



Q4 FY'09 Earnings Conference Call

October 21, 2009





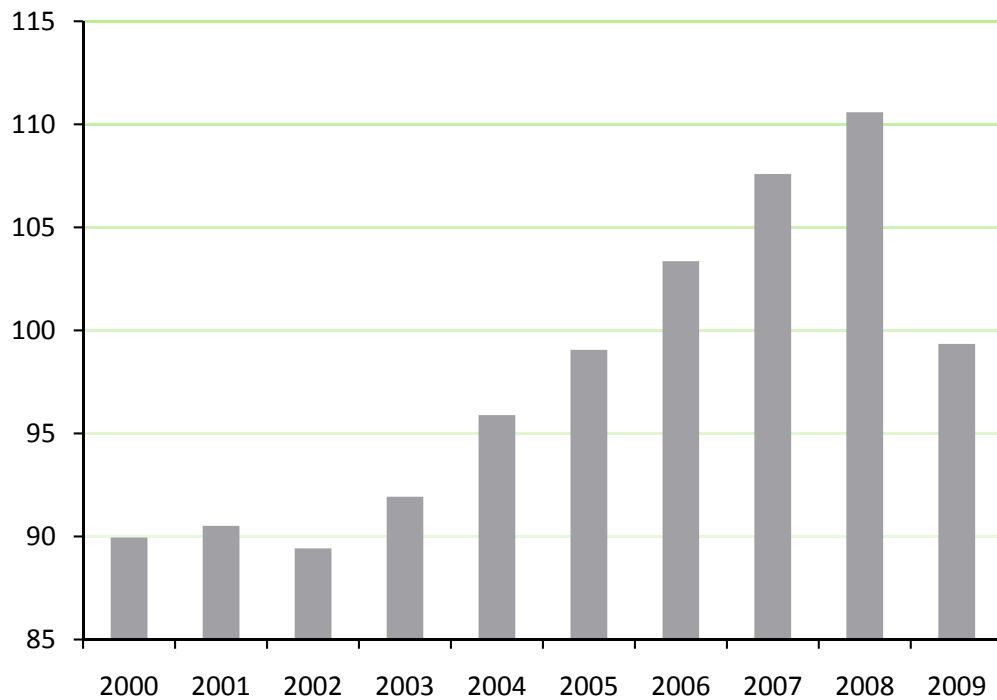
Forward Looking Statement

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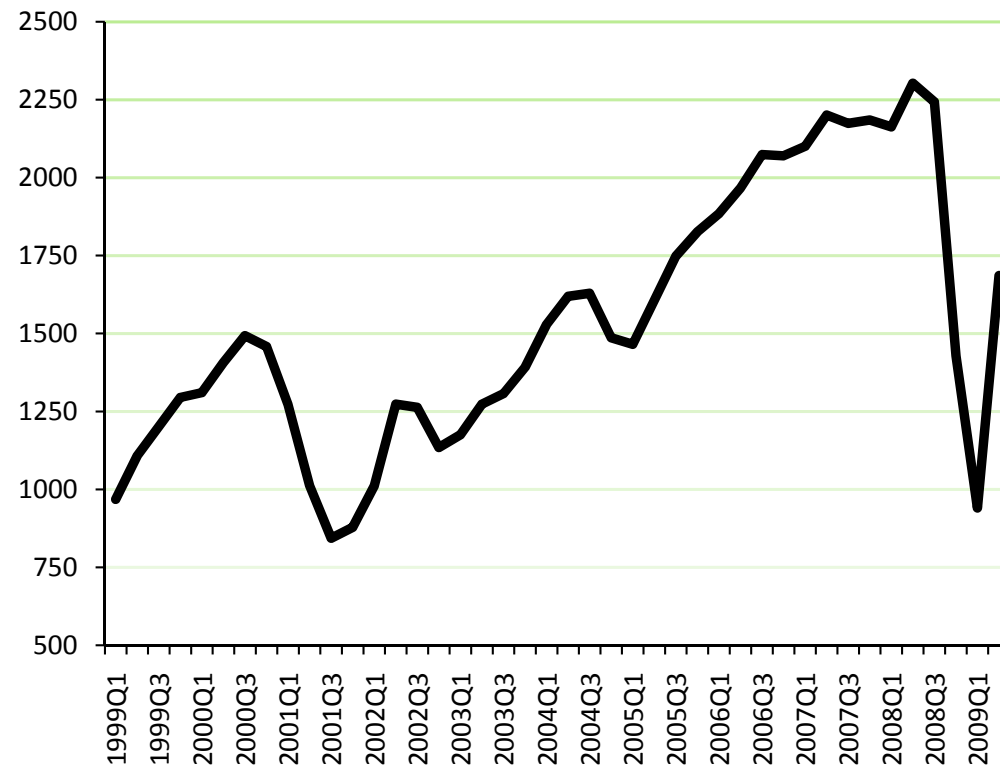
FY2009 Economic Environment

Global Industrial Production



APD FY Basis, CY2005 = 100

MSI Silicon Processed



Calendar Year



FY 2009 Summary

(Continuing ops., ex. items)	FY08	FY09	Change vs. PY*	
			\$ Δ	% Δ
Sales (\$B)	\$10.4	\$8.3	(\$2.2)	(21%)
- Underlying business				(8%)
- Energy/RM pass thru				(7%)
- Currency				(6%)
Operating Margin (%)	14.6%	14.3%		(30bp)
EPS (\$/share)	5.05	4.06	(0.99)	(20%)
ROCE (%)	13.0%	10.6%		(240bp)

- Cost actions help mitigate economic downturn impact
- U.S. Healthcare business divested
- Dividend increased for 27th consecutive year

* Comparison is non-GAAP, see appendix for reconciliation



Q4 Financials

(\$millions, Continuing Operations)	Q4 FY09	Fav/(Unfav) vs.	
		Q4 FY08	Q3 FY09*
Sales	\$2,129	(22%)	8%
- Underlying business		(7%)	7%
- Energy/RM pass-thru		(12%)	(1%)
- Currency		(3%)	2%
Operating Income	\$328	(12%)	7%
Operating Margin (%)	15.4%	170bp	(20bp)
Net Income	\$246	(10%)	9%
Diluted EPS (\$/share)	\$1.14	(10%)	9%

*Comparison versus prior quarter is Non-GAAP, see appendix for reconciliation.



Q4 EPS Analysis

	<u>Q4 FY09</u>	<u>Q4 FY08</u>	<u>Change</u>
As-reported diluted EPS	\$1.13	\$1.21	
- Discontinued Ops (loss)	<u>(0.01)</u>	<u>(0.05)</u>	
Continuing Operations EPS	<u>\$1.14</u>	<u>\$1.26</u>	<u>(\$0.12)</u>
Volume			(\$0.41)
Price / raw materials			0.02
Cost			0.18
Currency			(0.05)
PY plant fire & hurricanes			0.10
Lower interest expense			0.05
Higher tax rate			(0.04)
Lower M.I., fewer shares, all other net			<u>0.03</u>
Change			<u>(\$0.12)</u>

(\$0.21)



Merchant Gases

		Fav/(Unfav) vs.	
	<u>Q4 FY09</u>	<u>Q4 FY08</u>	<u>Q3 FY09</u>
Sales	\$932	(15%)	6%
- Volume		(11%)	3%
- Price		1%	-%
- Currency		(5%)	3%
Operating Income	\$166	(16%)	(2%)
Operating Margin	17.8%	(10bp)	(130bp)

- Lower volumes but sequential improvement
- Prices holding (+2% vs PY excl. liquid hydrogen)



Merchant Gases: *Q4 Sales Analysis vs PY*

	<u>North America</u>	<u>Europe</u>	<u>Asia</u>
Sales % change	(16%)	(14%)	(10%)
- Volume	(15%)	(9%)	(3%)
- Price	(1%)	3%	(2%)
- Currency	-	(8%)	(5%)

- Weak demand across most industries



Tonnage Gases

		Fav/(Unfav) vs.	
	<u>Q4 FY09</u>	<u>Q4 FY08</u>	<u>Q3FY09</u>
Sales	\$640	(32%)	13%
- Volume		4%	13%
- Energy/RM pass thru		(33%)	(2%)
- Currency		(3%)	2%
Operating Income	\$105	(22%)	20%
Operating Margin	16.4%	210bp	90bp

- Volumes up sequentially on stronger chemical, refinery and steel demand
- Lower operating efficiencies



Electronics & Performance Materials

	<u>Q4 FY09</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q4 FY08</u>	<u>Q3 FY09</u>
Sales	\$434	(22%)	6%
- Volume		(16%)	6%
- Price		(5%)	(1%)
- Currency		(1%)	1%
Operating Income	\$49	17%	26%
Operating Margin	11.3%	370bp	180bp
● Electronics sales		(27%)	3%
● Performance Materials volume		(10%)	9%



Equipment & Energy

	<u>Q4 FY09</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q4 FY08</u>	<u>Q3 FY09</u>
Sales	\$123	(3%)	3%
Operating Income	\$6	(63%)	(56%)
Sales Backlog	\$239	(40%)	(6%)

- Lower sales volume
- Higher energy development spending



FY'10 Full Year Outlook

- FY'10 overall... expecting a gradual and modest recovery
 - WW manufacturing growth
 - Globally up 1% to 2%
 - US flat to up modestly
 - EU flat
 - Asia up 6% to 7%
 - Silicon growth 10% to 15%
 - Capex forecast ...
 - ~\$1.3B to \$1.5B
- **FY'09 Adjusted Diluted EPS \$4.06**
 - Merchant loading
 - Tonnage new projects/loading
 - E&E similar to last year
 - E&PM loading, partially offset by restructuring cost & lower pricing
 - Productivity/restructuring benefits
 - Pension headwind
 - Tax rate about 25% to 26%
 - **FY'10 EPS \$4.65-\$4.90**
 - **15% - 21% growth vs PY**

Comparison is non-GAAP, see appendix for reconciliation

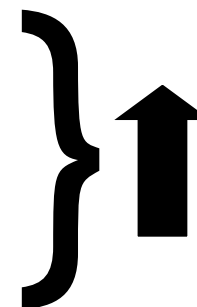


FQ1 2010 Outlook

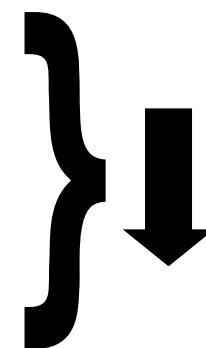
FQ4 2009 EPS

\$1.14

- New plants on-stream
- Improving economy
- Improved cost performance



- Seasonality
- Outage costs/lower volumes
- Higher pension expense



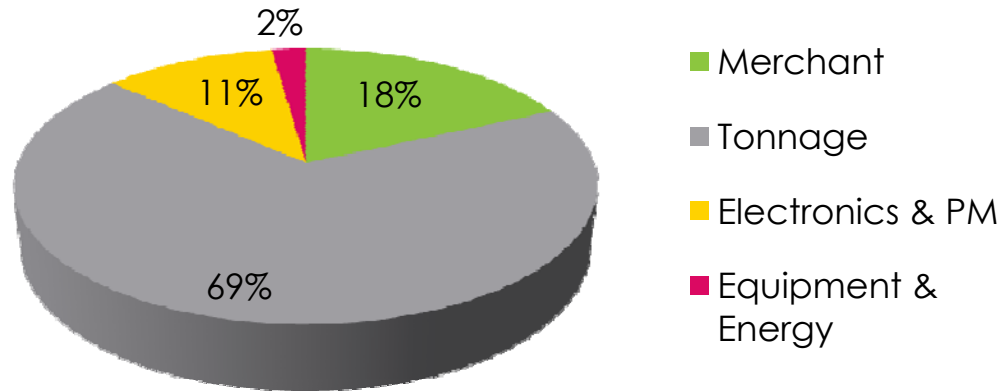
FQ1 2010 EPS

\$1.07-\$1.15



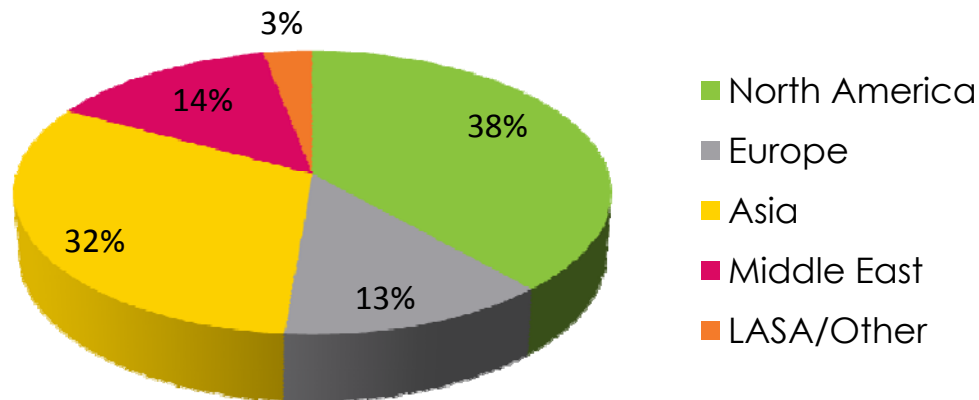
Capital Spending Outlook

FY10 GROWTH CAPEX BY SEGMENT



FY10 Forecast
Total \$1.3B-\$1.5B

FY10 GROWTH CAPEX BY REGION



Appendix Slides

Q4 FY'09 Earnings



Appendix:

FY2009 Sales Analysis

<u>Change versus</u>	<u>FY2008</u>
Total Consolidated	(21%)
Comprised of:	
● Base business growth	(8%)
– Volume	(9%)
– Price	1%
● Energy/RM pass thru	(7%)
● Currency	(6%)



Appendix: *Q4 Sales Analysis*

<u>Change versus</u>	<u>Q4 FY08</u>	<u>Q3 FY09</u>
Total Consolidated	(22%)	8%
Comprised of:		
● Base business growth	(7%)	7%
– Volume	(6%)	7%
– Price	(1%)	-%
● Energy/RM pass thru	(12%)	(1%)
● Currency	(3%)	2%



Appendix:

FY09 results and FY10 Guidance

(\$ Millions, except per share data)

	GAAP Measure				Non GAAP Ajusts.		Non GAAP Measure				
	FY09	FY08	\$ Change	% Change	FY09 (1)	FY08 (2)	FY09	FY08	\$ Change	% Change	
FY09 vs. FY08 - Total Co.											
Sales	8,256.2	10,414.5	(2,158.3)	(21%)			8,256.2	10,414.5	(2,158.3)	(21%)	
Operating Income	846.3	1,495.8	(649.5)	(43%)	338.3	26.3	1,184.6	1,522.1	(337.5)	(22%)	
Operating Margin	10.3%	14.4%		(410bp)			14.3%	14.6%		(30bp)	
Income From Continuing Ops	639.9	1,090.5	(450.6)	(41%)	226.3	16.5	866.2	1,107.0	(240.8)	(22%)	
Diluted EPS - Continuing Ops	\$3.00	\$4.97	(\$1.97)	(40%)	\$1.06	\$0.08	\$4.06	\$5.05	(\$0.99)	(20%)	

(1) FY09 Non GAAP Adjustments

	Operating Income			Income From Cont. Ops			EPS		
	Q109	Q309	Total FY09	Q109	Q309	Total FY09	Q109	Q309	Total FY09
Global Cost Reduction Plan	174.2	124.0	298.2	116.1	84.2	200.3	\$0.55	\$0.39	\$0.94
Pension Settlement		8.0	8.0		5.0	5.0		\$0.02	\$0.02
Customer Bankruptcy and Asset Actions	-	32.1	32.1	-	21.0	21.0	\$0.00	\$0.10	\$0.10
Total Adjustments	174.2	164.1	338.3	116.1	110.2	226.3	\$0.55	\$0.51	\$1.06

(2) Q208 Pension Settlement

FY10 Guidance

	<u>EPS</u>
FY10 Forecast	\$4.65-\$4.90
FY09 GAAP	\$3.00
% Change GAAP	55%-63%

FY10 Forecast	\$4.65-\$4.90
FY09 Non-GAAP	\$4.06
% Change Non-GAAP	15%-21%



Appendix: Q409 Results

(\$ Millions, except per share data)

	<u>GAAP Measure</u>			<u>Non GAAP Adjusts.</u>	<u>Non GAAP Measure</u>		
	<u>Q409</u>	<u>Q309</u>	<u>% Change</u>	<u>Q309 (1)</u>	<u>Q409</u>	<u>Q309</u>	<u>% Change</u>
<u>Q409 vs. Q309 - Total Co.</u>							
Sales	2,129.3	1,976.2	8%		2,129.3	1,976.2	8%
Operating Income	328.0	143.8	128%	164.1	328.0	307.9	7%
Operating Margin	15.4%	7.3%	810bp		15.4%	15.6%	(20bp)
Income From Continuing Ops	246.0	114.6	115%	110.2	246.0	224.8	9%
Diluted EPS - Continuing Ops	\$1.14	\$0.54	111%	\$0.51	\$1.14	\$1.05	9%

(1) Q309 Non GAAP Adjustments

	<u>Op Inc</u>	<u>Inc From Cont Ops</u>	<u>EPS</u>
Global Cost Reduction Plan	124.0	84.2	\$0.39
Pension Settlement	8.0	5.0	\$0.02
Customer Bankruptcy and Asset Actions	32.1	21.0	\$0.10
Total Adjustments	164.1	110.2	\$0.51



Appendix:

Operating Margins

(\$ Millions)

<u>GAAP Measure</u>	<u>First Half FY09</u>			<u>Second Half FY09</u>			<u>Second Half FY09 vs. First Half FY09</u>
	<u>Q109</u>	<u>Q209</u>	<u>6 months to date</u>	<u>Q309</u>	<u>Q409</u>	<u>6 months to date</u>	
Sales	2,195.3	1,955.4	4,150.7	1,976.2	2,129.3	4,105.5	
Operating Income	114.1	260.4	374.5	143.8	328.0	471.8	
Operating Margin	5.2%	13.3%	9.0%	7.3%	15.4%	11.5%	250bp
<u>Non GAAP Op Income Adjustments</u>							
Global Cost Reduction Plan	174.2		174.2	124.0		124.0	
Pension Settlement				8.0		8.0	
Customer Bankruptcy and Asset Actions				32.1		32.1	
<u>Non-GAAP Measure</u>							
Operating Income	288.3	260.4	548.7	307.9	328.0	635.9	
Operating Margin	13.1%	13.3%	13.2%	15.6%	15.4%	15.5%	230bp



Appendix:

ROCE

\$ Millions Quarter Ended	Q107	Q207	Q307	Q407	Q108	Q208	Q308	Q408	Q109	Q209	Q309	Q409
Numerator												
Operating Income Reported		313.6	360.0	380.4	380.4	348.6	393.7	373.1	114.1	260.4	143.8	328.0
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>	<u>28.5</u>	<u>32.2</u>
Earnings before tax as reported		341.1	389.5	410.5	405.7	391.0	440.2	403.9	138.6	287.4	172.3	360.2
Global Cost Reduction Plan		0.0	0.0	13.7	0.0	0.0	0.0	0.0	174.2	0.0	124.0	0.0
Gain on Contract Termination		0.0	0.0	(36.8)	0.0	0.0	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	8.0	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	0.0	0.0
Customer Bankruptcy and Asset Actions		<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>	<u>32.1</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	336.4	360.2
Effective tax rate as reported		26.5%	17.6%	18.4%	26.9%	25.3%	25.0%	23.3%	7.3%	26.0%	18.1%	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	141.1	266.5
Effective tax rate ex items		26.5%	25.7%	25.6%	26.9%	26.1%	25.0%	23.3%	24.0%	26.0%	26.1%	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	248.6	266.5
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	792.1	748.8
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	1,008.8	965.5
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	4,145.2	4,501.5
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	4,928.3	4,791.9
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>	<u>134.6</u>	<u>138.1</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	9,208.1	9,431.5
5 Qtr Average Capital (denominator)					9,053.7	9,387.9	9,597.1	9,560.4	9,515.8	9,354.2	9,190.7	9,134.7
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					13.3%	13.3%	13.1%	12.9%	11.1%	10.5%	8.6%	8.2%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					12.5%	12.6%	12.8%	13.0%	12.5%	11.7%	11.0%	10.6%



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>Q309</u>	<u>Q409</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	144.8	332.3
Minority Interest	(4.4)	(5.1)	(6.2)	(6.1)	(4.5)	(7.6)	(4.8)	(5.0)	(1.6)	(4.8)	-
Income from Cont. Ops. Before Tax	299.5	340.3	362.2	358.8	347.6	393.1	356.3	97.1	255.8	140.0	332.3
Tax Expense	79.5	59.9	66.6	96.5	87.8	98.1	82.9	7.1	66.5	25.4	86.3
Tax Rate Reported	26.5%	17.6%	18.4%	26.9%	25.3%	25.0%	23.3%	7.3%	26.0%	18.1%	26.0%
<u>ITEMS</u>											
<u>Operating Income</u>											
Global Cost Reduction Plan			13.7					174.2		124.0	
Gain on Contract Termination			(36.8)								
Supp. Pension Plan Charge			10.3		26.3					8.0	
Donation/Sale of Cost Investment			(5.0)								
Customer Bankruptcy and Asset Actions										32.1	
<u>Tax Exp</u>											
Tax Audit Settlement		27.5									
Global Cost Reduction Plan			4.9					58.1		39.8	
Gain on Contract Termination			(13.2)								
Supp. Pension Plan Charge			3.9		9.8					3.0	
Donation/Sale of Cost Investment			14.8								
Tax adjustments			11.3								
Customer Bankruptcy and Asset Actions										11.1	
<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	304.1	332.3
Tax Expense	79.5	87.4	88.3	96.5	97.6	98.1	82.9	65.2	66.5	79.3	86.3
Tax Rate ex Items	26.5%	25.7%	25.6%	26.9%	26.1%	25.0%	23.3%	24.0%	26.0%	26.1%	26.0%



Thank you

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