



Q2 FY09 Earnings Conference Call

April 22, 2009

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Consolidated Q2 Financials

<u>(\$Millions, Continuing Operations)</u>	<u>Q2 FY09</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY08</u>	<u>Q1 FY09</u>
Sales	\$1,955	(23%)	(11%)
- Underlying business		(11%)	(4%)
- Currency		(7%)	(2%)
- Nat'l Gas/RM pass-thru		(5%)	(5%)
Operating Income	\$260	(31%)	(10%)
Operating Margin %	13.3%	(140bp)	20bp
Net Income	\$189	(31%)	(8%)
Diluted EPS	\$0.89	(29%)	(8%)
ROCE	11.7%	(90bp)	(80bp)

Comparison is non-GAAP due to PY pension settlement charge.
See appendix for reconciliation.

Q2 EPS Analysis

	<u>Q2 FY09</u>	<u>Q2 FY08</u>	<u>Change</u>
As-reported diluted EPS	\$0.97	\$1.43	
- Discontinued Ops	0.08	0.25	
- Pension settlement charge	-	(0.08)	
Continuing Operations EPS	<u>\$0.89</u>	<u>\$1.26</u>	<u>(\$0.37)</u>
Volume			(\$0.52)
Price / raw materials			0.13
Cost			0.12
			} (\$0.27)
Currency			(0.11)
Equity Affiliates income			(0.05)
Lower interest expense			0.03
Fewer shares outstanding			0.03
Change			<u>(\$0.37)</u>

Comparison is non-GAAP. See appendix for reconciliation.

Merchant Gases

	<u>Q2 FY09</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY08</u>	<u>Q1 FY09</u>
Sales	\$870	(14%)	(6%)
- Volume		(8%)	(5%)
- Price		6%	1%
- Currency		(12%)	(2%)
Operating Income	\$156	(17%)	(8%)
Operating Margin	17.9%	(90bp)	(50bp)

- Lower volumes globally
- Pricing actions continue to deliver

Merchant Gases: *Q2 Sales Analysis vs PY*

	<u>North America</u>	<u>Europe</u>	<u>Asia</u>
Sales % change	(10%)	(18%)	(17%)
- Volume	(15%)	(7%)	(12%)
- Price	5%	6%	5%
- Currency	-	(17%)	(10%)

- **Weak demand across most industries as customers extended holiday-related shutdowns**

Tonnage Gases

	<u>Q2 FY09</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY08</u>	<u>Q1FY09</u>
Sales	\$625	(28%)	(16%)
- Volume		(7%)	-%
- Nat'l gas/RM pass thru		(15%)	(14%)
- Currency		(6%)	(2%)
Operating Income	\$98	(12%)	(10%)
Operating Margin	15.7%	290bp	110bp

- Refinery hydrogen volumes remain strong
- Steel and chemical industry volumes lower
- Margins boosted by lower natural gas cost pass throughs

Electronics & Performance Materials

	<u>Q2 FY09</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY08</u>	<u>Q1 FY09</u>
Sales	\$332	(41%)	(18%)
- Volume		(38%)	(16%)
- Price		-	(1%)
- Currency		(3%)	(1%)
Operating Income	(\$11)	↓	↓
Operating Margin	(3.3%)		
● Electronics sales		(47%)	(21%)
● Performance Materials volume		(31%)	(12%)

Equipment & Energy

	<u>Q2 FY09</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY08</u>	<u>Q1 FY09</u>
Sales	\$128	22%	7%
Operating Income	\$16	63%	133%
Sales Backlog	\$281	38%	(13%)

- Favorable cost performance

Outlook

FQ3 2009 EPS

\$0.93 - \$1.02*

- Continued weak end markets
- Sales up sequentially, down (~25%) vs. PY
- Cost improvement actions

FY2009 EPS

\$3.85 - \$4.05**

- WW manufacturing declines (9%) to (10%)
- MSI declines ~35%
- Capex in-line with prior year

* This forecast excludes potential charges for future cost reduction plans and pension settlements.

**Non-GAAP, see appendix for reconciliation.



Appendix slides



Appendix: Q2 Sales Analysis

<u>Change versus</u>	<u>Q2 FY08</u>	<u>Q1 FY09</u>
Total Consolidated	(23%)	(11%)
Comprised of:		
● Base business growth	(11%)	(4%)
– Volume	(13%)	(4%)
– Price	2%	-
● Nat'l gas/RM pass thru	(5%)	(5%)
● Currency	(7%)	(2%)

Appendix

Q2 FY2009 Comparisons

(\$ Millions, except per share data)

	<u>GAAP Measure</u>			<u>Non GAAP Adjustments</u>	<u>Non GAAP Measure</u>		
	<u>Q209</u>	<u>Q208</u>	<u>% Change</u>		<u>Q209</u>	<u>Q208</u>	<u>% Change Non GAAP Measure</u>
<u>Q209 vs. Q208 - Total Co.</u>				<u>Q208 (1)</u>			
Sales	1,955.4	2,542.7	(23%)		1,955.4	2,542.7	(23%)
Operating Income	260.4	348.6	(25%)	26.3	260.4	374.9	(31%)
Operating Margin	13.3%	13.7%	(40bp)		13.3%	14.7%	(140bp)
Income From Continuing Ops	189.3	259.8	(27%)	16.5	189.3	276.3	(31%)
Diluted EPS - Continuing Ops	\$0.89	\$1.18	(25%)	\$0.08	\$0.89	\$1.26	(29%)
<u>Q209 vs. Q109 - Total Co.</u>				<u>Q109 (2)</u>			
Sales	1,955.4	2,195.3	(11%)		1,955.4	2,195.3	(11%)
Operating Income	260.4	114.1	128%	174.2	260.4	288.3	(10%)
Operating Margin	13.3%	5.2%	810bp		13.3%	13.1%	20bp
Income From Continuing Ops	189.3	90.0	110%	116.1	189.3	206.1	(8%)
Diluted EPS - Continuing Ops	\$0.89	\$0.42	112%	\$0.55	\$0.89	\$0.97	(8%)

(1) Pension Settlement

(2) Global Cost Reduction Plan

Appendix: ROCE

\$ Millions Quarter Ended	<u>Q107</u>	<u>Q207</u>	<u>Q307</u>	<u>Q407</u>	<u>Q108</u>	<u>Q208</u>	<u>Q308</u>	<u>Q408</u>	<u>Q109</u>	<u>Q209</u>
Numerator										
Operating Income Reported		313.6	360.0	380.4	380.4	348.6	393.7	373.1	114.1	260.4
Equity Affiliate Income		<u>27.5</u>	<u>29.5</u>	<u>30.1</u>	<u>25.3</u>	<u>42.4</u>	<u>46.5</u>	<u>30.8</u>	<u>24.5</u>	<u>27.0</u>
Earnings before tax as reported		341.1	389.5	410.5	405.7	391.0	440.2	403.9	138.6	287.4
Global Cost Reduction Plan		0.0	0.0	13.7	0.0	0.0	0.0	0.0	174.2	0.0
Gain on Contract Termination		0.0	0.0	(36.8)	0.0	0.0	0.0	0.0	0.0	0.0
Pension Settlement Charge		0.0	0.0	10.3	0.0	26.3	0.0	0.0	0.0	0.0
Donation/Sale of Cost Investment		0.0	0.0	(5.0)	0.0	0.0	0.0	0.0	0.0	0.0
U.S. Healthcare Impairment		<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Earnings before tax ex items		341.1	389.5	392.7	405.7	417.3	440.2	403.9	312.8	287.4
Effective tax rate as reported		26.5%	17.6%	18.4%	26.9%	25.3%	25.0%	23.3%	7.3%	26.0%
Earnings after tax as reported		250.7	320.9	335.0	296.6	292.1	330.2	309.8	128.5	212.7
Effective tax rate ex items		26.5%	25.7%	25.6%	26.9%	26.1%	25.0%	23.3%	24.0%	26.0%
Earnings after tax ex items		250.7	289.4	292.2	296.6	308.4	330.2	309.8	237.7	212.7
4 Qtr trailing AT earnings (numerator) - as reported					1,203.2	1,244.6	1,253.9	1,228.7	1,060.6	981.2
4 Qtr trailing AT Earnings (numerator) - ex items					1,128.9	1,186.6	1,227.4	1,245.0	1,186.1	1,090.4
Denominator										
Total Debt	3,146.8	3,305.3	3,772.5	3,667.8	3,972.5	4,383.9	4,027.3	3,966.8	4,169.2	4,102.4
Equity	5,111.5	5,276.5	5,456.3	5,495.6	5,603.0	5,524.3	5,568.7	5,030.7	4,726.1	4,638.1
Minority Interest	<u>96.5</u>	<u>83.5</u>	<u>88.6</u>	<u>92.9</u>	<u>99.3</u>	<u>117.4</u>	<u>115.5</u>	<u>136.2</u>	<u>137.9</u>	<u>126.7</u>
Total Capital	8,354.8	8,665.3	9,317.4	9,256.3	9,674.8	10,025.6	9,711.5	9,133.7	9,033.2	8,867.2
5 Qtr Average Capital (denominator)					9,053.7	9,387.9	9,597.1	9,560.4	9,515.8	9,354.2
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					13.3%	13.3%	13.1%	12.9%	11.1%	10.5%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					12.5%	12.6%	12.8%	13.0%	12.5%	11.7%

Appendix: ROCE Tax Rate

	<u>Q207</u>	<u>Q307</u>	<u>Q407</u>	<u>Q108</u>	<u>Q208</u>	<u>Q308</u>	<u>Q408</u>	<u>Q109</u>	<u>Q209</u>
<u>Reported</u>									
Income from Cont. Ops. Bef. Tax and Min. Int	303.9	345.4	368.4	364.9	352.1	400.7	361.1	102.1	257.4
Minority Interest	(4.4)	(5.1)	(6.2)	(6.1)	(4.5)	(7.6)	(4.8)	(5.0)	(1.6)
Income from Cont. Ops. Before Tax	299.5	340.3	362.2	358.8	347.6	393.1	356.3	97.1	255.8
Tax Expense	79.5	59.9	66.6	96.5	87.8	98.1	82.9	7.1	66.5
Tax Rate Reported	26.5%	17.6%	18.4%	26.9%	25.3%	25.0%	23.3%	7.3%	26.0%
<u>ITEMS</u>									
<u>Operating Income</u>									
Global Cost Reduction Plan			13.7					174.2	
Gain on Contract Termination			(36.8)						
Supp. Pension Plan Charge			10.3		26.3				
Donation/Sale of Cost Investment			(5.0)						
U.S. Healthcare Impairment									
<u>Tax Exp</u>									
Tax Audit Settlement		27.5							
Global Cost Reduction Plan			4.9					58.1	
Gain on Contract Termination			(13.2)						
Supp. Pension Plan Charge			3.9		9.8				
Donation/Sale of Cost Investment			14.8						
Tax adjustments			11.3						
U.S. Healthcare Impairment									
<u>Ex Items</u>									
Income from Cont. Ops. Before Tax	299.5	340.3	344.4	358.8	373.9	393.1	356.3	271.3	255.8
Tax Expense	79.5	87.4	88.3	96.5	97.6	98.1	82.9	65.2	66.5
Tax Rate ex Items	26.5%	25.7%	25.6%	26.9%	26.1%	25.0%	23.3%	24.0%	26.0%

Appendix

FY2009 Guidance

	<u>Full Year FY09 Guidance</u>
<u>Diluted EPS - Continuing Ops.</u>	
GAAP	\$3.30-\$3.50 *
Q109 Global Cost Reduction Plan	<u>\$0.55</u>
Non GAAP	\$3.85-\$4.05

* This forecast excludes potential charges for future cost reduction plans and pension settlements.

Thank you



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