

Q1 FY'14

Earnings Conference Call

January 28 2014



Forward looking statement

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Delivered on our Commitments

- ✓ Executed on our strong backlog, including bringing on-stream two new projects in China
- ✓ Executed on our asset loading plans with strong volume growth in Merchant and Electronics & Performance Materials
- ✓ Delivered on our cost reduction programs
- ✓ Focused on winning profitable new projects
- ✓ Delivered Q1 earnings at the top end of our guidance range

Q1 Summary

(\$millions, Continuing Operations)

| | <u>Q1 FY14</u> | <u>Fav/(Unfav) vs.</u> | |
|------------------------------|----------------|------------------------|----------------|
| | | <u>Q1 FY13</u> | <u>Q4 FY13</u> |
| Sales | \$2,546 | (1%) | (2%) |
| - Volume (ex-PUI) | | (1%) | (3%) |
| - PUI volume | | (1%) | -0% |
| - Price | | -0% | -0% |
| - Energy/Raw Mat'l pass-thru | | 1% | -0% |
| - Currency | | -0% | 1% |
| - Acquisitions | | -0% | -0% |
| Operating Income | \$386 | 4% | (8%) |
| Operating Margin | 15.1% | 60bp | (120bp) |
| Net Income | \$287 | 4% | (9%) |
| Diluted EPS (\$/share) | 1.34 | 3% | (9%) |
| ROCE | 9.9% | (130bp) | (20bp) |

non-GAAP PQ comparison, see appendix for reconciliation

Q1 EPS Analysis

| | <u>Q1 FY14</u> | <u>Q1 FY13</u> | <u>Change</u> | |
|-------------------------------|----------------|----------------|---------------|----------|
| As reported EPS | \$1.35 | \$1.31 | | |
| less disc. ops. EPS | <u>0.01</u> | <u>0.01</u> | | |
| Continuing ops. EPS | <u>\$1.34</u> | <u>\$1.30</u> | <u>\$0.04</u> | |
| Volume | | | \$0.12 | } \$0.06 |
| Price / raw materials | | | (0.05) | |
| Cost | | | (0.01) | |
| PUI impact | | | - | |
| Currency/FX | | | (0.01) | |
| Lower equity affiliate income | | | (0.01) | |
| Lower interest expense | | | 0.01 | |
| Higher shares outstanding | | | <u>(0.01)</u> | |
| Change | | | <u>\$0.04</u> | |

Merchant Gases

| | <u>Q1 FY14</u> | <u>Fav/(Unfav) vs.</u> | |
|------------------|----------------|------------------------|----------------|
| | | <u>Q1 FY13</u> | <u>Q4 FY13</u> |
| Sales | \$1,048 | 4% | (1%) |
| - Volume | | 4% | (2%) |
| - Price | | -% | -% |
| - Currency | | -% | 1% |
| - Acquisition | | -% | -% |
| Operating Income | \$169 | (1%) | (4%) |
| Operating Margin | 16.1% | (80bp) | (60bp) |

- Strong oxygen/nitrogen/argon volume growth and contract signings
- Helium availability remains a challenge with new sources expected in FY14
- Stable pricing

Merchant Gases: Q1 Sales Analysis

| % chg vs PY | US & Canada | Europe | Asia | Latin America |
|---------------------------------|------------------------|---------------|-------------|----------------------|
| Sales | 4% | 3% | 6% | (5%) |
| - volume | 2% | -0% | 8% | 1% |
| - price | 2% | -0% | (2%) | 1% |
| - currency | -0% | 3% | -0% | (7%) |
| LOX/LIN capacity utilization | high 70's | high 70's | mid 70's | mid 70's |

- Strong US/Canada LOX/LIN volume growth increases capacity utilization
- Europe LOX/LIN volumes growth offset by helium availability and cylinder demand weakness
- Asia volumes driven by strength in China
- LA volumes up slightly on weaker economic activity

Tonnage Gases

| | <u>Q1 FY14</u> | <u>Fav/(Unfav) vs.</u> | |
|------------------------------|----------------|------------------------|----------------|
| | | <u>Q1 FY13</u> | <u>Q4 FY13</u> |
| Sales | \$808 | (10%) | (3%) |
| - Volume (ex-PUI) | | (10%) | (4%) |
| - PUI volume | | (3%) | -% |
| - Energy/Raw Mat'l pass thru | | 2% | -% |
| - Currency | | 1% | 1% |
| Operating Income | \$118 | (15%) | (13%) |
| Operating Margin | 14.6% | (80bp) | (150bp) |

- As expected, outages impacted costs and volumes
- Continued strong USGC hydrogen demand
- PUI business exit complete

Electronics & Performance Materials

| | <u>Q1 FY14</u> | <u>Fav/(Unfav) vs.</u> | |
|-----------------------------|----------------|------------------------|----------------|
| | | <u>Q1 FY13</u> | <u>Q4 FY13</u> |
| Sales | \$579 | 5% | -0% |
| - Volume | | 6% | (1%) |
| - Price | | (1%) | -0% |
| - Currency | | -0% | 1% |
| - Acquisitions | | -0% | -0% |
| Operating Income | \$84 | 36% | (13%) |
| Operating Margin | 14.4% | 320bp | (210bp) |
| Electronics sales | | 4% | 3% |
| Performance Materials sales | | 8% | (4%) |

- Strong volumes in both Electronics and Performance Materials
- Operating Income leverage from cost actions

Equipment & Energy

| | <u>Q1 FY14</u> | <u>Fav/(Unfav) vs.</u> | |
|------------------|----------------|------------------------|----------------|
| | | <u>Q1 FY13</u> | <u>Q4 FY13</u> |
| Sales | \$111 | 4% | (6%) |
| Operating Income | \$ 21 | 144% | -0% |
| Sales Backlog | \$343 | (12%) | (15%) |

- Higher LNG project activity drives profit improvement
- New LNG order in Russia as project development activity remains strong
- Tees Valley Energy from Waste Projects on budget, meeting our safety goals and on schedule

Outlook

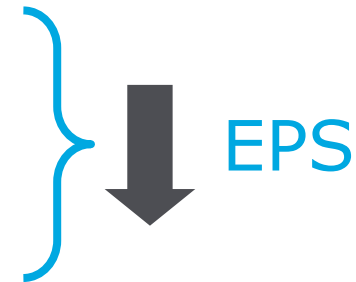
FQ1 2014 EPS

\$1.34

- Volume improvements
- No inventory revaluation
- Cost initiatives



- Tonnage customer maintenance outages
- PUI Exit
- Lower Equipment & Energy results



FQ2 2014 EPS

\$1.32-\$1.37

FY 2014 EPS (unchanged)

\$5.70-\$5.90

Key Focus...

- Disciplined project execution
- Focused productivity and cost reductions
- Winning in the marketplace
- Delivering profitable growth from existing assets

...to deliver shareholder value

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, ending near the top right, positioned above the yellow curve.

Major Projects

| Plant | Location | Capacity | Timing |
|------------|-----------------------------|-----------------|-----------|
| ASU/Liquid | Yankuang, Guiyang, China | 2,000 TPD O2 | Onstream |
| H2 | Petrochina, Chengdu, China | 90 MMSCFD H2 | Onstream |
| ASU/Liquid | Wison, Nanjing, China | 1,500 TPD O2 | Onstream |
| ASU/Liquid | Samsung, Xian, China | World Scale | Onstream* |
| ASU/Liquid | XLX, Xinxiang, China | 2,000 TPD O2 | Onstream |
| Helium | Wyoming | 200 MMSCFY | Q2FY14 |
| ASU | Tainan, Taiwan | Multiple Plants | Q2FY14* |
| ASU | Samsung, Tangjeong, Korea | World Scale | H2FY14 |
| ASU/Liquid | PCEC, Weinan, China | 8,200 TPD O2 | H2FY14* |
| H2 | St. Charles, LA | World Scale | H2FY14 |
| ASU/Liquid | Zhengyuan, Hebei, China | 2,000 TPD O2 | H2FY14 |
| EfW | Tees Valley 1, UK | 50MW | FY15 |
| ASU | Yankuang, Yulin, China | 12,000 TPD O2 | FY15 |
| Helium | Colorado | 230 MMSCFY | FY15 |
| ASU | Lu'An, Changzhi City, China | 10,000 TPD O2 | FY16 |
| H2/ASU | BPCL, India | 165 MMSCFD H2 | FY16 |
| H2 | Scotford, Canada | 150 MMSCFD H2 | FY16 |
| EfW | Tees Valley 2, UK | 50MW | FY16 |

* Multiple Phases

Capital Expenditure – non-GAAP basis

| FY | \$MM |
|---------------|---------------|
| 2014 Forecast | About \$2,000 |
| 2013 | \$1,997 |
| 2012 | \$2,088 |
| 2011 | \$1,539 |
| 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 excludes \$0.7B for Indura equity

2007 - 2010 includes European Homecare Services

Air Products EPS

| | FY11 | FY12 | FY13 | FY14 |
|-----------|---------------|---------------|---------------|----------------------|
| Q1 | \$1.25 | \$1.26 | \$1.30 | \$1.34 |
| Q2 | \$1.33 | \$1.31 | \$1.37 | \$1.32-\$1.37 |
| Q3 | \$1.37 | \$1.41 | \$1.36 | |
| Q4 | \$1.41 | \$1.42 | \$1.47 | |
| FY | \$5.36 | \$5.40 | \$5.50 | \$5.70-\$5.90 |

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

Appendix: Q1 FY14 Results and Guidance

(\$ Millions, except per share data)

| | GAAP Measure | | | | Non GAAP Adjustments | Non GAAP Measure | | | |
|--------------------------------------|--------------|---------|-----------|----------|----------------------|------------------|---------|-----------|----------|
| | Q114 | Q413 | \$ Change | % Change | | Q114 | Q413 | \$ Change | % Change |
| Q114 vs. Q413 - Total Company | | | | | | | | | |
| Sales | 2,545.5 | 2,586.5 | (41.0) | (2%) | | 2,545.5 | 2,586.5 | (41.0) | (2%) |
| Operating Income | 385.6 | 179.2 | 206.4 | 115% | 241.7 | 385.6 | 420.9 | (35.3) | (8%) |
| Operating Margin | 15.1% | 6.9% | | 820bp | | 15.1% | 16.3% | | (120bp) |
| Income from Cont. Ops. (1) | 287.1 | 150.2 | 136.9 | 91% | 164.3 | 287.1 | 314.5 | (27.4) | (9%) |
| Diluted EPS - Cont. Ops. (1) | \$1.34 | \$0.70 | \$0.64 | 91% | 0.77 | \$1.34 | \$1.47 | (\$0.13) | (9%) |

(1) Attributable to Air Products

(2) Q4 FY13 Non GAAP Adjustments

| | Q413 | | |
|-------------------------------|------------------|---------------------|-------------|
| | Operating Income | Inc. From Cont. Ops | EPS |
| Business Restructuring Charge | 231.6 | 157.9 | 0.74 |
| Advisory Costs | 10.1 | 6.4 | 0.03 |
| Total FY13 Adjustments | 241.7 | 164.3 | 0.77 |

FY14 EPS guidance

FY13 GAAP

Business Restructuring Charge

Advisory Costs

FY13 Non GAAP

FY14 Guidance

% Change

Diluted
EPS (3)
\$4.73
\$0.74
\$0.03
\$5.50
\$5.70-\$5.90
4%-7%

FY14 Capital Expenditures Guidance

FY13 GAAP

Capital lease expenditures

Purchase of noncontrolling interests

FY13 Non GAAP

FY14 GAAP - guidance

Capital lease expenditures

FY14 Non GAAP - guidance

\$Millions

1,747.8

234.9

14.0

1,996.7

1,800-1,900

100-200

1,900-2,100

(3) Continuing operations, attributable to Air Products

Appendix: ROCE

| \$ Millions Quarter Ended | <u>Q112</u> | <u>Q212</u> | <u>Q312</u> | <u>Q412</u> | <u>Q113</u> | <u>Q213</u> | <u>Q313</u> | <u>Q413</u> | <u>Q114</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Numerator | | | | | | | | | |
| Operating Income Reported | | 287.9 | 482.8 | 157.9 | 372.4 | 389.7 | 383.1 | 179.2 | 385.6 |
| Equity Affiliate Income | | 35.5 | 41.7 | 39.5 | 41.4 | 39.8 | 44.2 | 42.4 | 38.2 |
| Earnings before tax as reported | | 323.4 | 524.5 | 197.4 | 413.8 | 429.5 | 427.3 | 221.6 | 423.8 |
| Cost Reduction / Restructuring Charge | | 86.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 231.6 | 0.0 |
| Gain on previously held equity interest | | 0.0 | (85.9) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PUI business actions | | 0.0 | 0.0 | 54.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PV market actions | | 0.0 | 0.0 | 186.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Customer Bankruptcy | | 0.0 | 0.0 | 9.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Advisory Costs | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.1 | 0.0 |
| Earnings before tax ex items | | 410.2 | 438.6 | 447.8 | 413.8 | 429.5 | 427.3 | 463.3 | 423.8 |
| Effective tax rate as reported | | 3.0% | 26.7% | 11.2% | 24.4% | 24.3% | 24.0% | 13.9% | 24.2% |
| Earnings after tax as reported | | 313.7 | 384.5 | 175.3 | 312.8 | 325.1 | 324.7 | 190.8 | 321.2 |
| Effective tax rate ex items | | 24.5% | 24.7% | 24.5% | 24.4% | 24.3% | 24.0% | 24.1% | 24.2% |
| Earnings after tax ex items | | 309.7 | 330.3 | 338.1 | 312.8 | 325.1 | 324.7 | 351.6 | 321.2 |
| 4 Qtr trailing AT earnings (numerator) - as reported | | | | | 1,186.3 | 1,197.7 | 1,137.9 | 1,153.4 | 1,161.8 |
| 4 Qtr trailing AT Earnings (numerator) - ex items | | | | | 1,290.9 | 1,306.3 | 1,300.7 | 1,314.2 | 1,322.6 |
| Denominator | | | | | | | | | |
| Total Debt | 4,614.4 | 4,739.4 | 4,216.9 | 5,291.9 | 6,035.7 | 5,981.2 | 6,130.3 | 6,273.6 | 6,168.3 |
| Air Products Shareholders' Equity | 5,909.0 | 6,262.7 | 6,513.6 | 6,477.2 | 6,299.3 | 6,365.5 | 6,540.8 | 7,042.1 | 7,264.0 |
| Redeemable Noncontrolling Interest | | | | 392.5 | 390.7 | 398.7 | 371.8 | 375.8 | 358.7 |
| Noncontrolling Interest | 148.1 | 144.7 | 133.8 | 146.1 | 151.9 | 151.9 | 150.6 | 156.8 | 158.7 |
| Total Capital | 10,671.5 | 11,146.8 | 10,864.3 | 12,307.7 | 12,877.6 | 12,897.3 | 13,193.5 | 13,848.3 | 13,949.7 |
| 2 Qtr Average Capital (denominator) | | | | | 12,592.7 | 12,887.5 | 13,045.4 | 13,520.9 | 13,899.0 |
| 5 Qtr Average Capital (denominator) | | | | | 11,573.6 | 12,018.7 | 12,428.1 | 13,024.9 | 13,353.3 |
| ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital) | | | | | 10.3% | 10.0% | 9.2% | 8.9% | 8.7% |
| ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital) | | | | | 11.2% | 10.9% | 10.5% | 10.1% | 9.9% |
| Instantaneous ROCE ex items (Qtr earnings AT x 4) / 2 pt avg capital) | | | | | 9.9% | 10.1% | 10.0% | 10.4% | 9.2% |

Appendix: ROCE Tax Rate

| (\$ Millions) | <u>Q212</u> | <u>Q312</u> | <u>Q412</u> | <u>Q113</u> | <u>Q213</u> | <u>Q313</u> | <u>Q413</u> | <u>Q114</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>Reported</u> | | | | | | | | |
| Income Before Taxes | 294.0 | 498.5 | 158.5 | 378.0 | 394.3 | 391.9 | 186.2 | 390.5 |
| Tax Expense | 8.8 | 133.3 | 17.8 | 92.2 | 95.8 | 94.1 | 25.8 | 94.5 |
| Tax Rate Reported | 3.0% | 26.7% | 11.2% | 24.4% | 24.3% | 24.0% | 13.9% | 24.2% |
| <u>ITEMS</u> | | | | | | | | |
| <u>Operating Income</u> | | | | | | | | |
| Cost Reduction / Restructuring Charges | 86.8 | | | | | | 231.6 | |
| Gain on previously held equity interest | | (85.9) | | | | | | |
| PUI business actions | | | 54.6 | | | | | |
| PV market actions | | | 186.0 | | | | | |
| Customer Bankruptcy | | | 9.8 | | | | | |
| Advisory Costs | | | | | | | 10.1 | |
| <u>Tax Exp</u> | | | | | | | | |
| Spanish tax settlement | | | | | | | | |
| Spanish tax ruling | 58.3 | | | | | | | |
| Cost Reduction / Restructuring Charges | 26.2 | | | | | | 73.7 | |
| Gain on previously held equity interest | | (31.3) | | | | | | |
| PUI divestiture loss | | | 19.8 | | | | | |
| PV market actions | | | 59.0 | | | | | |
| Customer Bankruptcy | | | 3.7 | | | | | |
| Advisory Costs | | | | | | | 3.7 | |
| <u>Ex Items</u> | | | | | | | | |
| Income Before Taxes | 380.8 | 412.6 | 408.9 | 378.0 | 394.3 | 391.9 | 427.9 | 390.5 |
| Tax Expense | 93.3 | 102.0 | 100.3 | 92.2 | 95.8 | 94.1 | 103.2 | 94.5 |
| Tax Rate ex Items | 24.5% | 24.7% | 24.5% | 24.4% | 24.3% | 24.0% | 24.1% | 24.2% |

Thank you

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