

Q3 FY'13

Earnings Conference Call

July 23 2013



Forward looking statement

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Q3 Financials

(\$millions, Continuing Operations)

	<u>Q3 FY13</u>	<u>Fav/(Unfav) vs.</u> <u>Q3 FY12</u> <u>Q2 FY13</u>	
Sales	\$2,547	9%	3%
- Volume (ex-PUI)		-%	2%
- PUI volume		(2%)	(-%)
- Price		-%	-%
- Energy/Raw Mat'l pass-thru		5%	2%
- Currency		-%	(1%)
- Acquisitions		6%	-%
Operating Income	\$383	(3%)	(2%)
Operating Margin	15.0%	(200bp)	(70bp)
Net Income	\$288	(5%)	(1%)
Diluted EPS (\$/share)	1.36	(4%)	(1%)
ROCE	10.5%	(130bp)	(40bp)

non-GAAP, see appendix for reconciliation

Q3 EPS Analysis

	<u>Q3 FY13</u>	<u>Q3 FY12</u>	<u>Change</u>
GAAP diluted EPS cont. ops.	\$1.36	\$1.66	
less gain on DA Nano	-	0.25	
Adjusted cont. ops. EPS	<u>\$1.36</u>	<u>\$1.41</u>	<u>(\$0.05)</u>
Volume [incl. +\$0.06 acquisitions]			\$0.10
Price / raw materials			(0.05)
Cost [incl. (\$0.05) pension]			(0.06)
PUI impact			(0.04)
Currency/FX			-
Higher equity affiliate income			0.01
Non-controlling interest			(0.01)
Higher interest expense			(0.03)
Lower tax rate			0.01
Fewer shares outstanding			0.02
Change			<u>(\$0.05)</u>

(\$0.01)

non-GAAP, see appendix for reconciliation.

Merchant Gases

	<u>Q3 FY13</u>	<u>Fav/(Unfav) vs.</u> <u>Q3 FY12</u> <u>Q2 FY13</u>	
Sales	\$1,033	18%	3%
- Volume		2%	4%
- Price		-%	-%
- Currency		-%	(1%)
- Acquisition		16%	-%
Operating Income	\$165	-%	(2%)
Operating Margin	16.0%	(280bp)	(80bp)

- Strong oxygen/nitrogen volumes partially offset by Helium availability
- Flat pricing did not recover cost increases, negatively impacting margins
- Indura business showing improved margins, but still dilutive

non-GAAP, see appendix for reconciliation

Merchant Gases: Q3 Sales Analysis vs PY

	<u>U.S./ Canada</u>	<u>Europe</u>	<u>Asia</u>
Sales % change	6%	(2%)	(1%)
- Volume	2%	(2%)	-%
- Price	4%	(1%)	(2%)
- Currency	-%	1%	1%
LOX/LIN capacity utilization	low/mid 70's	mid 70's	mid 70's

- Strongest US/Canada LOX/LIN growth in five years
- Slightly positive Europe LOX/LIN volumes offset by cylinder demand weakness
- Modest Asia LOX/LIN volume growth and LAR recovery
- Helium supply limitations impacting all regions

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

Tonnage Gases

	<u>Q3FY13</u>	<u>Fav/(Unfav) vs.</u> <u>Q3 FY12</u> <u>Q2 FY13</u>	
Sales	\$846	10%	5%
- Volume (ex-PUI)		-%	1%
- PUI volume		(7%)	(1%)
- Energy/Raw Mat'l pass thru		16%	5%
- Currency		1%	-%
Operating Income	\$120	(11%)	(3%)
- <i>Operating Income excluding PUI</i>	\$118	(2%)	-%
Operating Margin	14.2%	(330bp)	(100bp)

- Planned customer outages limited volume growth and impacted maintenance costs
- Strong hydrogen project development activity
- PUI exit proceeding as planned

Electronics & Performance Materials

	<u>Q3FY13</u>	<u>Fav/(Unfav) vs.</u> <u>Q3 FY12</u> <u>Q2 FY13</u>	
Sales	\$566	(6%)	3%
- Volume		(5%)	4%
- Price		(1%)	-%
- Currency		-%	(1%)
- Acquisitions		-%	-%
Operating Income	\$87	(4%)	12%
Operating Margin	15.3%	30bp	120bp
Electronics sales		(11%)	1%
Performance Materials sales		(1%)	5%

- Electronics sales down on lower equipment and process materials demand
- Performance Materials sales show seasonal improvement, but below expectations

non-GAAP, see appendix for reconciliation.

Equipment & Energy

	<u>Q3FY13</u>	<u>Fav/(Unfav) vs.</u>	
		<u>Q3 FY12</u>	<u>Q2 FY13</u>
Sales	\$104	9%	(16%)
Operating Income	\$ 16	63%	(22%)
Sales Backlog	\$327	(25%)	-0%

- Higher LNG project activity versus last year
- First major US LNG order for Dominion, Cove Point, MD
- Full year improvement as expected

Outlook

FY 2013 EPS

\$5.47-\$5.53

FQ3 2013 EPS

\$1.36

Higher Merchant volumes

Higher Tonnage volumes, less maintenance

Less PUI impact

Higher Equipment & Energy

Higher Shares



FQ4 2013 EPS

\$1.44-\$1.50

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	Petrochina, Chengdu, China	World Scale	Onstream
H2	Marathon, Detroit	60 MMSCFD H2	Onstream
ASU/Liquid	Gent, Belgium	2,000 TPD O2	Onstream
ASU/Liquid	Yankuang, Guiyang, China	2,000 TPD O2	Q4FY13
H2	Petrochina, Chengdu, China	90 MMSCFD H2	Q4FY13
ASU/Liquid	Samsung, Xian, China	World Scale	Q4FY13
Helium	Wyoming	200 MMSCFY	Q4FY13
ASU	Samsung, Tangjeong, Korea	World Scale	H2FY14
ASU/Liquid	PCEC, Weinan, China	8,200 TPD O2	FY14
H2	St. Charles, LA	World Scale	FY14
ASU/Liquid	Wison, Nanjing, China	1,500 TPD O2	FY14
ASU/Liquid	XLX, Xinxiang, China	2,000 TPD O2	FY14
ASU/Liquid	Zhengyuan, Hebei, China	2,000 TPD O2	FY14
ASU	Tainan, Taiwan	Multiple Plants	FY14
EfW	Tees Valley, UK	50MW	FY15
ASU	Yankuang, Yulin, China	12,000 TPD O2	FY15
ASU	Lu'An, Changzhi City, China	10,000 TPD O2	FY16

Air Products EPS

	FY11	FY12	FY13
Q1	\$1.25	\$1.26	\$1.30
Q2	\$1.33	\$1.31	\$1.37
Q3	\$1.37	\$1.41	\$1.36
Q4	\$1.41	\$1.42	\$1.44 - \$1.50
FY	\$5.36	\$5.40	\$5.47 - \$5.53

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

Appendix: Q3 FY13 Results and Guidance

(\$ Millions, except per share data)

	GAAP Measure				Q312 (2)	Non GAAP Measure			
	Q313	Q312	\$ Change	% Change		Q313	Q312	\$ Change	% Change
Q313 vs. Q312 - Total Company									
Sales	2,547.3	2,340.1	207.2	9%		2,547.3	2,340.1	207.2	9%
Operating Income	383.1	482.8	(99.7)	(21%)	(85.9)	383.1	396.9	(13.8)	(3%)
Operating Margin	15.0%	20.6%		(560bp)		15.0%	17.0%		(200bp)
Income from Cont. Ops. (1)	287.8	357.2	(69.4)	(19%)	(54.6)	287.8	302.6	(14.8)	(5%)
Diluted EPS - Cont. Ops. (1)	\$1.36	\$1.66	(\$0.30)	(18%)	(\$0.25)	\$1.36	\$1.41	(\$0.05)	(4%)
Q313 vs. Q213 - Total Company									
Sales	2,547.3	2,484.2	63.1	3%		2,547.3	2,484.2	63.1	3%
Operating Income	383.1	389.7	(6.6)	(2%)		383.1	389.7	(6.6)	(2%)
Operating Margin	15.0%	15.7%		(70bp)		15.0%	15.7%		(70bp)
Income from Cont. Ops. (1)	287.8	289.3	(1.5)	(1%)		287.8	289.3	(1.5)	(1%)
Diluted EPS - Cont. Ops. (1)	\$1.36	\$1.37	(\$0.01)	(1%)		\$1.36	\$1.37	(\$0.01)	(1%)

(1) Attributable to Air Products

(2) Gain on previously held equity interest

FY13 EPS Guidance

	Diluted EPS (3)
Q4 FY13 GAAP	\$0.64
PUI business actions	\$0.16
PV market actions	\$0.59
Customer Bankruptcy	\$0.03
Q4 FY12 Non GAAP	\$1.42
Q4 FY13 Guidance	<u>\$1.44-\$1.50</u>
% Change	1%-6%

	Diluted EPS (3)
FY13 EPS guidance	
FY12 GAAP	\$4.66
FY12 non GAAP items (4)	\$0.74
FY12 Non GAAP	\$5.40
FY13 Guidance	<u>\$5.47-\$5.53</u>
% Change	1%-2%

(3) Continuing operations, attributable to Air Products

FY13 Capital Expenditures Guidance

	\$Millions
FY12 GAAP	2,559.8
Capital lease expenditures	212.2
Purchase of noncontrolling interests	6.3
FY12 Non GAAP	<u>2,778.3</u>
FY13 GAAP - guidance	1,650-1,750
Capital lease expenditures / Purchase of noncontrolling interests	<u>250-350</u>
FY13 Non GAAP - guidance	<u>1,900-2,100</u>

(4) FY 12 Non GAAP adjustments:

	EPS
Spanish tax settlement - Q1	\$0.20
Spanish tax ruling - Q2	(\$0.27)
Cost reduction plan charge - Q2	\$0.28
Gain on previously held equity interest	(\$0.25)
PUI business actions - Q4	\$0.16
PV market actions - Q4	\$0.59
Customer bankruptcy - Q4	\$0.03
Total Adjustments	<u>\$0.74</u>

Appendix: Electronics and Performance Materials

(\$ Millions)

	GAAP Measure				Non GAAP Adjustment	Non GAAP Measure			
			\$	%			\$	%	
<u>Electronics and Performance Materials</u>									
<u>Q313 vs. Q312</u>	<u>Q313</u>	<u>Q312</u>	<u>Change</u>	<u>Change</u>	<u>Q312 (1)</u>	<u>Q313</u>	<u>Q312</u>	<u>Change</u>	<u>Change</u>
Sales	565.7	603.8	(38.1)	(6%)		565.7	603.8	(38.1)	(6%)
Operating Income	86.8	176.7	(89.9)	(51%)	(85.9)	86.8	90.8	(4.0)	(4%)
Operating Margin	15.3%	29.3%		(1,400bp)		15.3%	15.0%		30bp

(1) Gain on previously held equity interest

Appendix: ROCE

\$ Millions

Quarter Ended	Q111	Q211	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313
Numerator											
Operating Income Reported		393.8	387.7	395.4	353.7	287.9	482.8	157.9	372.4	389.7	383.1
Equity Affiliate Income		31.7	39.7	55.1	37.1	35.5	41.7	39.5	41.4	39.8	44.2
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
Cost Reduction Plan		0.0	0.0	0.0	0.0	86.8	0.0	0.0	0.0	0.0	0.0
Acquisition - Related Costs		5.0	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
PUI business actions		0.0	0.0	0.0	0.0	0.0	0.0	54.6	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
Customer Bankruptcy		0.0	0.0	0.0	0.0	0.0	0.0	9.8	0.0	0.0	0.0
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
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%
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
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%
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
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
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
Denominator											
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
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
Redeemable Noncontrolling Interest								392.5	390.7	398.7	371.8
Noncontrolling Interest	167.2	174.0	164.8	142.9	148.1	144.7	133.8	146.1	151.9	151.9	150.6
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
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
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
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%
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%
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%

Appendix: ROCE Tax Rate

(\$ Millions)	Q211	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313
<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
Tax Expense	103.2	95.4	103.4	127.4	8.8	133.3	17.8	92.2	95.8	94.1
Tax Rate Reported	26.1%	23.8%	24.5%	35.2%	3.0%	26.7%	11.2%	24.4%	24.3%	24.0%
<u>ITEMS</u>										
<u>Operating Income</u>										
Acquisition - related costs	5.0									
Cost Reduction Charge					86.8					
Gain on previously held equity interest						(85.9)				
PUI business actions							54.6			
PV market actions							186.0			
Customer Bankruptcy							9.8			
<u>Tax Exp</u>										
Acquisition - related costs	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)				
PUI divestiture loss							19.8			
PV market actions							59.0			
Customer Bankruptcy							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
Tax Expense	103.8	95.4	103.4	83.6	93.3	102.0	100.3	92.2	95.8	94.1
Tax Rate ex Items	25.9%	23.8%	24.5%	23.1%	24.5%	24.7%	24.5%	24.4%	24.3%	24.0%

Thank you

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