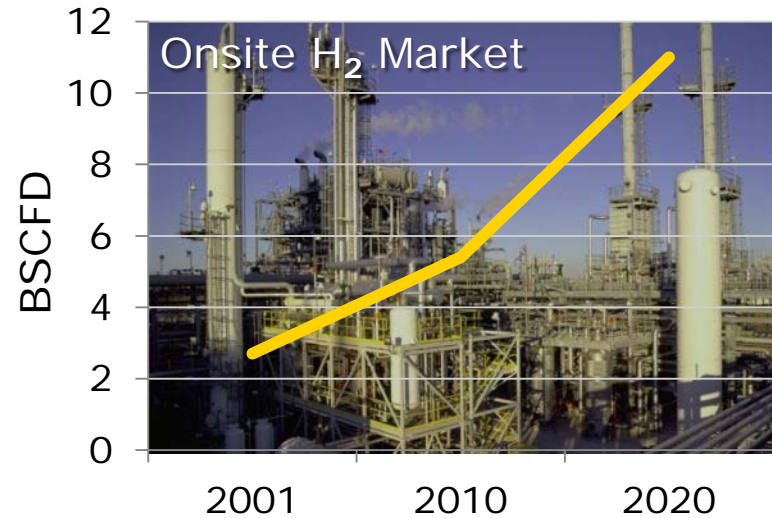
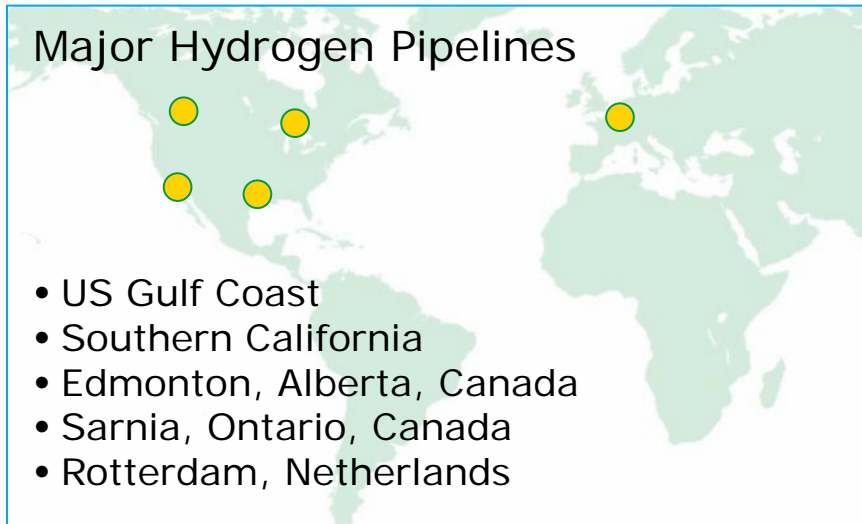
Notes: 1) Please refer to financial statements for equity affiliate accounting. 2) Non-GAAP. If Air Products was to gain controlling financial interest and then consolidate, the results would be different than shown here



# Accelerating Air Products Growth

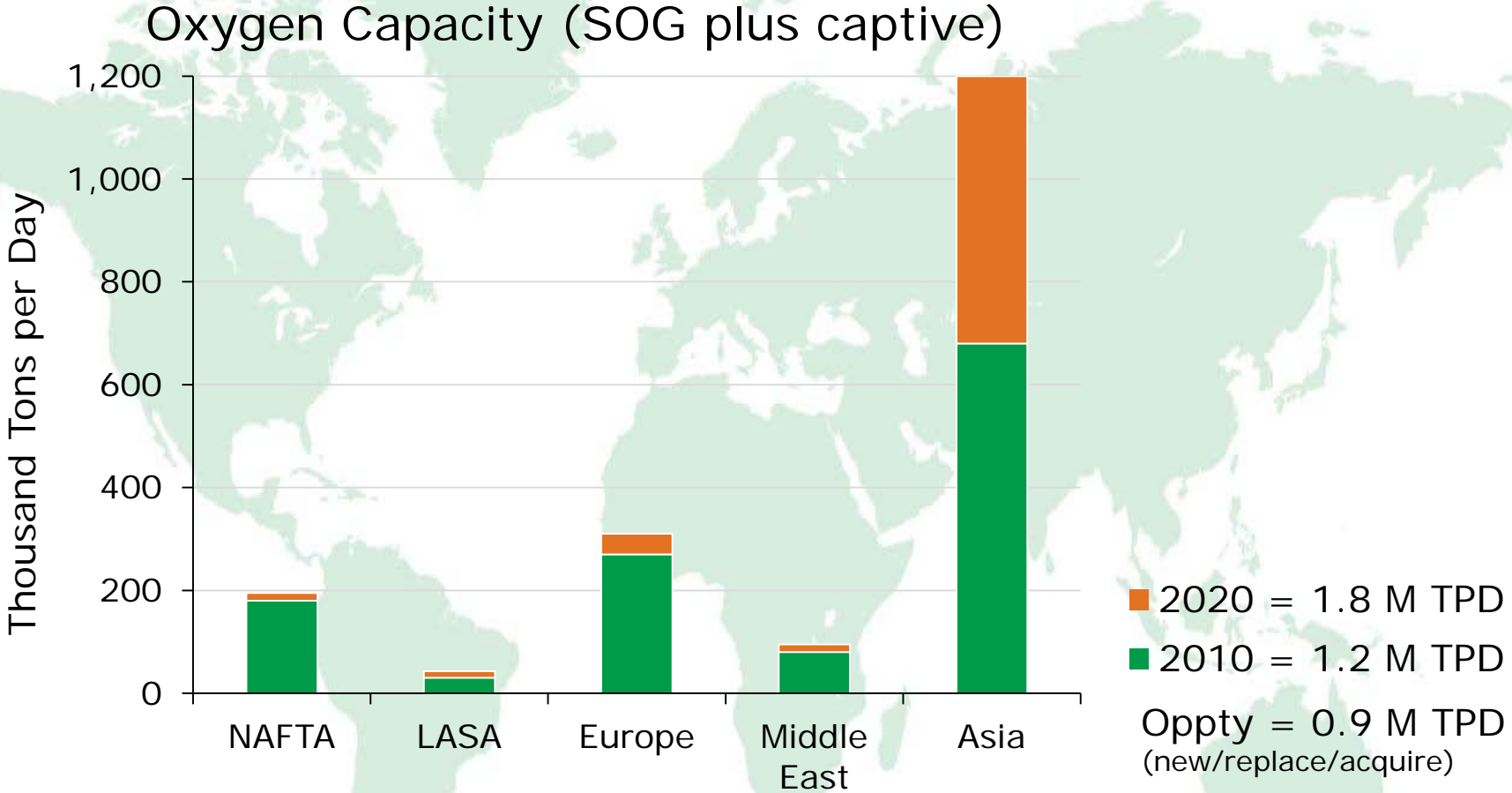
Growth Component	% Increase
Market Growth	9%
Air Products Market Position	1%-2%
Consolidation / M&A	1%-2%
<b>Total</b>	<b>11-13%</b>

# Air Products Advantage: Hydrogen Leadership



#1 market share for over two decades

# Oxygen Growth driven by Asia over the Next Decade...



# Major Projects

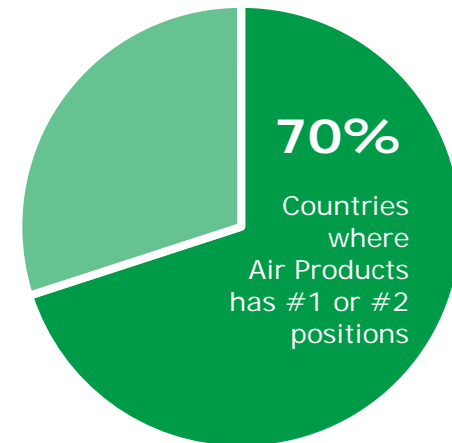
Plant	Location	Capacity	Timing
H2	Rotterdam, Netherlands	World Scale	Q1FY12
ASU/Liquid	Laporte, TX	World Scale	Q1FY12
Helium	Wyoming	200 MMSCFY	Q1FY12
H2	Luling, LA	120 MMSCFD H2	Q2FY12
H2 Pipeline	Gulf Coast, US	180 miles	Q4FY12
ASU/Liquid	Petrochina, Chengdu, China	World Scale	H2FY12
ASU	Samsung, Tangjeong, 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 production



**Advanced Low  
Emission Aluminum Melting**

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

## Specialty Gases & Chemicals



## Enabling Equipment



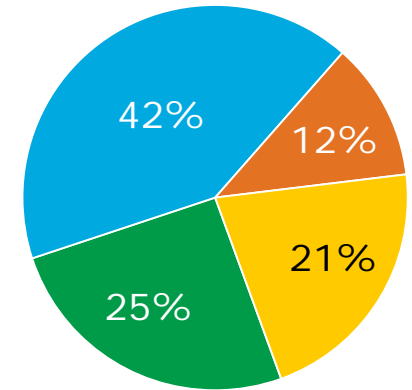
## Onsite Gas Supply



## Liquid/Bulk



## FY11 Overall Revenue



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

Revenue  
Growth

11%-13%  
per year

From \$9B  
in 2010  
to  
\$15B+ in 2015

Operating  
Margin

20%

From 16.5%  
in 2010  
to  
20% in 2015

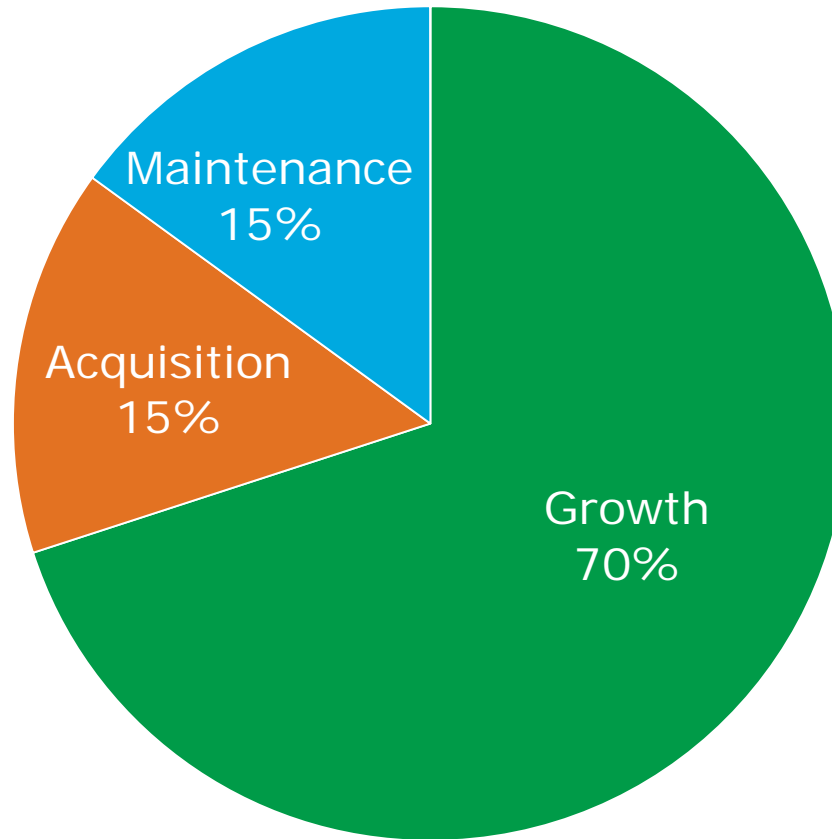
Return on  
Capital

15%

From 12.5%  
in 2010  
to  
15% in 2015



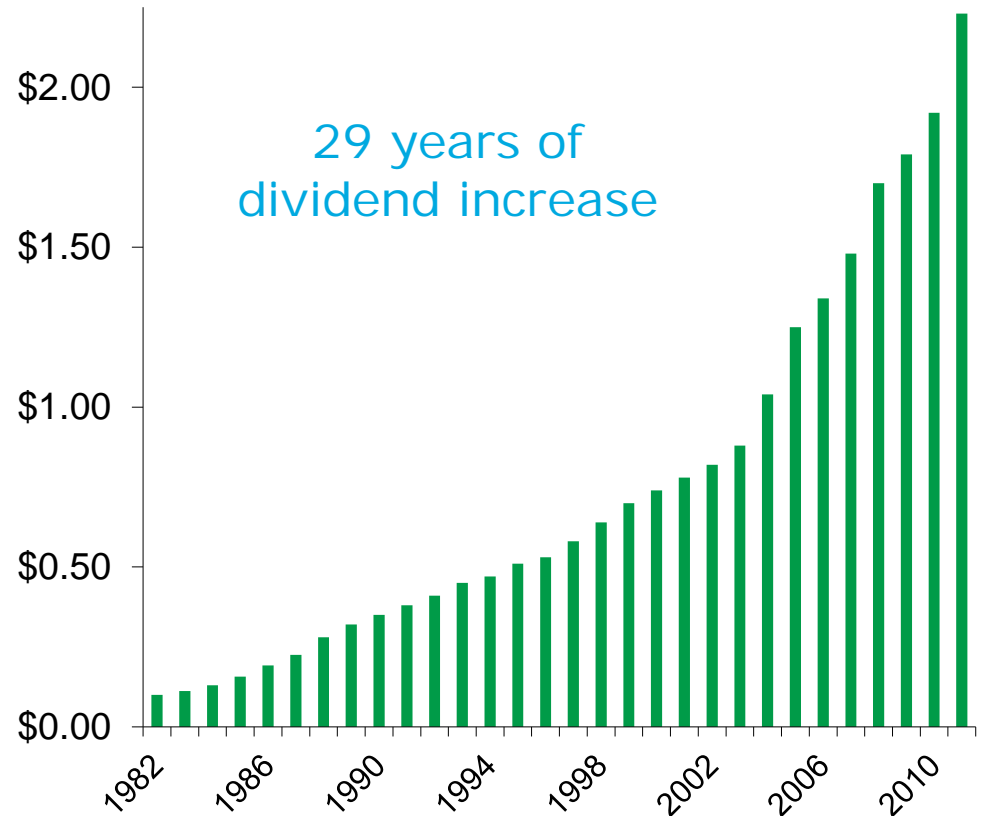
# Strong Growth Opportunities Drive Disciplined Investment



\$13-14B Capital Spending - 2011 to 2015

# Cash Priorities Remain Consistent

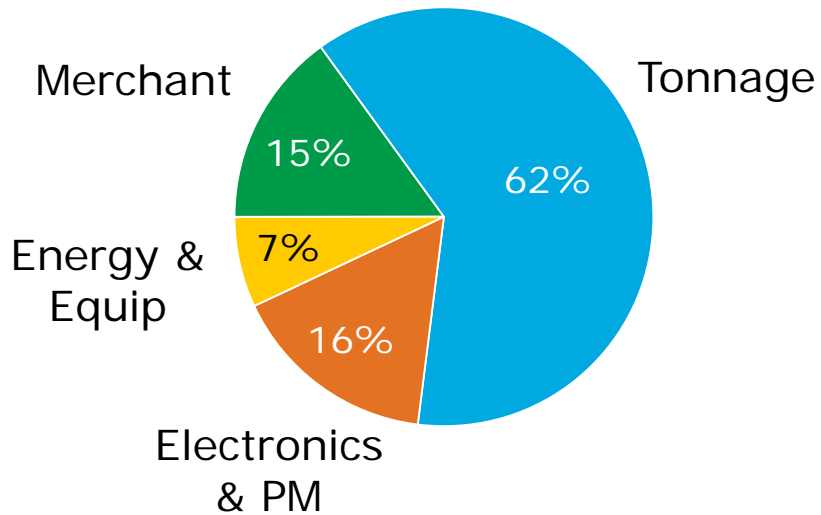
- Invest in the best return projects
- Maintain A bond rating
- Dividend increase each year
- Share repurchase with excess cash



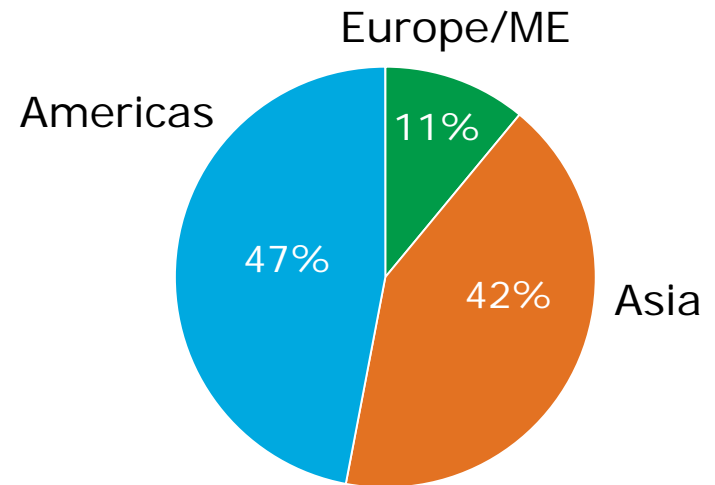
# Capital Spending Outlook

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 any potential restructuring charges

2015  
by  
2015

**\$15+** Billion in Sales

**20%** Operating Margin

**15%** Return on Capital Employed

# Appendix Slides

# FQ1 2012 Outlook

FQ4 2011 EPS

- New plants on-stream
- Lower tax rate & NCI
  
- Seasonality
- Europe cost and pricing
- Tonnage maintenance and PUI
- Equipment & Energy results
- Equity Affiliate, pension, currency

\$1.51

} ↑ EPS

} ↓ EPS

FQ1 2012 EPS

\$1.31-\$1.39

# Appendix: Q4 and Full Year FY11 Results and Guidance

(\$ Millions, except per share data)

	GAAP Measure				Non GAAP Adjustments		Non GAAP Measure			
	Q411	Q410	\$ Change	% Change	Q410 (1)		Q411	Q410	\$ Change	% Change
<b>Q411 vs. Q410 - Total Co. Cont. Ops</b>										
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%
			\$	%					\$	%
<b>FY11 vs. FY10 - Total Co. Cont. Ops</b>										
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	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	1,246.9	1,089.2	157.7	14%
Diluted EPS - Continuing Ops *	\$5.59	\$4.74	\$0.85	18%		\$0.14	\$5.73	\$5.02	\$0.71	14%

\* Attributable to Air Products

(1) Acquisition - related costs

<u>FY12 Guidance</u>	<u>EPS</u>
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%

<u>Capital Expenditures</u>	<u>\$Million</u>
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



# Appendix: ROCE

\$ Millions Quarter Ended	Q109	Q209	Q309	Q409	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411
<b>Numerator</b>												
Operating Income Reported		260.4	143.8	328.0	345.0	340.6	336.4	367.0	360.6	419.5	416.8	425.3
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>	<u>39.7</u>	<u>55.1</u>
Earnings before tax as reported		287.4	172.3	360.2	371.9	372.8	368.9	402.3	388.4	451.2	456.5	480.4
Global Cost Reduction Plan		0.0	124.0	0.0	0.0	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	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	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>	<u>0.0</u>	<u>0.0</u>
Earnings before tax ex items		287.4	336.4	360.2	371.9	396.2	406.8	437.0	431.9	456.2	456.5	480.4
Effective tax rate as reported		25.8%	17.5%	26.0%	24.5%	24.7%	22.9%	25.2%	22.8%	26.1%	24.2%	24.9%
Earnings after tax as reported		213.3	142.1	266.5	280.8	280.7	284.4	300.9	299.8	333.4	346.0	360.8
Effective tax rate ex items		25.8%	25.7%	26.0%	24.5%	25.6%	24.4%	26.2%	24.4%	26.0%	24.2%	24.9%
Earnings after tax ex items		213.3	249.9	266.5	280.8	294.8	307.5	322.5	326.5	337.6	346.0	360.8
4 Qtr trailing AT earnings (numerator) - as reported					902.7	970.1	1,112.4	1,146.8	1,165.8	1,218.5	1,280.1	1,340.0
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	1,332.6	1,370.9
<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	4,497.7	4,562.2
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	6,232.2	5,795.8
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>	<u>164.8</u>	<u>142.9</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	10,894.7	10,500.9
2 Qtr Average Capital (denominator)					9,517.2	9,682.3	9,660.8	9,692.9	9,897.6	10,182.2	10,644.9	10,697.8
5 Qtr Average Capital (denominator)					9,228.6	9,374.3	9,512.8	9,636.4	9,743.9	9,902.4	10,129.0	10,317.2
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					9.8%	10.3%	11.7%	11.9%	12.0%	12.3%	12.6%	13.0%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					10.9%	11.6%	12.1%	12.5%	12.8%	13.1%	13.2%	13.3%
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%	13.0%	13.5%

# 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>Q311</u>	<u>Q411</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	430.0	451.8
Tax Expense	66.5	25.4	86.3	83.5	84.9	77.6	93.5	81.5	110.3	103.9	112.7
<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>	<b>24.2%</b>	<b>24.9%</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	430.0	451.8
Tax Expense	66.5	79.3	86.3	83.5	93.7	91.8	106.4	97.8	110.9	103.9	112.7
<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>	<b>24.2%</b>	<b>24.9%</b>

Thank you...  
tell me more

