

## Q3 FY'09 Earnings Conference Call

July 22, 2009



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## Q3 Items

- \$124MM pretax restructuring charge
  - ~3/4 for 1,150 position eliminations
    - ~6% of workforce
  - ~1/4 for asset actions and business exits
  - FY2011 and beyond savings of ~\$50MM/yr
- \$8MM supplemental pension settlement charge
- \$32MM customer bankruptcy write-off and other asset actions

## Electronics Update and Outlook

### Q3 Review

- Business still attractive margin and return targets are achievable
- Further business simplification necessary

### <u>Actions</u>

- Streamlined organization
- Re-segmented customers for better match of service level to their needs
- Refocused technology efforts
- Optimize asset utilization by consolidating production capabilities and standardizing products
- Reduce fixed costs

## Consolidated Q3 Financials

		Fav/(Uni	fav) vs.
(\$Millions, Continuing Operations)	Q3 FY09	Q3 FY08	Q2 FY09
Sales	\$1,976	(28%)	1%
- Underlying business		(11%)	1%
- Currency		(6%)	3%
- Energy/RM pass-thru		(11%)	(3%)
Operating Income	\$308	(22%)	18%
Operating Margin %	15.6%	130bp	230bp
Net Income	\$225	(24%)	19%
Diluted EPS	\$1.05	(22%)	18%
ROCE	11.0%	(180bp)	(70bp)

## Q3 EPS Analysis

	Q3 FY09	Q3 FY08	Change
As-reported diluted EPS	\$0.53	\$0.32	
- Discontinued Ops	(0.01)	(1.03)	
- Q3 items (appx. slide #15)	(0.51)		
Continuing Operations EPS	\$1.05	\$1.35	(\$0.30)
Volume Price / raw materials Cost			(\$0.47) 0.06 0.20 (\$0.21)
Currency			(0.09)
Equity Affiliates income Lower interest expense			(0.06) 0.04
Fewer shares, higher tax, lov	ver M.I., n	et	0.02
Change			(\$0.30)



## Merchant Gases

		Fav/(L	Infav) vs.
	Q3 FY09	Q3 FY08	Q2 FY09
Sales	\$883	(19%)	1%
- Volume		(11%)	(1%)
- Price		2%	(2%)
- Currency		(10%)	4%
Operating Income	\$169	(17%)	8%
Operating Margin	19.1%	30bp	120bp

- Continued weak volumes globally
- Cost management actions drive results



## Merchant Gases: Q3 Sales Analysis vs PY

		North		
		America	Europe	Asia
5	Sales % change	(16%)	(21%)	(16%)
	- Volume	(19%)	(8%)	(10%)
	- Price	3%	3%	1%
	- Currency	-	(16%)	(7%)

Weak demand across most industries

## Tonnage Gases

			Fav/(Ur	nfav) vs.
		Q3 FY09	Q3 FY08	Q2FY09
S	ales	\$565	(42%)	(10%)
	- Volume		(6%)	(1%)
	- Energy/RM pass thr	·U	(32%)	(11%)
	- Currency		(4%)	2%
	Operating Income	\$88	(30%)	(11%)
	Operating Margin	15.5%	260bp	(20bp)

- Refinery hydrogen volumes up modestly
- Steel and chemical industry volumes lower





## Electronics & Performance Materials

		Fav/(Uni	av) vs.
	Q3 FY09	Q3 FY08	Q2 FY09
Sales	\$409	(29%)	23%
- Volume		(24%)	26%
- Price		(2%)	(4%)
- Currency		(3%)	1%
Operating Income	\$39	(45%)	$\hat{1}$
Operating Margin	9.5%	(260bp)	
<ul><li>Electronics sales</li></ul>		(35%)	21%
<ul><li>Performance Mo</li></ul>	me (23%)	26%	

## Equipment & Energy

		Fav/(U	Infav) vs.
	Q3 FY09	Q3 FY08	Q2 FY09
Sales	\$119	12%	(7%)
Operating Income	\$13	Î	(20%)
Sales Backlog	\$253	11%	(10%)

Favorable cost performance

### Outlook

#### FQ4 2009 EPS

\$1.04 - \$1.14

- Continued weak end markets
- Volumes modestly higher sequentially
- Cost improvement offset by further asset actions

#### FY2009 EPS

\$3.95 - \$4.05\*

- WW manufacturing declines (~12-15%)
- MSI declines ~40%
- Capex in-line with prior year

# Appendix Slides

Q3 FY'09 Earnings

## Appendix: Q3 Sales Analysis

Change versus	Q3 FY08	Q2 FY09
Total Consolidated	(28%)	1%
Comprised of:		
<ul><li>Base business growth</li></ul>	(11%)	1%
<ul><li>Volume</li></ul>	(11%)	3%
– Price	%	(2%)
<ul><li>Energy/RM pass thru</li></ul>	(11%)	(3%)
<ul><li>Currency</li></ul>	(6%)	3%

## Appendix: Q3 FY'09 Results

GAAP Measure   Adjusts   Non GAAP Measure   % Change   Case   C								
With the control of the cont	GAAP Measure <u>Adjusts.</u> Non GAAP Me	<u>Adjusts.</u>	GAAP Measure					
Q309 vs. Q308 - Total Co. Q309 Q308 Change Q309 (1) Q309 Q308 Measure								
	%		%					
Sales 1,976.2 2,749.7 (28%) 1,976.2 2,749.7 (28	<u>9 Q308 Change Q309 (1) Q309 Q308</u>	Q309 (1)	Q308 Change	<u>Q309</u>	Q309 vs. Q308 - Total Co.			
	6.2 2,749.7 (28%) 1,976.2 2,749.7		2,749.7 (28%)	1,976.2 2	Sales			
Operating Income 143.8 393.7 (63%) 164.1 307.9 393.7 (22	3.8 393.7 (63%) 164.1 307.9 393.7	164.1	393.7 (63%)	143.8	Operating Income			
Operating Margin 7.3% 14.3% (700bp) 15.6% 14.3% 130	'.3% 14.3% (700bp) 15.6% 14.3%		14.3% (700bp)	7.3%	Operating Margin			
Income From Continuing Ops 114.6 295.0 (61%) 110.2 224.8 295.0 (24	4.6 295.0 (61%) 110.2 224.8 295.0	110.2	295.0 (61%)	114.6	Income From Continuing Ops			
Diluted EPS - Continuing Ops \$0.54 \$1.35 (60%) \$0.51 \$1.05 \$1.35 (22	).54 \$1.35 (60%) \$0.5 <mark>1</mark> \$1.05 \$1.3	\$0.51	\$1.35 (60%)	\$0.54	Diluted EPS - Continuing Ops			
% Chang								
Non GAA								
Q309 vs. Q209 - Total Co. Q309 Q209 Change Q309 (1) Q309 Q209 Measur	9 Q209 Change Q309 (1) Q309 Q209	Q309 (1)	Q209 Change	Q309 C	Q309 vs. Q209 - Total Co.			
Sales 1,976.2 1,955.4 1% 1,976.2 1,955.4 1	6.2 1,955.4 1% 1,976.2 1,955.4		1,955.4 1%	1,976.2 1	Sales			
Operating Income 143.8 260.4 (45%) 164.1 307.9 260.4 18	3.8 260.4 (45%) 164.1 307.9 260.4	164.1	260.4 (45%)	143.8	Operating Income			
Operating Margin 7.3% 13.3% (600bp) 15.6% 13.3% 230	'.3% 13.3% (600bp) 15.6% 13.3%		13.3% (600bp)	7.3%	Operating Margin			
Income From Continuing Ops 114.6 189.3 (39%) 110.2 224.8 189.3 19	4.6 189.3 (39%) 110.2 224.8 189.3	110.2	189.3 (39%)	114.6	Income From Continuing Ops			
Diluted EPS - Continuing Ops \$0.54 \$0.89 (39%) \$0.51 \$1.05 \$0.89 18	).54	\$0.51	\$0.89 (39%)	\$0.54	Diluted EPS - Continuing Ops			
(1) Q309 Non GAAP Adjustments Inc From	Inc From	Inc From		:S	(1) Q309 Non GAAP Adjustment			
Op Inc Cont Ops EPS	Op Inc Cont Ops EPS	Cont Ops	Op Inc					
Global Cost Reduction Plan 124.0 84.2 \$0.39	124.0 84.2 \$0.39	84.2	124.0		Global Cost Reduction Plan			
Pension Settlement 8.0 5.0 \$0.02	8.0 5.0 \$0.02	5.0	8.0		Pension Settlement			
Customer Bankruptcy and Asset Actions 32.1 21.0 \$0.10	ons 32.1 21.0 \$0.10	21.0	32.1	t Actions	Customer Bankruptcy and Asse			
Total Adjustments 164.1 110.2 \$0.51	<del></del>	110.2	164.1		Total Adjustments			



# Appendix: *ROCE*

\$ Millions Quarter Ended	<u>Q107</u>	<u>Q207</u>	Q307	Q407	Q108	Q208	Q308	Q408	Q109	Q209	Q309
Numerator											
Operating Income Reported		313.6	360.0	380.4	380.4	348.6	393.7	373.1	114.1	260.4	143.8
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>
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
Global Cost Reduction Plan		0.0	0.0	13.7	0.0	0.0	0.0	0.0	174.2	0.0	124.0
Gain on Contract Termination		0.0	0.0	(36.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension Settlement Charge		0.0	0.0	10.3	0.0	26.3	0.0	0.0	0.0	0.0	8.0
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
<b>Customer Bankruptcy and Asset Actions</b>		0.0	0.0	<u>0.0</u>	0.0	0.0	0.0	0.0	0.0	0.0	<u>32.1</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
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%
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
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%
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
4 Qtr trailing AT earnings (numerator) - as rep	oorted				1,203.2	1,244.6	1,253.9	1,228.7	1,060.6	981.2	792.1
4 Qtr trailing AT Earnings (numerator) - ex ite	ms				1,128.9	1,186.6	1,227.4	1,245.0	1,186.1	1,090.4	1,008.8
<u>Denominator</u>											
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
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
Minority Interest	96.5	83.5	88.6	92.9	99.3	117.4	115.5	136.2	137.9	126.7	134.6
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
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
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg ca	ıpital)				13.3%	13.3%	13.1%	12.9%	11.1%	10.5%	8.6%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg c	apital)				12.5%	12.6%	12.8%	13.0%	12.5%	11.7%	11.0%



# Appendix: ROCE Tax Rate

	<u>Q207</u>	<u>Q307</u>	<u>Q407</u>	<u>Q108</u>	<u>Q208</u>	Q308	<u>Q408</u>	<u>Q109</u>	Q209	Q309
Reported										
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
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
Tax Expense	79.5	59.9	66.6	96.5	87.8	98.1	82.9	7.1	66.5	25.4
Tax Rate Reported	26.5%	17.6%	18.4%	26.9%	25.3%	25.0%	23.3%	7.3%	26.0%	18.1%
<u>ITEMS</u>										
Operating Income										
Global Cost Reduction Plan			13.7					174.2		124.0
Gain on Contract Termination			(36.8)		00.0					0.0
Supp. Pension Plan Charge Donation/Sale of Cost Investment			10.3 (5.0)		26.3					8.0
Customer Bankruptcy and Asset Actions			(5.0)							32.1
										02.1
Tax Exp Tax Audit Settlement		27.5								
Global Cost Reduction Plan		21.5	4.9					58.1		39.8
Gain on Contract Termination			(13.2)					30.1		33.0
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
Ex Items										
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
Tax Expense	79.5	87.4	88.3	96.5	97.6	98.1	82.9	65.2	66.5	79.3
Tax Rate ex Items	26.5%	25.7%	25.6%	26.9%	26.1%	25.0%	23.3%	24.0%	26.0%	26.1%

# Appendix: FY'09 Guidance

	Full Year FY09 Guidance
Diluted EPS - Continuing Ops.	
GAAP	\$2.89-\$2.99
Q109 Global Cost Reduction Plan	\$0.55
Q309 Global Cost Reduction Plan	\$0.39
Q309 Pension Settlement	\$0.02
Q309 Customer Bankruptcy and Asset Actions	\$0.10
Non GAAP	\$3.95-\$4.05



## Thank you

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