

Q1 FY'12 Earnings Conference Call

January 24, 2012



AIR
PRODUCTS 

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Q1 Financials

(\$millions, Continuing Operations)	Q1 FY12	Fav/(Unfav) vs.	
		Q1 FY11	Q4 FY11
Sales	\$2,423	1%	(7%)
- Volume		-%	(4%)
- Price		1%	-%
- Energy/RM pass-thru		-%	(1%)
- Currency		-%	(2%)
Operating Income	\$385	(5%)	(10%)
Operating Margin	15.9%	(100bp)	(40bp)
Net Income	\$292	(1%)	(10%)
Diluted EPS (\$/share)	1.36	1%	(10%)
ROCE	12.2%	(100bp)	(130bp)

non-GAAP, see appendix for reconciliation.

Q1 EPS Analysis

	<u>Q1 FY12</u>	<u>Q1 FY11</u>	<u>Change</u>
As-reported diluted EPS	\$1.16	\$1.23	
- acquisition-related exp.	-	(0.12)	
- tax audit settlement	<u>(0.20)</u>	<u>-</u>	
Adjusted cont. ops. EPS	<u>\$1.36</u>	<u>\$1.35</u>	<u>\$0.01</u>
Volume			(\$0.05)
Price / raw materials			(0.02)
Cost			0.02
			(\$0.05)
Currency/FX			(0.02)
Higher equity affiliate income			0.03
Lower tax rate			0.02
Fewer shares outstanding			0.03
Increase			<u>\$0.01</u>

non-GAAP, see appendix for reconciliation.

Merchant Gases

		<u>Fav/(Unfav) vs.</u>	
	<u>Q1 FY12</u>	<u>Q1 FY11</u>	<u>Q4 FY11</u>
Sales	\$989	-%	(5%)
- Volume		(1%)	(3%)
- Price		1%	1%
- Currency		-%	(3%)
Operating Income	\$192	(4%)	-%
Operating Margin	19.4%	(90bp)	100bp

- Volumes soft across all regions
- Overall positive pricing, despite lower homecare & China LAR
- Improved operating performance drives sequential margin expansion

Merchant Gases: Q1 Sales Analysis vs PY

	<u>U.S./ Canada</u>	<u>Europe</u>	<u>Asia</u>
Sales % change	2%	(2%)	2%
- Volume	(1%)	(2%)	1%
- Price	3%	1%	(1%)
- Currency	-	(1%)	2%

- US/Canada LOX/LIN volumes flat, pricing positive
- Europe volumes weak, positive Europe liquid/bulk and packaged gas price, offset by negative Homecare price
- Asia volumes soften with LAR price lower vs PY premiums

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

Tonnage Gases

		<u>Fav/(Unfav) vs.</u>	
	<u>Q1 FY12</u>	<u>Q1 FY11</u>	<u>Q4 FY11</u>
Sales	\$810	6%	(8%)
- Volume		6%	(2%)
- Price/mix		-%	(1%)
- Energy/RM pass thru		1%	(4%)
- Currency		(1%)	(1%)
Operating Income	\$111	(4%)	(27%)
Operating Margin	13.8%	(130bp)	(340bp)

- New projects drive volume growth
- Higher maintenance spending
- Contract modification impacts
- Largest ASU on-site award ever - 12,000 TPD in China

Electronics & Performance Materials

		<u>Fav/(Unfav) vs.</u>	
	<u>Q1 FY12</u>	<u>Q1 FY11</u>	<u>Q4 FY11</u>
Sales	\$535	2%	(9%)
- Volume		1%	(7%)
- Price		1%	(1%)
- Currency		-%	(1%)
Operating Income	\$78	13%	(15%)
Operating Margin	14.6%	150bp	(100bp)
Electronics sales		4%	(7%)
Performance Materials sales		(1%)	(11%)

- Seasonal slowdown
- Margin expansion versus prior year on lower costs

Equipment & Energy

	<u>Q1 FY12</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q1 FY11</u>	<u>Q4 FY11</u>
Sales	\$89	(21%)	(7%)
Operating Income	\$ 7	(64%)	(37%)
Sales Backlog	\$310	48%	(7%)

- Lower ASU and LNG activity versus prior year
- Anticipate new LNG orders

Homecare Sale and Full Year Outlook

Homecare

- Announced agreement with Linde to sell Continental European Homecare business - Expect to close by end of March
- Homecare moves to discontinued operations in Q2- will exit remaining Homecare business
- Further actions to remove stranded costs and right size the remaining European business

FY12 Full Year Outlook

- As expected, global economy remains weak in the first half with significantly stronger second half
- Capex guidance unchanged at \$1.9B to \$2.2B
- EPS guidance unchanged at \$5.90 to \$6.30

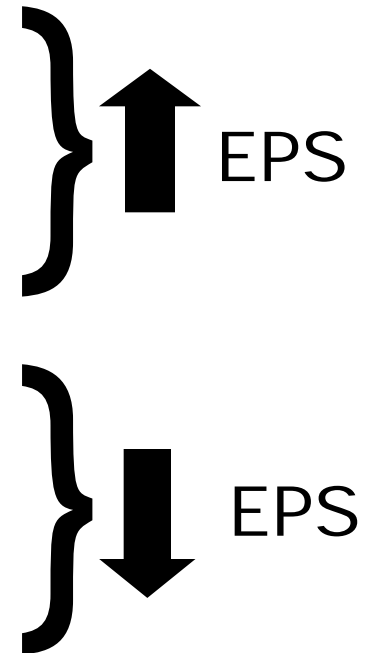
FQ2 2012 Outlook

FQ1 2012 EPS

\$1.36

- Higher E&PM volumes
- Higher Tonnage volumes, bonuses
- New plants on-stream

- Higher tax rate
- Lunar New Year
- Currency



FQ2 2012 EPS

\$1.37-\$1.43

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.

Major Projects

Plant	Location	Capacity	Timing
H2	Rotterdam, Netherlands	World Scale	Onstream
ASU/Liquid	Laporte, TX	World Scale	Onstream
Helium	Wyoming	200 MMSCFY	Q2FY12
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
H2	St. Charles, LA	World Scale	FY13
ASU/Liquid	Wison, Nanjing, China	1500 TPD O2	FY14
ASU	Shaanxi, China	12,000 TPD O2	FY14

Appendix: Q1 FY12 Results and FY12 Guidance

(\$ Millions, except per share data)

	GAAP Measure				Non GAAP Adjustments		Non GAAP Measure			
	Q112	Q111	\$ Change	% Change	Q112 (1)	Q111 (2)	Q112	Q111	\$ Change	% Change
Q112 vs. Q111 - Total Company										
Sales	2,423.1	2,391.7	31.4	1%			2,423.1	2,391.7	31.4	1%
Operating Income	384.7	360.6	24.1	7%		43.5	384.7	404.1	(19.4)	(5%)
Operating Margin	15.9%	15.1%		80bp			15.9%	16.9%		(100bp)
Net Income Attrib. to Air Products	248.1	268.6	(20.5)	(8%)	43.8	27.2	291.9	295.8	(3.9)	(1%)
Diluted EPS - Attrib. to Air Products	\$1.16	\$1.23	(\$0.07)	(6%)	\$0.20	\$0.12	\$1.36	\$1.35	\$0.01	1%
Q112 vs. Q411 - Total Company										
Sales	2,423.1	2,611.2	(188.1)	(7%)			2,423.1	2,611.2	(188.1)	(7%)
Operating Income	384.7	425.3	(40.6)	(10%)			384.7	425.3	(40.6)	(10%)
Operating Margin	15.9%	16.3%		(40bp)			15.9%	16.3%		(40bp)
Net Income Attrib. to Air Products	248.1	324.8	(76.7)	(24%)	43.8		291.9	324.8	(32.9)	(10%)
Diluted EPS - Attrib. to Air Products	\$1.16	\$1.51	(\$0.35)	(23%)	\$0.20		\$1.36	\$1.51	(\$0.15)	(10%)

- (1) Spanish tax settlement
(2) Acquisition - related costs

	Diluted EPS (3)	FY12 Q2 EPS Guidance	Diluted EPS (3)	Capital Expenditures Guidance	\$Millions
FY12 Full year EPS guidance					
FY11 GAAP	\$5.59	FY12 Q1 GAAP	\$1.16	FY11 GAAP	1,408.3
Q111 Acquisition - related costs	\$0.12	Spanish tax settlement	\$0.20	Capital lease expenditures	173.5
Q211 Acquisition - related costs	\$0.02	FY12 Q1 Non GAAP	\$1.36	FY11 Non GAAP	1,581.8
FY11 Non GAAP	\$5.73	FY12 Q2 Guidance	\$1.37-\$1.43	FY12 GAAP - guidance	1,600-1,800
FY12 GAAP Guidance	\$5.70-\$6.10	% Change	1%-5%	Capital lease expenditures	300-400
Q112 Spanish tax settlement	\$0.20			FY12 Non GAAP - guidance	1,900-2,200
FY12 Non GAAP Guidance	\$5.90-\$6.30				
% Change	3%-10%				

(3) Attributable to Air Products. Guidance does not include the impact of reclassifying the Homecare business to discontinued operations or any potential restructuring charge.

Appendix: ROCE

\$ Millions Quarter Ended	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Q112
<u>Numerator</u>									
Operating Income Reported		340.6	336.4	367.0	360.6	419.5	416.8	425.3	384.7
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>
Earnings before tax as reported		372.8	368.9	402.3	388.4	451.2	456.5	480.4	421.8
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>
Earnings before tax ex items		396.2	406.8	437.0	431.9	456.2	456.5	480.4	421.8
Effective tax rate as reported		24.7%	22.9%	25.2%	22.8%	26.1%	24.2%	24.9%	34.7%
Earnings after tax as reported		280.7	284.4	300.9	299.8	333.4	346.0	360.8	275.4
Effective tax rate ex items		25.6%	24.4%	26.2%	24.4%	26.0%	24.2%	24.9%	23.5%
Earnings after tax ex items		294.8	307.5	322.5	326.5	337.6	346.0	360.8	322.7
4 Qtr trailing AT earnings (numerator) - as reported					1,165.8	1,218.5	1,280.1	1,340.0	1,315.6
4 Qtr trailing AT Earnings (numerator) - ex items					1,251.3	1,294.1	1,332.6	1,370.9	1,367.1
<u>Denominator</u>									
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
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
Noncontrolling Interest	150.2	152.7	140.5	150.7	167.2	174.0	164.8	142.9	148.1
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
2 Qtr Average Capital (denominator)					9,897.6	10,182.2	10,644.9	10,697.8	10,587.0
5 Qtr Average Capital (denominator)					9,743.9	9,902.4	10,129.0	10,317.2	10,486.6
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					12.0%	12.3%	12.6%	13.0%	12.5%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					12.8%	13.1%	13.2%	13.3%	13.0%
Instantaneous ROCE ex items (Qtr earnings AT x 4) / 2 pt avg capital)					13.2%	13.3%	13.0%	13.5%	12.2%

Appendix: ROCE Tax rate

(\$ Millions)	<u>Q210</u>	<u>Q310</u>	<u>Q410</u>	<u>Q111</u>	<u>Q211</u>	<u>Q311</u>	<u>Q411</u>	<u>Q112</u>
<u>Reported</u>								
Income Before Taxes	343.3	338.9	371.5	357.4	421.8	430.0	451.8	392.4
Tax Expense	84.9	77.6	93.5	81.5	110.3	103.9	112.7	136.1
Tax Rate Reported	24.7%	22.9%	25.2%	22.8%	26.1%	24.2%	24.9%	34.7%
<u>ITEMS</u>								
<u>Operating Income</u>								
Acquisition - related costs	23.4	37.9	34.7	43.5	5.0			
<u>Tax Exp</u>								
Acquisition - related costs	8.8	14.2	12.9	16.3	0.6			
Spanish tax settlement								(43.8)
<u>Ex Items</u>								
Income Before Taxes	366.7	376.8	406.2	400.9	426.8	430.0	451.8	392.4
Tax Expense	93.7	91.8	106.4	97.8	110.9	103.9	112.7	92.3
Tax Rate ex Items	25.6%	24.4%	26.2%	24.4%	26.0%	24.2%	24.9%	23.5%

Other Segment

(\$ Millions)	<u>Q112</u>	<u>Q111</u>	<u>Q411</u>	<u>Q112 vs</u>	
				<u>PY</u>	<u>PQ</u>
FX G/(L)	(0.8)	0.4	(3.8)	(1.2)	3.0
Inventory Reval (1)	(3.7)	(5.5)	(19.4)	1.8	15.7
All Other	<u>0.8</u>	<u>4.0</u>	<u>1.4</u>	<u>(3.2)</u>	<u>(0.6)</u>
Total	(3.7)	(1.1)	(21.8)	(2.6)	18.1

(1) Inventory is stated at the lower of cost or market. Business segment inventories are valued at standard cost during the year and then revalued to actual costs calculated on a weighted average basis at 30 September. For U.S. based inventories, this change in value is offset at the corporate level ("Other" business segment) to reflect the LIFO impact as our LIFO pools are not maintained by business segment.

Thank you...
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