

# Q2 FY'12 Earnings Conference Call

April 24, 2012



**AIR**  
**PRODUCTS** 

# Forward Looking Statement

This presentation contains "forward-looking statements" within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including earnings guidance, projections, targets and business outlook. These forward-looking statements are based on management's reasonable expectations and assumptions as of the date of this release. 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 global or regional 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; the success of productivity programs; the success and impact of restructuring and cost reduction initiatives; 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 impact on the effective tax rate of changes in the mix of earnings among our U.S. and international operations; 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.

# EPS reconciliation

	<u>Q2 FY12</u>	<u>Q2 FY11</u>	<u>Change</u>
GAAP diluted EPS Cont Ops	\$1.30	\$1.31	
+ Cost reduction charge	0.28	-	
- Spanish tax gain	(0.27)	-	
+ PY disclosed items, net	-	0.02	
Non-GAAP diluted EPS Cont Ops	<u>\$1.31</u>	<u>\$1.33</u>	<u>(\$0.02)</u>

	<u>Q2 FY12</u>	<u>FY12</u>
January Guidance	\$1.37-\$1.43	\$5.90-\$6.30
- Homecare profit in guidance	<u>(0.09)</u>	<u>(0.30)</u>
	\$1.28-\$1.34	\$5.60-\$6.00

# Q2 Financials

(\$millions, Continuing Operations)

	Q2 FY12	Fav/(Unfav) vs.	
		Q2 FY11	Q1 FY12
Sales	\$2,344	(2%)	1%
- Volume		1%	2%
- Price		1%	1%
- Energy/RM pass-thru		(3%)	(2%)
- Currency		(1%)	(-%)
Operating Income	\$375	(6%)	6%
Operating Margin	16.0%	(60bp)	80bp
Net Income	\$281	(3%)	4%
Diluted EPS (\$/share)	1.31	(2%)	4%
ROCE	12.0%	(130bp)	(20bp)

non-GAAP, see appendix for reconciliation

# Q2 EPS Analysis

(Continuing Operations EPS)

	<u>Q2 FY12</u>	<u>Q2 FY11</u>	<u>Change</u>
GAAP diluted EPS cont ops	\$1.30	\$1.31	
• Cost reduction charge	0.28	-	
• Spanish tax gain	(0.27)	-	
• PY disclosed items	-	0.02	
	<u>\$1.31</u>	<u>\$1.33</u>	<u>(\$0.02)</u>
Non-GAAP diluted EPS cont ops			
Volume			(\$0.09)
Price / raw materials			0.02
Cost			(0.01)
			(\$0.08)
Currency/FX			-
Higher equity affiliate income			0.01
Fewer shares outstanding			0.02
Lower tax rate, all other			0.03
Change			<u>(\$0.02)</u>

non-GAAP, see appendix for reconciliation

# Merchant Gases

	<u>Q2 FY12</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY11</u>	<u>Q1 FY12</u>
Sales	\$884	(3%)	-0%
- Volume		(3%)	(1%)
- Price		2%	1%
- Currency		(2%)	-0%
Operating Income	\$153	(8%)	(8%)
Operating Margin	17.3%	(80bp)	(140bp)

- Pricing positive in all regions
- Volumes soft across all regions

# Merchant Gases: Q2 Sales Analysis vs PY

	<u>U.S./ Canada</u>	<u>Europe</u>	<u>Asia</u>
Sales % change	-%	(5%)	1%
- Volume	(2%)	(2%)	(1%)
- Price	2%	1%	1%
- Currency	-%	(4%)	1%

- US/Canada positive price, despite modest capacity utilization. Strong contract signings.
- Europe volumes weaker on softer end market demand.
- Asia slower Lunar New Year recovery but strong signings.

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

# Tonnage Gases

		<u>Fav/(Unfav) vs.</u>	
	<u>Q2 FY12</u>	<u>Q2 FY11</u>	<u>Q1 FY12</u>
Sales	\$784	(2%)	(3%)
- Volume		7%	3%
- Energy/RM pass thru		(8%)	(6%)
- Currency		(1%)	-%
Operating Income	\$125	4%	13%
Operating Margin	16.0%	90bp	220bp

- Strong volume growth driven by asset loading and new plants.
- Sequential improvement on volume gains and bonus timing.
- Continued success in gasification market.



# Electronics & Performance Materials

		Fav/(Unfav) vs.	
	Q2 FY12	Q2 FY11	Q1 FY12
Sales	\$567	(2%)	6%
- Volume		(2%)	6%
- Price		-%	-%
- Currency		-%	-%
Operating Income	\$86	(7%)	9%
Operating Margin	15.1%	(80bp)	50bp
Electronics sales		(4%)	(2%)
Performance Materials sales		2%	17%

- Softer Electronics demand, partially offset by improved Performance Materials demand.
- Sequential margin improvement on higher volumes.

# Equipment & Energy

	<u>Q2 FY12</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY11</u>	<u>Q1 FY12</u>
Sales	\$110	(3%)	24%
Operating Income	\$10	(56%)	34%
Sales Backlog	\$312	69%	1%

- Lower LNG activity versus prior year
- Announced one new LNG order
- High project development activity - Backlog expected to grow going forward

# Guidance/Outlook

## Third Fiscal Quarter

FQ2 2012 EPS \$1.31

- Higher Merchant volumes
- Higher Tonnage volumes
- Higher Electronics & Performance Materials vols.
  
- Lower Tonnage bonuses (timing)
- Lower Equipment & Energy results

FQ3 2012 EPS \$1.40-\$1.45

## Full Fiscal Year 2012

Prior FY'12 EPS incl. HC \$5.90-\$6.30

FY'12 EPS excluding HC \$5.60-\$6.00

Revised FY'12 EPS \$5.47-\$5.60

- Reflects ...
  - Lower Merchant volumes
  - Lower Electronics volumes
  - Tax rate about 25%

CapEx forecast at top of range  
~\$2.2B, up 40% vs PY

non-GAAP, see appendix for reconciliation

# Appendix Slides

# Major Projects

Plant	Location	Capacity	Timing
H2	Luling, LA	120 MMSCFD H2	Onstream
ASU	Samsung, Tangjeong, Korea	World Scale	Q4FY12
H2 Pipeline	Gulf Coast, US	180 miles	Q4FY12
Helium	Wyoming	200 MMSCFY	H1FY13
ASU/Liquid	Petrochina, Chengdu, China	World Scale	H1FY13
H2	Petrochina, Chengdu, China	90 MMSCFD H2	H1FY13
H2	Marathon, Detroit	60 MMSCFD H2	H1FY13
ASU	PCEC, Weinan, China	8,200 TPD O2	H2FY13
ASU/Liquid	Gent, Belgium	2,000 TPD O2	H2FY13
H2	St. Charles, LA	World Scale	FY14
ASU/Liquid	Wison, Nanjing, China	1,500 TPD O2	FY14
ASU	Shaanxi, China	12,000 TPD O2	FY14
ASU/Liquid	XLX, Henan, China	2,000 TPD O2	FY14

Plus new nitrogen on-sites for Electronics customers

# Appendix: Q2 FY12 Results and FY12 Guidance

(\$ Millions, except per share data)

	GAAP Measure				Non GAAP Adjustments			Non GAAP Measure				
	Q212	Q211	\$ Change	% Change	Q212 (3)	Q212 (4)	Q211 (5)	Q212	Q211	\$ Change	% Change	
<b>Q212 vs. Q211 - Total Company</b>												
Sales	2,344.3	2,403.0	(58.7)	(2%)				2,344.3	2,403.0	(58.7)	(2%)	
Operating Income	287.9	393.8	(105.9)	(27%)		86.8	5.0	374.7	398.8	(24.1)	(6%)	
Operating Margin	12.3%	16.4%		(410bp)				16.0%	16.6%		(60bp)	
Income from Cont. Ops. (1)	279.0	285.7	(6.7)	(2%)	(58.3)	60.6	4.4	281.3	290.1	(8.8)	(3%)	
Diluted EPS - Cont. Ops. (1)	\$1.30	\$1.31	(\$0.01)	(1%)	(\$0.27)	\$0.28	\$0.02	\$1.31	\$1.33	(\$0.02)	(2%)	
<b>Q212 vs. Q112 - Total Company</b>												
Sales	2,344.3	2,321.6	22.7	1%				2,344.3	2,321.6	22.7	1%	
Operating Income	287.9	353.7	(65.8)	(19%)		86.8		374.7	353.7	21.0	6%	
Operating Margin	12.3%	15.2%		(290bp)				16.0%	15.2%		80bp)	
Income from Cont. Ops. (1)	279.0	225.9	53.1	24%	(58.3)	60.6	43.8	281.3	269.7	11.6	4%	
Diluted EPS - Cont. Ops. (1)	\$1.30	\$1.06	\$0.24	23%	(\$0.27)	\$0.28	\$0.20	\$1.31	\$1.26	\$0.05	4%	

- (1) Attributable to Air Products
- (2) Spanish tax settlement
- (3) Spanish tax ruling
- (4) Cost reduction plan charge
- (5) Acquisition - related costs

	Diluted EPS (6)	FY12 Q3 EPS Guidance	Diluted EPS (6)	Capital Expenditures Guidance	\$Millions
<b>FY12 Full year EPS guidance</b>					
FY11 GAAP	\$5.22	FY12 Q2 GAAP	\$1.30	FY11 GAAP	1,408.3
Q111 Acquisition - related costs	\$0.12	Spanish tax ruling	(\$0.27)	Capital lease expenditures	173.5
Q211 Acquisition - related costs	\$0.02	Cost reduction plan charge	\$0.28	FY11 Non GAAP	1,581.8
FY11 Non GAAP	\$5.36	FY12 Q2 Non GAAP	\$1.31	FY12 GAAP - guidance	1,700-1,900
FY12 GAAP Guidance	\$5.26-\$5.39	FY12 Q3 Guidance	\$1.40-\$1.45	Capital lease expenditures	200-300
Q112 Spanish tax settlement	\$0.20	% Change	7%-11%	FY12 Non GAAP - guidance	1,900-2,200
Q212 Spanish tax ruling	(\$0.27)				
Q212 Cost reduction plan charge	\$0.28				
FY12 Non GAAP Guidance	\$5.47-\$5.60				
% Change	2%-4%				

- (6) Continuing operations, attributable to Air Products

# Appendix: ROCE

\$ Millions Quarter Ended Numerator	Q110 through Q112 shown without restating for moving Homecare to Disc. Ops.									Proforma Q212
	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Q112	
Operating Income Reported		340.6	336.4	367.0	360.6	419.5	416.8	425.3	384.7	287.9
Equity Affiliate Income		<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>	<u>37.1</u>	<u>35.5</u>
Earnings before tax as reported		372.8	368.9	402.3	388.4	451.2	456.5	480.4	421.8	323.4
Cost Reduction Plan Acquisition - Related Costs		<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>	<u>0.0</u>	86.8 <u>0.0</u>
Earnings before tax ex items		396.2	406.8	437.0	431.9	456.2	456.5	480.4	421.8	410.2
Effective tax rate as reported		24.7%	22.9%	25.2%	22.8%	26.1%	24.2%	24.9%	34.7%	3.0%
Earnings after tax as reported		280.7	284.4	300.9	299.8	333.4	346.0	360.8	275.4	313.7
Effective tax rate ex items		25.6%	24.4%	26.2%	24.4%	26.0%	24.2%	24.9%	23.5%	24.5%
Earnings after tax ex items		294.8	307.5	322.5	326.5	337.6	346.0	360.8	322.7	309.7
Add Q212 Income from Disc. Ops, net of tax										<u>17.0</u>
Q212 Proforma AT Earnings (numerator) - ex items										326.7
4 Qtr trailing AT earnings (numerator) - as reported					1,165.8	1,218.5	1,280.1	1,340.0	1,315.6	1,295.9
4 Qtr trailing AT Earnings (numerator) - ex items Cont. Ops					1,251.3	1,294.1	1,332.6	1,370.9	1,367.1	1,339.2
Add Q212 Income from Disc. Ops, net of tax										<u>17.0</u>
Q212 Proforma 4 Qtr trailing AT Earnings (numerator) - ex items										1,356.2
<b>Denominator</b>										
Total Debt	4,418.7	4,343.4	4,188.0	4,128.3	3,992.0	4,395.9	4,497.7	4,562.2	4,616.0	4,739.4
Air Products Shareholders' Equity	5,033.9	5,265.6	5,231.4	5,546.9	5,810.0	5,825.2	6,232.2	5,795.8	5,909.0	6,262.7
Noncontrolling Interest	150.2	152.7	140.5	150.7	167.2	174.0	164.8	142.9	148.1	144.7
Total Capital	9,602.8	9,761.7	9,559.9	9,825.9	9,969.2	10,395.1	10,894.7	10,500.9	10,673.1	11,146.8
2 Qtr Average Capital (denominator)					9,897.6	10,182.2	10,644.9	10,697.8	10,587.0	10,910.0
5 Qtr Average Capital (denominator)					9,743.9	9,902.4	10,129.0	10,317.2	10,486.6	10,722.1
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					12.8%	13.1%	13.2%	13.3%	13.0%	12.6%
Instantaneous ROCE ex items (Qtr earnings AT x 4) / 2 pt avg capital) - with Disc. Ops.					13.2%	13.3%	13.0%	13.5%	12.2%	12.0%

# Appendix: ROCE Tax rate

Q110 through Q112 shown without restating for moving Homecare to Disc. Ops.

(\$ Millions)	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Q112	Q212
<u>Reported</u>									
Income Before Taxes	343.3	338.9	371.5	357.4	421.8	430.0	451.8	392.4	294.0
Tax Expense	84.9	77.6	93.5	81.5	110.3	103.9	112.7	136.1	8.8
<b>Tax Rate Reported</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>	<b>34.7%</b>	<b>3.0%</b>
<u>ITEMS</u>									
<u>Operating Income</u>									
Acquisition - related costs	23.4	37.9	34.7	43.5	5.0				
Cost Reduction Charge									86.8
<u>Tax Exp</u>									
Acquisition - related costs	8.8	14.2	12.9	16.3	0.6				
Spanish tax settlement								(43.8)	
Spanish tax ruling									58.3
Cost Reduction Charge									26.2
<u>Ex Items</u>									
Income Before Taxes	366.7	376.8	406.2	400.9	426.8	430.0	451.8	392.4	380.8
Tax Expense	93.7	91.8	106.4	97.8	110.9	103.9	112.7	92.3	93.3
<b>Tax Rate ex Items</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>	<b>23.5%</b>	<b>24.5%</b>