

Q2 FY'14

Earnings Conference Call

April 23 2014



Forward looking statements

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Delivered on our Commitments

- ✓ Delivered earnings within our guidance range, despite adverse weather impacts in US/Canada
- ✓ Executed on our strong backlog, including bringing on-stream new projects in Louisiana and Taiwan
- ✓ Drove asset loading with strong volume growth in Merchant and Electronics & Performance Materials
- ✓ Continued to deliver on our cost reduction programs
- ✓ Increased the dividend for the 32nd consecutive year

Q2 Summary

(\$millions, Continuing Operations)

	Q2 FY14	Fav/(Unfav) vs.	
		Q2 FY13	Q1 FY14
Sales	\$2,582	4%	1%
- Volume (ex-PUI)		2%	(1%)
- PUI volume		(2%)	(1%)
- Price		-%	-%
- Energy/Raw Mat'l pass-thru		4%	3%
- Currency		-%	-%
- Acquisitions		-%	-%
Operating Income	\$385	(1%)	-%
Operating Margin	14.9%	(80bp)	(20bp)
Net Income	\$284	(2%)	(1%)
Diluted EPS (\$/share)	1.32	(4%)	(1%)
ROCE*	9.7%	(120bp)	(20bp)

Q2 EPS Analysis

	<u>Q2 FY14</u>	<u>Q2 FY13</u>	<u>Change</u>	
As reported EPS	\$1.32	\$1.38		
less disc. ops. EPS	-	0.01		
Continuing ops. EPS	<u>\$1.32</u>	<u>\$1.37</u>	<u>(\$0.05)</u>	
Volume			\$0.12	} \$0.01
Price / raw materials			(0.07)	
Cost			(0.04)	
PUI impact			(0.03)	
Currency/FX			-	
Lower equity affiliate income			(0.03)	
Lower interest expense			0.01	
Lower tax rate & non-controlling interest			0.01	
Higher shares outstanding			<u>(0.02)</u>	
Change			<u>(\$0.05)</u>	

Merchant Gases

	<u>Q2 FY14</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY13</u>	<u>Q1 FY14</u>
Sales	\$1,040	4%	(1%)
- Volume		4%	(1%)
- Price		1%	1%
- Currency		(1%)	(1%)
- Acquisition		-0%	-0%
Operating Income	\$143	(15%)	(15%)
Operating Margin	13.8%	(300bp)	(230bp)

- Continued strong oxygen/nitrogen/argon volume growth
- US/Canada weather impact expected to be recovered in Q3/Q4
- Helium availability remains a challenge despite new sources expected in FY14

Merchant Gases: Q2 Sales Analysis

% chg vs PY	US & Canada	Europe	Asia	Latin America
Sales	11%	2%	6%	(9%)
- volume	6%	(1%)	6%	3%
- price	5%	(1%)	1%	2%
- currency	-0%	4%	(1%)	(14%)
LOX/LIN capacity utilization	high 70's	high 70's	mid 70's	mid 70's

- New business drives continued LOX/LIN volume growth in US/Canada
- Europe LOX/LIN volume growth offset by helium availability and cylinder demand weakness
- China sales success driving Asia loadings, but capacity and wholesale market impacting margins
- LA volumes up slightly on weaker economic activity

Tonnage Gases

	<u>Q2 FY14</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY13</u>	<u>Q1 FY14</u>
Sales	\$840	4%	4%
- Volume (ex-PUI)		(3%)	(2%)
- PUI volume		(5%)	(4%)
- Energy/Raw Mat'l pass thru		11%	10%
- Currency		1%	-%
Operating Income	\$112	(9%)	(5%)
- <i>Operating Income excluding PUI</i>		(3%)	2%
Operating Margin	13.4%	(180bp)	(120bp)

- As expected, planned maintenance outages impacted results
- Continued strong USGC hydrogen demand
- PUI business exit complete – headwind vs. prior year

Electronics & Performance Materials

	<u>Q2 FY14</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q2 FY13</u>	<u>Q1 FY14</u>
Sales	\$592	8%	2%
- Volume		9%	2%
- Price		(1%)	-0%
- Currency		-0%	-0%
- Acquisitions		-0%	-0%
Operating Income	\$107	38%	28%
Operating Margin	18.1%	400bp	370bp
Electronics sales		6%	(3%)
Performance Materials sales		10%	9%

- Electronics sales growth led by delivery systems equipment
- Performance Materials sales growth across all product lines and major regions
- Operating Income leverage from business restructuring and cost actions

Equipment & Energy

	<u>Q2 FY14</u>	Fav/(Unfav) vs.	
		<u>Q2 FY13</u>	<u>Q1 FY14</u>
Sales	\$110	(11%)	-%
Operating Income	\$ 23	11%	12%
Sales Backlog	\$338	3%	(2%)

- Higher LNG project activity drives profit improvement
- Project development activity remains strong with new order announcements expected soon

Outlook

FQ2 2014 EPS

\$1.32

Positive Drivers

- Weather recovery
- Volume improvements and new plant onstreams
- Higher equity affiliates results
- Cost reduction initiatives



FQ3 2014 EPS

\$1.42-\$1.47

FY 2014 EPS

\$5.70-\$5.85

FY 2014 Capital Spending

approx \$2B

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.

Industry leading \$3.5B backlog:

Over 85% secure onsite/pipeline business model

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
ASU	Tainan, Taiwan	Multiple Plants	Onstream*
H2	St. Charles, LA	World Scale	Onstream
Helium	Wyoming	200 MMSCFY	Q3FY14
ASU	Samsung, Tangjeong, Korea	World Scale	Q4FY14
ASU/Liquid	PCEC, Weinan, China	8,200 TPD O2	Q4FY14*
ASU/Liquid	Zhengyuan, Hebei, China	2,000 TPD O2	Q4FY14
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

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
Q3	\$1.37	\$1.41	\$1.36	\$1.42-\$1.47
Q4	\$1.41	\$1.42	\$1.47	
FY	\$5.36	\$5.40	\$5.50	\$5.70-\$5.85

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

Appendix: Guidance

EPS Guidance

	Diluted <u>EPS (1)</u>
FY13 GAAP	\$4.73
Business Restructuring Charge	\$0.74
Advisory Costs	<u>\$0.03</u>
FY13 Non GAAP	<u>\$5.50</u>
FY14 Guidance	<u>\$5.70-\$5.85</u>
% Change	4%-6%

(1) Continuing operations, attributable to Air Products

Capital Expenditure Guidance

	<u>\$Millions</u>
FY13 GAAP	1,747.8
Capital lease expenditures	234.9
Purchase of noncontrolling interests	<u>14.0</u>
FY13 Non GAAP	<u>1,996.7</u>
FY14 GAAP - guidance	1,800-1,900
Capital lease expenditures	<u>100-200</u>
FY14 Non GAAP - guidance	1,900-2,100

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>	<u>Q214</u>
Numerator										
Operating Income Reported		287.9	482.8	157.9	372.4	389.7	383.1	179.2	385.6	384.7
Equity Affiliate Income		35.5	41.7	39.5	41.4	39.8	44.2	42.4	38.2	30.4
Earnings before tax as reported		323.4	524.5	197.4	413.8	429.5	427.3	221.6	423.8	415.1
Cost Reduction / Restructuring Charge		86.8	0.0	0.0	0.0	0.0	0.0	231.6	0.0	0.0
Gain on previously held equity interest		0.0	(85.9)	0.0	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	0.0
PV market actions		0.0	0.0	186.0	0.0	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	0.0
Advisory Costs		0.0	0.0	0.0	0.0	0.0	0.0	10.1	0.0	0.0
Earnings before tax ex items		410.2	438.6	447.8	413.8	429.5	427.3	463.3	423.8	415.1
Effective tax rate as reported		3.0%	26.7%	11.2%	24.4%	24.3%	24.0%	13.9%	24.2%	24.0%
Earnings after tax as reported		313.7	384.5	175.3	312.8	325.1	324.7	190.8	321.2	315.5
Effective tax rate ex items		24.5%	24.7%	24.5%	24.4%	24.3%	24.0%	24.1%	24.2%	24.0%
Earnings after tax ex items		309.7	330.3	338.1	312.8	325.1	324.7	351.6	321.2	315.5
4 Qtr trailing AT earnings (numerator) - as reported					1,186.3	1,197.7	1,137.9	1,153.4	1,161.8	1,152.2
4 Qtr trailing AT Earnings (numerator) - ex items					1,290.9	1,306.3	1,300.7	1,314.2	1,322.6	1,313.0
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	6,167.1
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	7,370.9
Redeemable Noncontrolling Interest				392.5	390.7	398.7	371.8	375.8	358.7	343.6
Noncontrolling Interest	148.1	144.7	133.8	146.1	151.9	151.9	150.6	156.8	158.7	156.9
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	14,038.5
2 Qtr Average Capital (denominator)					12,592.7	12,887.5	13,045.4	13,520.9	13,899.0	13,994.1
5 Qtr Average Capital (denominator)					11,573.6	12,018.7	12,428.1	13,024.9	13,353.3	13,585.5
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					10.3%	10.0%	9.2%	8.9%	8.7%	8.5%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					11.2%	10.9%	10.5%	10.1%	9.9%	9.7%
Instantaneous ROCE ex items (Qtr earnings AT x 4) / 2 pt avg capital)					9.9%	10.1%	10.0%	10.4%	9.2%	9.0%

Appendix: ROCE Tax Rate

(\$ Millions)	Q212	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214
<u>Reported</u>									
Income Before Taxes	294.0	498.5	158.5	378.0	394.3	391.9	186.2	390.5	383.6
Tax Expense	8.8	133.3	17.8	92.2	95.8	94.1	25.8	94.5	92.1
Tax Rate Reported	3.0%	26.7%	11.2%	24.4%	24.3%	24.0%	13.9%	24.2%	24.0%
<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	383.6
Tax Expense	93.3	102.0	100.3	92.2	95.8	94.1	103.2	94.5	92.1
Tax Rate ex Items	24.5%	24.7%	24.5%	24.4%	24.3%	24.0%	24.1%	24.2%	24.0%

Thank you

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