

# Q4 FY'13

## Earnings Conference Call

October 29 2013



# Forward looking statement

Note: This presentation contains "forward-looking statements" within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements about earnings guidance and business outlook. These forward-looking statements are based on management's reasonable expectations and assumptions as of the date of this release. Actual performance and financial results may differ materially from projections and estimates expressed in the forward-looking statements because of many factors not anticipated by management, including, without limitation, weakening or reversal of global or regional economic recovery; future financial and operating performance of major customers; unanticipated contract terminations or customer cancellations or postponement of projects and sales; the impact of competitive products and pricing; interruption in ordinary sources of supply of raw materials; unanticipated asset impairments or losses; the impact of price fluctuations in natural gas; the ability to recover unanticipated increased energy and raw material costs from customers; costs and outcomes of litigation or regulatory investigations; the impact of management and organizational changes, including the chief executive officer search; the success of productivity programs; the timing, impact, and other uncertainties of future acquisitions or divestitures; significant fluctuations in interest rates and foreign currencies from that currently anticipated; political risks, including the risks of unanticipated government actions that may result in project delays, cancellations or expropriations; the impact of changes in environmental, tax or other legislation and regulations in jurisdictions in which the Company and its affiliates operate; the impact on the effective tax rate of changes in the mix of earnings among our U.S. and international operations; and other risk factors described in the Company's Form 10K for its fiscal year ended September 30, 2012. The Company disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Company's assumptions, beliefs or expectations or any change in events, conditions, or circumstances upon which any such forward-looking statements are based.

# FY 2013 Summary

- Financial Performance
  - Sales growth of 6%
  - Operating Income and EPS growth of 2%
- Shareholder Actions and Results
  - Dividend increased by 11%, 31 years of consecutive increases
  - Bought back 5.7MM shares at average price of under \$81
  - Total Shareholder Return of 33%
- Portfolio and productivity actions positioning for the future
  - Delivered fully on \$60MM cost savings from 2012 Europe focused reorganization
  - Announced further restructuring actions to save additional \$75MM
  - Delivered solid overall cost productivity
  - On track for PUI exit early 2014
- Consistent project execution delivering on our commitments
  - Major projects brought on-stream safely, on time and under budget
  - Fully and successfully integrated Indura

# Leadership market positions driving profitable future growth

- Oxygen for coal gasification for Lu'An Coal in China
- Hydrogen projects
  - BPCL in India
  - Shell and Northwest in Scotford Canada
- LNG projects in China, US and Malaysia
- Energy from Waste – Tees Valley, UK
  - Compelling market opportunity
  - Onsite business model
  - Core competency

# FY 2013 Summary

(\$billions, continuing ops., ex. items)	FY12	FY13	Change vs. PY	
			\$ Δ	% Δ
Sales	\$9.6	\$10.2	\$0.6	6%
- Volume (ex-PUI)				1%
- PUI volume				(2%)
- Price				-%
- Currency				-%
- Energy/Raw Mat'l pass-thru				2%
- Acquisitions/Divestitures				5%
Operating Income	\$1.5	\$1.6		2%
Operating Margin	16.0%	15.4%		(60bp)
EPS (\$/share)	5.40	5.50	0.10	2%
ROCE	11.5%	10.1%		(140bp)

- Weaker than expected economic growth
- New projects startups and new signings strong

# Q4 Summary

(\$millions, Continuing Operations)

	<u>Q4 FY13</u>	<u>Fav/(Unfav) vs.</u> <u>Q4 FY12</u> <u>Q3 FY13</u>	
<b>Sales</b>	<b>\$2,587</b>	<b>(1%)</b>	<b>2%</b>
- Volume (ex-PUI)		(2%)	3%
- PUI volume		(2%)	-0%
- Price		-0%	-0%
- Energy/Raw Mat'l pass-thru		2%	(1%)
- Currency		1%	-0%
- Acquisitions		-0%	-0%
<b>Operating Income</b>	<b>\$421</b>	<b>3%</b>	<b>10%</b>
<b>Operating Margin</b>	<b>16.3%</b>	<b>60bp</b>	<b>130bp</b>
<b>Net Income</b>	<b>\$315</b>	<b>3%</b>	<b>9%</b>
<b>Diluted EPS (\$/share)</b>	<b>1.47</b>	<b>4%</b>	<b>8%</b>

non-GAAP, see appendix for reconciliation

# Q4 EPS Analysis

	<u>Q4 FY13</u>	<u>Q4 FY12</u>	<u>Change</u>	
As reported EPS	\$0.64	\$0.65		
less non-GAAP items	(0.77)	(0.78)		
less disc. ops. EPS	<u>(0.06)</u>	<u>.01</u>		
Adjusted cont. ops. EPS	<u>\$1.47</u>	<u>\$1.42</u>	<u>\$0.05</u>	
Volume			\$0.08	} \$0.04
Price / raw materials			(0.04)	
Cost			-	
PUI impact			(0.01)	
Currency/FX			0.01	
Higher equity affiliate income			0.01	
Non-controlling interest			(0.03)	
Lower interest expense			0.01	
Lower tax rate			0.01	
Fewer shares outstanding			<u>0.01</u>	
Change			<u>\$0.05</u>	

non-GAAP, see appendix for reconciliation.

# Merchant Gases

	<u>Q4 FY13</u>	<u>Fav/(Unfav) vs.</u> <u>Q4 FY12</u> <u>Q3 FY13</u>	
Sales	\$1,054	4%	2%
- Volume		3%	2%
- Price		1%	-%
- Currency		-%	-%
- Acquisition		-%	-%
Operating Income	\$177	10%	7%
Operating Margin	16.7%	90bp	70bp

- Strong oxygen/nitrogen/argon volumes partially offset by Helium availability and lower Europe packaged gas demand
- Contract signings up double-digits from FY12 record level
- Delivered on \$60MM FY12 cost reduction program



# Merchant Gases: Q4 Sales Analysis

<b>% chg vs PY</b>	<b>US &amp; Canada</b>	<b>Europe</b>	<b>Asia</b>	<b>Latin America</b>
Sales	12%	1%	5%	(4%)
- volume	7%	(2%)	7%	-0%
- price	5%	-0%	(3%)	1%
- currency	-0%	3%	1%	(5%)
LOX/LIN capacity utilization	mid 70's	mid 70's	mid 70's	mid 70's

- Strong US/Canada LOX/LIN growth, supplemented by EPCO acquisition
- Flat Europe LOX/LIN volumes offset by helium availability and cylinder demand weakness
- Asia volumes driven by strength in China
- LA volumes flat on weaker economic activity

# Tonnage Gases

	<u>Q4FY13</u>	<u>Fav/(Unfav) vs.</u> <u>Q4 FY12</u> <u>Q3 FY13</u>	
Sales	\$835	(1%)	(1%)
- Volume (ex-PUI)		(1%)	2%
- PUI volume		(6%)	-%
- Energy/Raw Mat'l pass thru		5%	(3%)
- Currency		1%	-%
Operating Income	\$135	(4%)	12%
- <i>Operating Income excluding PUI</i>	\$128	(2%)	9%
Operating Margin	16.1%	(60bp)	190bp

- USGC hydrogen volume strength continues
- Two new major hydrogen deals announced in India and Canada
- PUI exit proceeding as planned

# Electronics & Performance Materials

	<u>Q4FY13</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q4 FY12</u>	<u>Q3 FY13</u>
Sales	\$580	(6%)	3%
- Volume		(5%)	3%
- Price		(2%)	-%
- Currency		1%	-%
- Acquisitions		-%	-%
Operating Income	\$96	12%	10%
Operating Margin	16.5%	270bp	120bp
Electronics sales		(15%)	4%
Performance Materials sales		7%	-%

- Electronics sales down on lower equipment
- Performance Materials sales up in all regions and product lines

non-GAAP, see appendix for reconciliation.

# Equipment & Energy

	<u>Q4FY13</u>	Fav/(Unfav) vs.	
		<u>Q4 FY12</u>	<u>Q3 FY13</u>
Sales	\$118	(7%)	14%
Operating Income	\$ 21	16%	28%
Sales Backlog	\$402	(11%)	23%

- Higher LNG project activity drives profit improvement
- New LNG order in China, additional announcements expected soon
- Tees Valley 2 Energy from Waste Project

# FY'14 Full Year Outlook

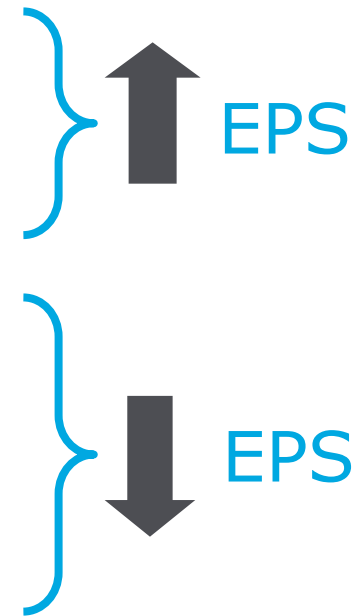
- FY'14 overall... uncertainty continues, below trend growth
- WW manufacturing growth
  - Global 2% - 4%
  - US/Can 2% - 4%
  - Asia 5% - 7%
  - EU 0% - 2%
  - SA 1% - 3%
- Silicon growth 3% - 5%
- CapEx forecast
  - About \$2 billion
- FY'13 Adjusted Diluted EPS \$5.50
  - New projects on-stream
  - Loading existing assets
  - Higher LNG business
  - More customer outages
  - Restructuring benefits
  - PUI exit
  - Lower pension expense
  - Taxes/currency/interest ~flat
  - Higher shares outstanding
- FY'14 EPS \$5.70-\$5.90
  - +4% to 7% vs PY

# FQ1 2014 Outlook

FQ4 2013 EPS

\$1.47

- New plants on stream
- Cost initiatives
- Lower pension expense
  
- Seasonality
- Tonnage customer maintenance outages
- Lower Equipment & Energy results
- Inventory revaluation, lower OIE



FQ1 2014 EPS

\$1.30-\$1.35

# Key Focus...

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

...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.



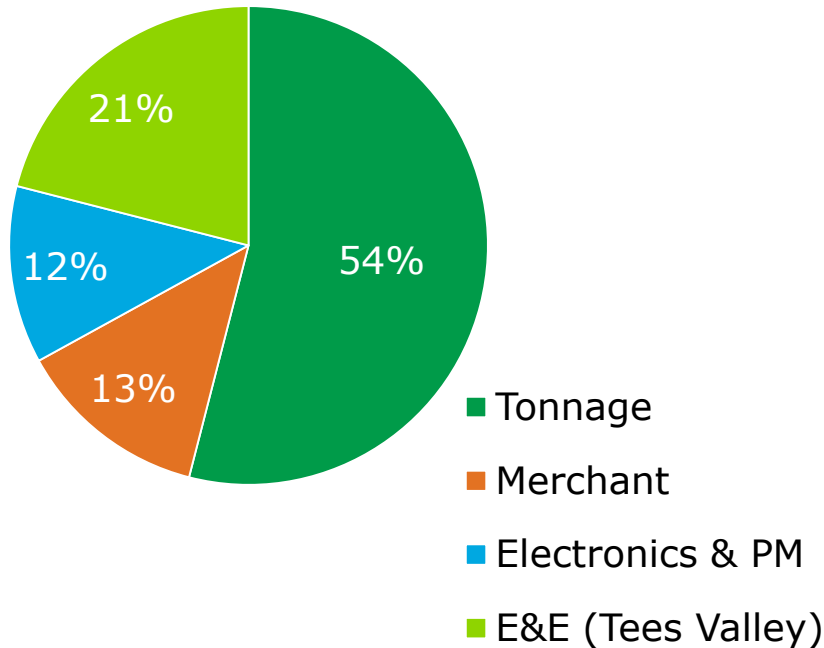
# Major Projects

Plant	Location	Capacity	Q4
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	Q1FY14
Helium	Wyoming	200 MMSCFY	Q1FY14
ASU/Liquid	XLX, Xinxiang, China	2,000 TPD O2	Q1FY14
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
ASU	Tainan, Taiwan	Multiple Plants	H2FY14
EfW	Tees Valley 1, UK	50MW	FY15
ASU	Yankuang, Yulin, China	12,000 TPD O2	FY15
ASU	Lu'An, Changzhi City, China	10,000 TPD O2	FY15
H2/ASU	BPCL, India	165 MMSCFD H2	FY16
H2	Scotford, Canada	150 MMSCFD H2	FY16
EfW	Tees Valley 2, UK	50MW	FY16

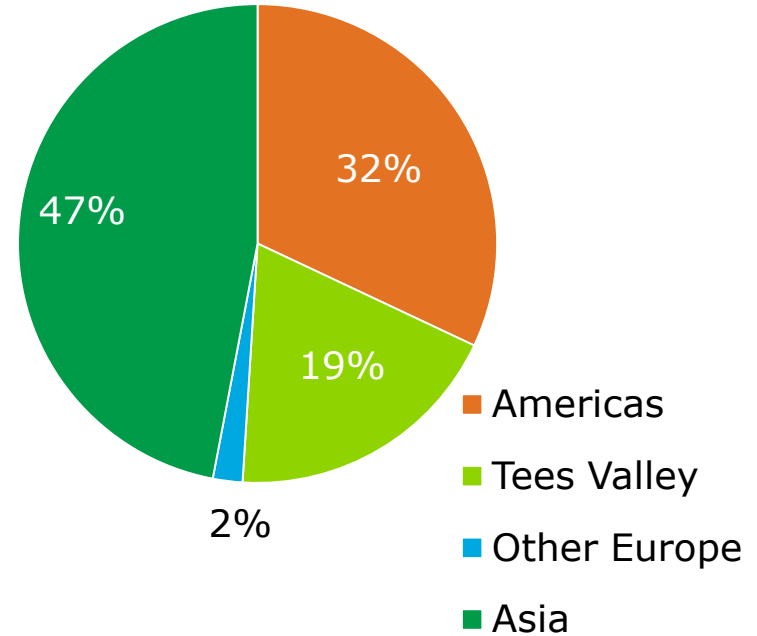
# Capital spending outlook

## FY14 forecast about \$2B

FY14 Growth CapEx  
by Segment



FY14 Growth CapEx  
by Region



# 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	\$1.30-\$1.35
Q2	\$1.33	\$1.31	\$1.37	
Q3	\$1.37	\$1.41	\$1.36	
Q4	\$1.41	\$1.42	\$1.47	
<b>FY</b>	<b>\$5.36</b>	<b>\$5.40</b>	<b>\$5.50</b>	<b>\$5.70-\$5.90</b>

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

# Appendix: FY13 Full Year Results

(\$ Millions, except per share data)

	GAAP Measure				Non GAAP Adjustments		Non GAAP Measure				
	FY13	FY12	\$ Change	% Change	FY13 (2)	FY12 (3)	FY13	FY12	\$ Change	% Change	
<b>FY13 vs. FY12 - Total Company</b>											
Sales	10,180.4	9,611.7	568.7	6%			10,180.4	9,611.7	568.7	6%	
Operating Income	1,324.4	1,282.4	42.0	3%	241.7	251.3	1,566.1	1,533.7	32.4	2%	
Operating Margin	13.0%	13.3%		(30bp)			15.4%	16.0%		(60bp)	
Income from Cont. Ops. (1)	1,004.2	999.2	5.0	1%	164.3	159.4	1,168.5	1,158.6	9.9	1%	
Diluted EPS - Cont. Ops. (1)	\$4.73	\$4.66	\$0.07	2%	0.77	0.74	\$5.50	\$5.40	\$0.10	2%	

(1) Attributable to Air Products

(2) 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

(3) FY12 Non GAAP Adjustments

	Operating Income					Income From Cont. Ops.					EPS				
	Q112	Q212	Q312	Q412	FY12	Q112	Q212	Q312	Q412	FY12	Q112	Q212	Q312	Q412	FY12
Spanish tax settlement					-	43.8				43.8	0.20				0.20
Spanish tax ruling					-		(58.3)			(58.3)		(0.27)			(0.27)
Cost reduction plan charge		86.8			86.8		60.6			60.6		0.28			0.28
Gain on previously held equity interest			(85.9)		(85.9)			(54.6)		(54.6)			(0.25)		(0.25)
PUI business actions				54.6	54.6				34.8	34.8				0.16	0.16
PV market actions				186.0	186.0				127.0	127.0				0.59	0.59
Customer bankruptcy	-	-	-	9.8	9.8	-	-	-	6.1	6.1	-	-	-	0.03	0.03
Total Adjustments	-	86.8	(85.9)	250.4	251.3	43.8	2.3	(54.6)	167.9	159.4	0.20	0.01	(0.25)	0.78	0.74

# Appendix: Q4 FY13 Results and Guidance

(\$ Millions, except per share data)

	GAAP Measure				Non GAAP Adjustments		Non GAAP Measure			
	Q413	Q412	\$ Change	% Change	Q413 (2)	Q412 (2)	Q413	Q412	\$ Change	% Change
<b>Q413 vs. Q412 - Total Company</b>										
Sales	2,586.5	2,605.8	(19.3)	(1%)	241.7	250.4	2,586.5	2,605.8	(19.3)	(1%)
Operating Income	179.2	157.9	21.3	13%	164.3	167.9	420.9	408.3	12.6	3%
Operating Margin	6.9%	6.1%		80bp			16.3%	15.7%		60bp
Income from Cont. Ops. (1)	150.2	137.1	13.1	10%			314.5	305.0	9.5	3%
Diluted EPS - Cont. Ops. (1)	\$0.70	\$0.64	\$0.06	9%	0.77	0.78	\$1.47	\$1.42	\$0.05	4%
<b>Q413 vs. Q313 - Total Company</b>										
Sales	2,586.5	2,547.3	39.2	2%	241.7		2,586.5	2,547.3	39.2	2%
Operating Income	179.2	383.1	(203.9)	(53%)	164.3		420.9	383.1	37.8	10%
Operating Margin	6.9%	15.0%		(810bp)			16.3%	15.0%		130bp
Income from Cont. Ops. (1)	150.2	287.8	(137.6)	(48%)	164.3		314.5	287.8	26.7	9%
Diluted EPS - Cont. Ops. (1)	\$0.70	\$1.36	(\$0.66)	(49%)	0.77		\$1.47	\$1.36	\$0.11	8%

(1) Attributable to Air Products

(2) See previous Appendix for Non GAAP item descriptions

	Diluted EPS (3)
<b>FY14 EPS guidance</b>	<b><u>\$5.70-\$5.90</u></b>
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-\$5.90</u>
% Change	4% <sup>a</sup> -7%

(3) Continuing operations, attributable to Air Products

FY14 Capital Expenditures Guidance	\$Millions
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	Q111	Q211	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313	Q413
<b>Numerator</b>												
Operating Income Reported		393.8	387.7	395.4	353.7	287.9	482.8	157.9	372.4	389.7	383.1	179.2
Equity Affiliate Income		<u>31.7</u>	<u>39.7</u>	<u>55.1</u>	<u>37.1</u>	<u>35.5</u>	<u>41.7</u>	<u>39.5</u>	<u>41.4</u>	<u>39.8</u>	<u>44.2</u>	<u>42.4</u>
Earnings before tax as reported		425.5	427.4	450.5	390.8	323.4	524.5	197.4	413.8	429.5	427.3	221.6
Cost Reduction / Restructuring Charge		0.0	0.0	0.0	0.0	86.8	0.0	0.0	0.0	0.0	0.0	231.6
Acquisition - Related Costs		5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain on previously held equity interest		0.0	0.0	0.0	0.0	0.0	(85.9)	0.0	0.0	0.0	0.0	0.0
PUI business actions		0.0	0.0	0.0	0.0	0.0	0.0	54.6	0.0	0.0	0.0	0.0
PV market actions		0.0	0.0	0.0	0.0	0.0	0.0	186.0	0.0	0.0	0.0	0.0
Customer Bankruptcy		0.0	0.0	0.0	0.0	0.0	0.0	9.8	0.0	0.0	0.0	0.0
Advisory Costs		<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>10.1</u>
Earnings before tax ex items		430.5	427.4	450.5	390.8	410.2	438.6	447.8	413.8	429.5	427.3	463.3
Effective tax rate as reported		26.1%	23.8%	24.5%	35.2%	3.0%	26.7%	11.2%	24.4%	24.3%	24.0%	13.9%
Earnings after tax as reported		314.4	325.7	340.1	253.2	313.7	384.5	175.3	312.8	325.1	324.7	190.8
Effective tax rate ex items		25.9%	23.8%	24.5%	23.1%	24.5%	24.7%	24.5%	24.4%	24.3%	24.0%	24.1%
Earnings after tax ex items		319.0	325.7	340.1	300.5	309.7	330.3	338.1	312.8	325.1	324.7	351.6
4 Qtr trailing AT earnings (numerator) - as reported					1,233.4	1,232.7	1,291.5	1,126.7	1,186.3	1,197.7	1,137.9	1,153.4
4 Qtr trailing AT Earnings (numerator) - ex items					1,285.3	1,276.0	1,280.6	1,278.6	1,290.9	1,306.3	1,300.7	1,314.2
<b>Denominator</b>												
Total Debt	3,991.2	4,394.8	4,495.7	4,561.5	4,614.4	4,739.4	4,216.9	5,291.9	6,035.7	5,981.2	6,130.3	6,273.6
Air Products Shareholders' Equity	5,810.0	5,825.2	6,232.2	5,795.8	5,909.0	6,262.7	6,513.6	6,477.2	6,299.3	6,365.5	6,540.8	7,042.1
Redeemable Noncontrolling Interest								392.5	390.7	398.7	371.8	375.8
Noncontrolling Interest	167.2	174.0	164.8	142.9	148.1	144.7	133.8	146.1	151.9	151.9	150.6	156.8
Total Capital	9,968.4	10,394.0	10,892.7	10,500.2	10,671.5	11,146.8	10,864.3	12,307.7	12,877.6	12,897.3	13,193.5	13,848.3
2 Qtr Average Capital (denominator)					10,585.9	10,909.2	11,005.6	11,586.0	12,592.7	12,887.5	13,045.4	13,520.9
5 Qtr Average Capital (denominator)					10,485.4	10,721.0	10,815.1	11,098.1	11,573.6	12,018.7	12,428.1	13,024.9
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					11.8%	11.5%	11.9%	10.2%	10.3%	10.0%	9.2%	8.9%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					12.3%	11.9%	11.8%	11.5%	11.2%	10.9%	10.5%	10.1%
Instantaneous ROCE ex items (Qtr earnings AT x 4) / 2 pt avg capital)					11.4%	11.4%	12.0%	11.7%	9.9%	10.1%	10.0%	10.4%

# Appendix: ROCE Tax Rate

(\$ Millions)	<u>Q211</u>	<u>Q311</u>	<u>Q411</u>	<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>Reported</u>											
Income Before Taxes	396.1	400.9	421.9	361.5	294.0	498.5	158.5	378.0	394.3	391.9	186.2
Tax Expense	103.2	95.4	103.4	127.4	8.8	133.3	17.8	92.2	95.8	94.1	25.8
<b>Tax Rate Reported</b>	<b>26.1%</b>	<b>23.8%</b>	<b>24.5%</b>	<b>35.2%</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>
<u>ITEMS</u>											
<u>Operating Income</u>											
Acquisition - related costs	5.0										
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>											
Acquisition - related costs	0.6										
Spanish tax settlement				(43.8)							
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	401.1	400.9	421.9	361.5	380.8	412.6	408.9	378.0	394.3	391.9	427.9
Tax Expense	103.8	95.4	103.4	83.6	93.3	102.0	100.3	92.2	95.8	94.1	103.2
<b>Tax Rate ex Items</b>	<b>25.9%</b>	<b>23.8%</b>	<b>24.5%</b>	<b>23.1%</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>



Thank you

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