

# 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>
<b>Sales</b>	<b>\$2,546</b>	<b>(1%)</b>	<b>(2%)</b>
- 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%
<b>Operating Income</b>	<b>\$386</b>	<b>4%</b>	<b>(8%)</b>
<b>Operating Margin</b>	<b>15.1%</b>	<b>60bp</b>	<b>(120bp)</b>
<b>Net Income</b>	<b>\$287</b>	<b>4%</b>	<b>(9%)</b>
<b>Diluted EPS (\$/share)</b>	<b>1.34</b>	<b>3%</b>	<b>(9%)</b>
<b>ROCE</b>	<b>9.9%</b>	<b>(130bp)</b>	<b>(20bp)</b>

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

<b>% chg vs PY</b>	<b>US &amp; Canada</b>	<b>Europe</b>	<b>Asia</b>	<b>Latin America</b>
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

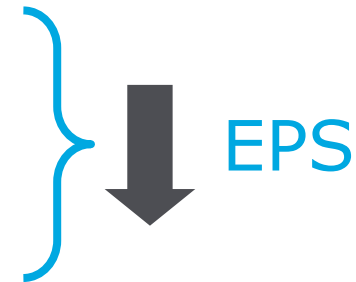
## FQ1 2014 EPS

\$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

<b>FY</b>	<b>\$MM</b>
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

	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
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
<b>Q114 vs. Q413 - Total Company</b>									
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
<b>Total FY13 Adjustments</b>	<b>241.7</b>	<b>164.3</b>	<b>0.77</b>

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>
<b>Numerator</b>									
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
<b>Denominator</b>									
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
<b>Tax Rate Reported</b>	<b>3.0%</b>	<b>26.7%</b>	<b>11.2%</b>	<b>24.4%</b>	<b>24.3%</b>	<b>24.0%</b>	<b>13.9%</b>	<b>24.2%</b>
<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
<b>Tax Rate ex Items</b>	<b>24.5%</b>	<b>24.7%</b>	<b>24.5%</b>	<b>24.4%</b>	<b>24.3%</b>	<b>24.0%</b>	<b>24.1%</b>	<b>24.2%</b>

Thank you

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