

# Q3 FY'12 Earnings Conference Call

July 24, 2012



**AIR**  
**PRODUCTS** 

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## Q3 items/update

- Homecare divestiture update
  - Gain on Continental homecare sale
  - Progress on remaining business
- DA NanoMaterials gain
- FQ2 restructuring charge/provision progress

# Q3 Financials

(\$millions, Continuing Operations)

	Q3 FY12	Fav/(Unfav) vs.	
		Q3 FY11	Q2 FY12
Sales	\$2,340	(5%)	-0%
- Volume		-0%	1%
- Price		1%	-0%
- Energy/RM pass-thru		(4%)	(1%)
- Currency		(3%)	(1%)
- Acquisition		1%	1%
Operating Income	\$397	2%	6%
Operating Margin	17.0%	130bp	100bp
Net Income	\$303	2%	8%
Diluted EPS (\$/share)	1.41	3%	8%
ROCE	12.2%	(80bp)	20bp

non-GAAP, see appendix for reconciliation

# Q3 EPS Analysis

(Continuing Operations EPS)

	<u>Q3 FY12</u>	<u>Q3 FY11</u>	<u>Change</u>
GAAP diluted EPS cont ops	\$1.66	\$1.37	
less gain on DA Nano	<u>0.25</u>	<u>-</u>	
Non-GAAP diluted EPS cont ops	<u>\$1.41</u>	<u>\$1.37</u>	<u>\$0.04</u>
Volume (incl. Acq.)			(\$0.04)
Price / raw materials			0.02
Cost			0.10
			\$0.08
Currency/FX			(0.05)
Higher equity affiliate income			0.01
Higher tax rate			(0.02)
Fewer shares outstanding			<u>0.02</u>
Change			<u>\$0.04</u>

non-GAAP, see appendix for reconciliation

# Merchant Gases

		<u>Fav/(Unfav) vs.</u>	
	<u>Q3 FY12</u>	<u>Q3 FY11</u>	<u>Q2 FY12</u>
Sales	\$874	(5%)	(1%)
- Volume		(2%)	1%
- Price		2%	(1%)
- Currency		(5%)	(1%)
Operating Income	\$165	4%	8%
Operating Margin	18.8%	160bp	150bp

- Strong cost performance drives margin improvement
- Pricing positive in all regions
- Volumes soft due to slower economic activity

# Merchant Gases: Q3 Sales Analysis vs PY

	<u>U.S./ Canada</u>	<u>Europe</u>	<u>Asia</u>
Sales % change	1%	(12%)	6%
- Volume	-%	(4%)	4%
- Price	1%	2%	3%
- Currency	-%	(10%)	(1%)

- US/Canada positive price, continued strong contract signings
- Europe volumes weaker on softer demand, but positive pricing
- Asia volume and price strength

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

# Tonnage Gases

		<u>Fav/(Unfav) vs.</u>	
	<u>Q3 FY12</u>	<u>Q3 FY11</u>	<u>Q2 FY12</u>
Sales	\$767	(12%)	(2%)
- Volume		2%	2%
- Energy/RM pass thru		(12%)	(3%)
- Currency		(2%)	(1%)
Operating Income	\$134	17%	7%
Operating Margin	17.5%	430bp	150bp

- Strong operating and cost performance drives margin expansion
- Volume growth from new projects
- Sales impacted by lower natural gas prices



# Electronics & Performance Materials

		Fav/(Unfav) vs.	
	<u>Q3 FY12</u>	<u>Q3 FY11</u>	<u>Q2 FY12</u>
Sales	\$604	-0%	6%
- Volume		(1%)	2%
- Price		(1%)	-0%
- Currency		(2%)	-0%
- Acquisition		4%	4%
Operating Income	\$91	(17%)	6%
Operating Margin	15.0%	(310bp)	(10bp)
Electronics sales		2%	10%
Performance Materials sales		(2%)	2%

- Acquisition offsets soft base business volumes
- New Electronics projects in China

# Equipment & Energy

	<u>Q3 FY12</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q3 FY11</u>	<u>Q2 FY12</u>
Sales	\$95	19%	(14%)
Operating Income	\$10	14%	-%
Sales Backlog	\$434	76%	39%

- Higher ASU activity versus prior year
- Announced another new LNG order
- Highest sales backlog in the last five years

# Guidance/Outlook

FQ4 2012 EPS

\$1.42-\$1.47

- Higher Merchant and Electronics volumes
  - Restructuring benefits
  - Indura acquisition
  - Unfavorable currency impacts
- 

FY 2012 EPS

\$5.40-\$5.45

- CapEx forecast ~\$2.9B, includes ~\$0.7B for equity portion of Indura acquisition
- Tax rate guidance unchanged, ~25%

# Appendix Slides

# Major Projects

Plant	Location	Capacity	Timing
H2	Rotterdam, Netherlands	World Scale	Onstream
ASU/Liquid	Laporte, TX	World Scale	Onstream
H2	Luling, LA	120 MMSCFD H2	Onstream
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/Liquid	Gent, Belgium	2,000 TPD O2	H1FY13
ASU	Samsung, Tangjeong, Korea	World Scale	H2FY13
ASU	PCEC, Weinan, China	8,200 TPD O2	H2FY13
ASU/Liquid	Samsung, Xian, China	World Scale	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

# Air Products EPS

	<b>FY11</b>	<b>FY12</b>
Q1	\$1.25	\$1.26
Q2	\$1.33	\$1.31
Q3	\$1.37	\$1.41
<u>Q4</u>	<u>\$1.41</u>	<u>\$1.42 - \$1.47</u>
FY	\$5.36	\$5.40 - \$5.45

APD diluted earnings per share, continuing operations,  
ex-disclosed items (non-GAAP basis).

## Capital Expenditure – non-GAAP basis

FY	\$MM
2012 Forecast	~\$2,900*
2012 Q3 YTD	\$1,662
2011	\$1,582
2010	\$1,298
2009	\$1,475
2008	\$1,355
2007	\$1,635

Includes Capital Expenditures - GAAP basis, plus Capital Lease expenditures and Purchase of non-controlling interests.

\*2012 Forecast includes \$0.7B for Indura equity

# Appendix: Q3 FY12 Electronics and Performance Materials

(\$ Millions)

	GAAP Measure				Non GAAP Adjustment	Non GAAP Measure			
			\$	%				\$	%
<b>Electronics and Performance Materials</b>									
<u>Q312 vs. Q311</u>	<u>Q312</u>	<u>Q311</u>	<u>Change</u>	<u>Change</u>	<u>Q312 (1)</u>	<u>Q312</u>	<u>Q311</u>	<u>Change</u>	<u>Change</u>
Sales	603.8	602.4	1.4	0%	(85.9)	603.8	602.4	1.4	0%
Operating Income	176.7	109.0	67.7	62%		90.8	109.0	(18.2)	(17%)
Operating Margin	29.3%	18.1%		1,120bp		15.0%	18.1%		(310bp)
			\$	%				\$	%
<u>Q312 vs. Q212</u>	<u>Q312</u>	<u>Q212</u>	<u>Change</u>	<u>Change</u>	<u>Q312 (1)</u>	<u>Q312</u>	<u>Q212</u>	<u>Change</u>	<u>Change</u>
Sales	603.8	567.0	36.8	6%	(85.9)	603.8	567.0	36.8	6%
Operating Income	176.7	85.5	91.2	107%		90.8	85.5	5.3	6%
Operating Margin	29.3%	15.1%		1,420bp		15.0%	15.1%		(10bp)

(1) Gain on previously held equity interest



# Appendix: Q3 FY12 Results and FY12 Guidance

(\$ Millions, except per share data)

	GAAP Measure				Non GAAP Adjustments			Non GAAP Measure			
	Q312	Q311	\$ Change	% Change	Q312 (2)			Q312	Q311	\$ Change	% Change
<b>Q312 vs. Q311 - Total Company</b>											
Sales	2,340.1	2,472.0	(131.9)	(5%)	(85.9)			2,340.1	2,472.0	(131.9)	(5%)
Operating Income	482.8	387.7	95.1	25%				396.9	387.7	9.2	2%
Operating Margin	20.6%	15.7%		490bp				17.0%	15.7%		130bp
Income from Cont. Ops. (1)	357.2	297.0	60.2	20%	(54.6)			302.6	297.0	5.6	2%
Diluted EPS - Cont. Ops. (1)	\$1.66	\$1.37	\$0.29	21%	(\$0.25)			\$1.41	\$1.37	\$0.04	3%
			\$	%						\$	%
<b>Q312 vs. Q212 - Total Company</b>											
Sales	2,340.1	2,344.3	(4.2)	(0%)	(85.9)		86.8	2,340.1	2,344.3	(4.2)	(0%)
Operating Income	482.8	287.9	194.9	68%				396.9	374.7	22.2	6%
Operating Margin	20.6%	12.3%		830bp				17.0%	16.0%		100bp
Income from Cont. Ops. (1)	357.2	279.0	78.2	28%	(54.6)	(58.3)	60.6	302.6	281.3	21.3	8%
Diluted EPS - Cont. Ops. (1)	\$1.66	\$1.30	\$0.36	28%	(\$0.25)	(\$0.27)	\$0.28	\$1.41	\$1.31	\$0.10	8%

- (1) Attributable to Air Products  
(2) Gain on previously held equity interest  
(3) Spanish tax ruling  
(4) Cost reduction plan charge

	Diluted EPS (6)	FY12 Q4 EPS Guidance	Diluted EPS (6)	Capital Expenditures Guidance	\$Millions
<b>FY12 Full year EPS guidance</b>					
FY11 GAAP	\$5.22	FY12 Q3 GAAP	\$1.66	FY11 GAAP	1,408.3
Q111 Acquisition - related costs	\$0.12	Gain on prev. held equity int.	(\$0.25)	Capital lease expenditures	173.5
Q211 Acquisition - related costs	\$0.02	FY12 Q3 Non GAAP	\$1.41	FY11 Non GAAP	1,581.8
FY11 Non GAAP	\$5.36	FY12 Q4 Guidance	\$1.42-\$1.47	FY12 GAAP - guidance	2,650.0
FY12 GAAP Guidance	\$5.44-\$5.49	% Change	1%-4%	Capital lease expenditures	250.0
Q112 Spanish tax settlement	\$0.20			FY12 Non GAAP - guidance	2,900.0
Q212 Spanish tax ruling	(\$0.27)				
Q212 Cost reduction plan charge	\$0.28				
Q312 Gain on prev. held equity interest	(\$0.25)				
FY12 Non GAAP Guidance	\$5.40-\$5.45				
% Change	1%-2%				

- (6) Continuing operations, attributable to Air Products

# Appendix: ROCE

\$ Millions Quarter Ended	Q110 through Q112 shown without restating for moving Homecare to Disc. Ops.									Proforma Q212	Proforma Q312
	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Q112		
<b>Numerator</b>											
Operating Income Reported		340.6	336.4	367.0	360.6	419.5	416.8	425.3	384.7	287.9	482.8
Equity Affiliate Income		32.2	32.5	35.3	27.8	31.7	39.7	55.1	37.1	35.5	41.7
Earnings before tax as reported		372.8	368.9	402.3	388.4	451.2	456.5	480.4	421.8	323.4	524.5
Cost Reduction Plan										86.8	
Gain on previously held equity interest											(85.9)
Acquisition - Related Costs		23.4	37.9	34.7	43.5	5.0	0.0	0.0	0.0	0.0	0.0
Earnings before tax ex items		396.2	406.8	437.0	431.9	456.2	456.5	480.4	421.8	410.2	438.6
Effective tax rate as reported		24.7%	22.9%	25.2%	22.8%	26.1%	24.2%	24.9%	34.7%	3.0%	26.7%
Earnings after tax as reported		280.7	284.4	300.9	299.8	333.4	346.0	360.8	275.4	313.7	384.5
Effective tax rate ex items		25.6%	24.4%	26.2%	24.4%	26.0%	24.2%	24.9%	23.5%	24.5%	24.7%
Earnings after tax ex items		294.8	307.5	322.5	326.5	337.6	346.0	360.8	322.7	309.7	330.3
Add Income from Disc. Ops, net of tax										17.0	6.5
Earnings after tax ex items Proforma										326.7	336.8
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	1,334.4
4 Qtr trailing AT Earnings (numerator) - proforma ex items					1,251.3	1,294.1	1,332.6	1,370.9	1,367.1	1,356.2	1,347.0
<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	4,216.9
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	6,513.6
Noncontrolling Interest	150.2	152.7	140.5	150.7	167.2	174.0	164.8	142.9	148.1	144.7	133.8
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	10,864.3
2 Qtr Average Capital (denominator)					9,897.6	10,182.2	10,644.9	10,697.8	10,587.0	10,910.0	11,005.6
5 Qtr Average Capital (denominator)					9,743.9	9,902.4	10,129.0	10,317.2	10,486.6	10,722.1	10,816.0
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					12.8%	13.1%	13.2%	13.3%	13.0%	12.6%	12.5%
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%	12.2%

# Appendix: ROCE Tax rate

(\$ Millions)	Q110 through Q112 shown without restating for moving Homecare to Disc. Ops.							Q112	Q212	Q312
	Q210	Q310	Q410	Q111	Q211	Q311	Q411			
<u>Reported</u>										
Income Before Taxes	343.3	338.9	371.5	357.4	421.8	430.0	451.8	392.4	294.0	498.5
Tax Expense	84.9	77.6	93.5	81.5	110.3	103.9	112.7	136.1	8.8	133.3
<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>	<b>26.7%</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	
Gain on previously held equity interest										(85.9)
<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	
Gain on previously held equity interest										(31.3)
<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	412.6
Tax Expense	93.7	91.8	106.4	97.8	110.9	103.9	112.7	92.3	93.3	102.0
<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>	<b>24.7%</b>