

Moving forward



# Create Shareholder Value

Separation of  
Materials Technologies

September 17, 2015





# Forward-looking statements

This presentation contains “forward-looking statements” within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as “believe,” “expect,” “project,” “estimate,” “continue,” “could,” “intend,” “may,” “plan,” “will,” “would,” “expect,” “forecast,” “goal,” “guidance,” “outlook,” “target” and similar expressions, among others, generally identify forward-looking statements. For example, forward looking statements include statements about business strategies and outlook for Materials Technologies, expectations as to Material Technologies or Industrial Gases future sales, expenses and profitability, expectations regarding credit ratings and estimates of the size of the market for Materials Technologies products. 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 of sales; the impact of competitive products and pricing; unexpected changes in raw material supply and markets; failure to successfully develop and market new products and optimally manage product life cycles; inability to protect and enforce intellectual property rights; inability to recover unanticipated increased energy and raw material costs in pricing; unexpected safety or manufacturing issues; costs and outcomes of litigation or regulatory investigations; the impact of management and organizational changes and the success of cost reduction efforts; the timing, impact, and other uncertainties of future acquisitions or divestitures; significant fluctuations in interest rates and foreign currencies from that currently anticipated; 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 10-K for its fiscal year ended September 30, 2014. 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 assumptions, beliefs or expectations or any change in events, conditions, or circumstances upon which any such forward-looking statements are based.



Air Products is announcing our intention to **separate** our **Materials Technologies** business through a **tax-free spin-off** to our shareholders



# Separation is consistent with our management philosophy and 5 point plan

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## Shareholder Value

Cash is king; cash flow drives long-term value

What counts in the long term is the increase in **per share value** of our stock, not size or growth

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## CEO Focus

Capital allocation is the most important job of the CEO

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## Operating Model

Decentralized organization releases entrepreneurial energy and keeps both costs and politics (“bureaucracy”) down

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## Focus on the Core

We are an **Industrial Gas company** and will continue to be going forward

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## Separation is another step toward our goal; to be the **safest** and **most profitable** industrial gas company in the world, providing excellent service to our customers

- Decision to separate is strategic: allows the industrial gases and materials businesses to leverage their respective critical competencies and enhance competitive position
- Separation transaction creates two leading, focused public companies
- Enables shareholders to value industrial gases and materials businesses independently
- Our Board, management and advisors have extensively reviewed strategic options for our Materials Technologies business
- We believe a tax-free spin-off of the Materials Technologies business will create significant shareholder value

# Strategic rationale for separation

Creates two focused, best-in-class public companies with distinct business models, capital requirements and growth profiles

	Air Products – Industrial Gases	Materials Technologies	
<b>Distinct Business Model – Separate Value Creation Strategies</b>	Business Orientation	<ul style="list-style-type: none"> <li>• Gases</li> <li>• Engineered solutions</li> <li>• Density-driven</li> </ul>	<ul style="list-style-type: none"> <li>• Specialty Materials</li> <li>• Innovation solutions</li> <li>• Value-added</li> </ul>
	Geography	• Local business with global presence	• Global business; integrated value chain
	Capital Intensity	• High	• Low
	R&D Spend	• Low	• High
	Portfolio Breadth	• Narrow	• Broad
	Value Focus	• Distribution	• End-use performance
<b>Tailored Capital Structure</b>	• Focus each company’s financial resources solely on core operations while retaining financial flexibility		
	• Investment grade, A/A2 rating required	• Target BB/Ba rating	
<b>Acquisition Criteria</b>	• Share/density enhancement in local markets	• Product/technology enhancements	
<b>Unique Investment Theses</b>	<ul style="list-style-type: none"> <li>• One of the largest industrial gas companies globally</li> <li>• Organic growth driven by megatrends – energy, environment and emerging markets</li> <li>• Drive cash flow improvement through cost structure and productivity enhancements</li> </ul>	<ul style="list-style-type: none"> <li>• Best-in-class Specialty Materials company with significant free cash flow generation</li> <li>• Organic growth driven by product innovation and end-use market penetration</li> <li>• Opportunity to drive growth through synergistic bolt-on acquisitions</li> </ul>	
<b>Management</b>	<ul style="list-style-type: none"> <li>• Improves alignment of management and employees incentives with distinct growth and profitability metrics</li> <li>• Allows management focus on unique opportunities and respective critical competencies</li> </ul>		

**Enhanced transparency: enable shareholders to value the two businesses independently**

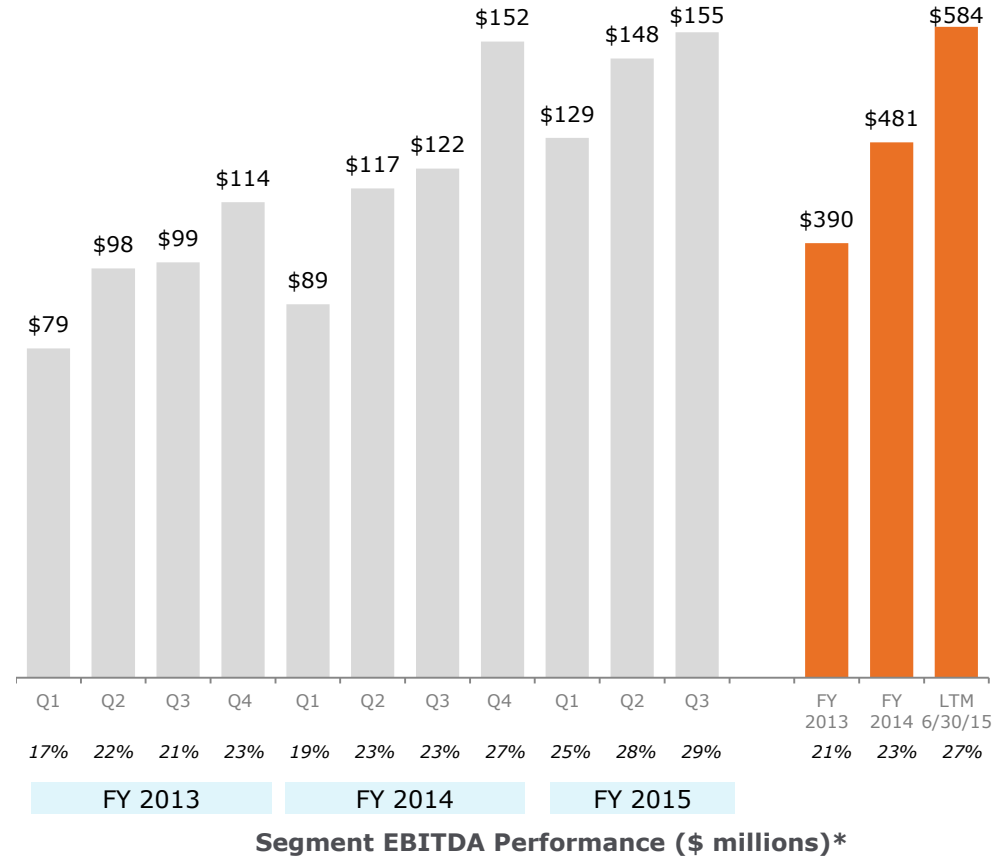
# Transaction summary

- Distribute all shares of Materials Technologies to our shareholders, tax-free to Air Products U.S. shareholders
- Targeted completion by September 2016, subject to typical regulatory approvals
- Leadership
  - Guillermo Novo will be CEO of the new company. He is currently EVP of Air Products, responsible for Materials Technologies.
  - Seifi Ghasemi will be Non-Executive Chairman of the new company, while maintaining his current roles as Chairman, President and CEO of Air Products.
- Opportunity for both companies to further optimize cost structure and balance sheet post-separation

# Timing is optimal to separate Materials Technologies

Strength in financial performance and well-positioned to capitalize on growth opportunities

- Current management have significantly improved margin profile and profitability since taking over in 2012
- Refocused on core segments and exited low-margin, low-profitability businesses
- Recalibrated the strategic direction of the business by strengthening the core, rebalancing innovation portfolio, improving productivity and investing in key geographies
- Business improvement is sustainable



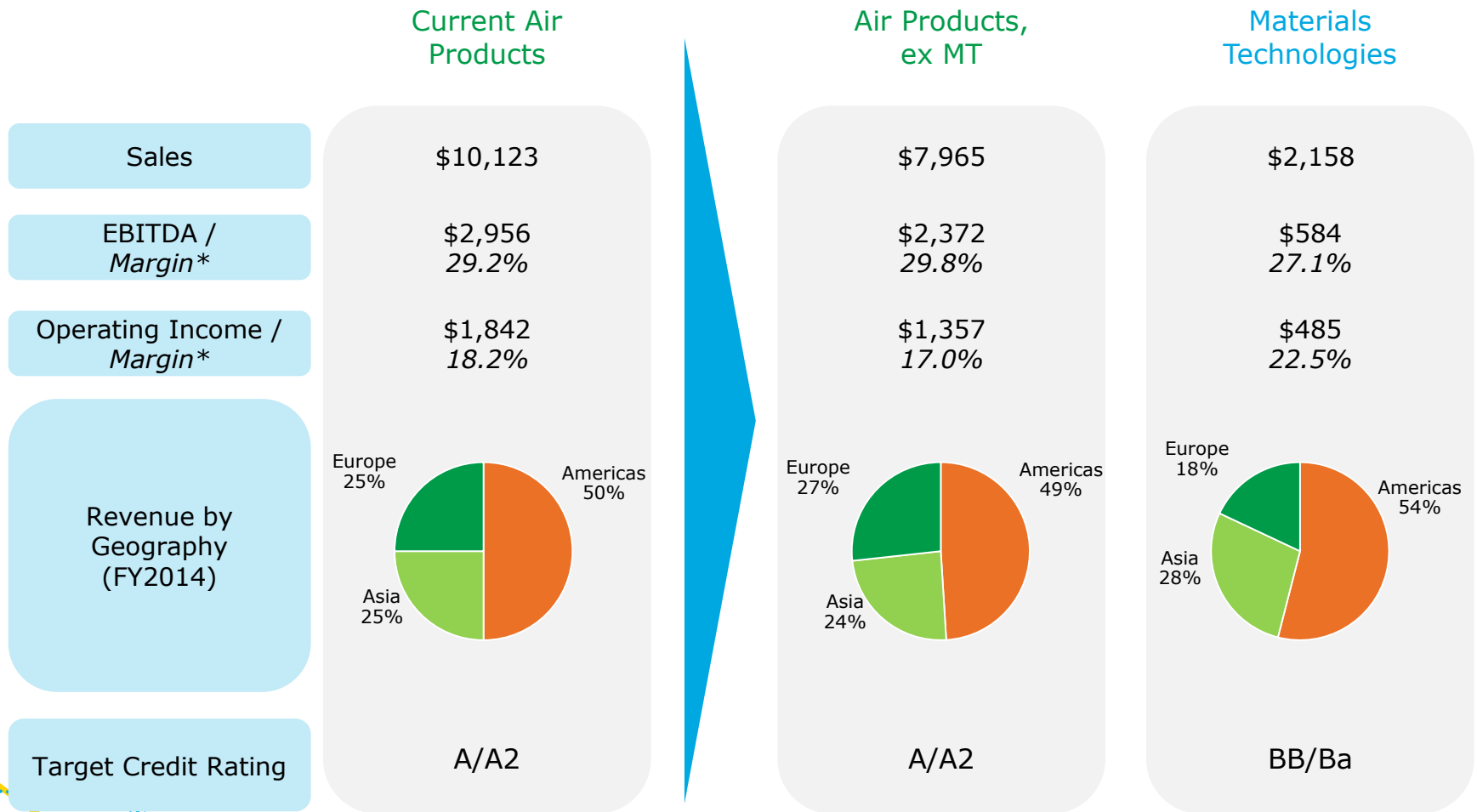
\* As reported within APD, not adjusted for any incremental public company costs that Materials Technologies may incur as an independent company; non-GAAP measures—see appendix for reconciliation





# Creation of two companies with strong financial profiles

(\$ millions, LTM 6/30/15)



\* As reported within APD, not adjusted for any incremental public company costs that Materials Technologies may incur as an independent company; non-GAAP measures—see appendix for reconciliation.





## Tailored capital structures with financial flexibility to drive value creation strategy

- Air Products is expected to maintain its current targeted A/A2 rating
  - Transaction is expected to create approximately \$1.5 billion\* of additional capital deployment capacity for Air Products
- Materials Technologies will be well-capitalized consistent with BB/Ba rating
- Dividend from both companies in total is expected to equal that of Air Products at separation

\* Based on MT LTM June 30 2015, as reported within APD, not adjusted for any incremental public company costs that Materials Technologies may incur as an independent company



# Materials Technologies: Investment highlights

- Portfolio of world-class businesses
- Leading positions in attractive niche markets with favorable industry structures
- Sustainable competitive advantages from long-term customer relationships, technology & innovation leadership, and structural cost advantages with strategically located manufacturing assets
- Secular growth trends supported by new product development & innovation pipeline
- Critical mass with geographic, end-market and customer diversity
- Management team with demonstrated ability to rapidly respond to changing market dynamics focused on delivering sustainable growth

Solid growth

High margins

Low capital intensity

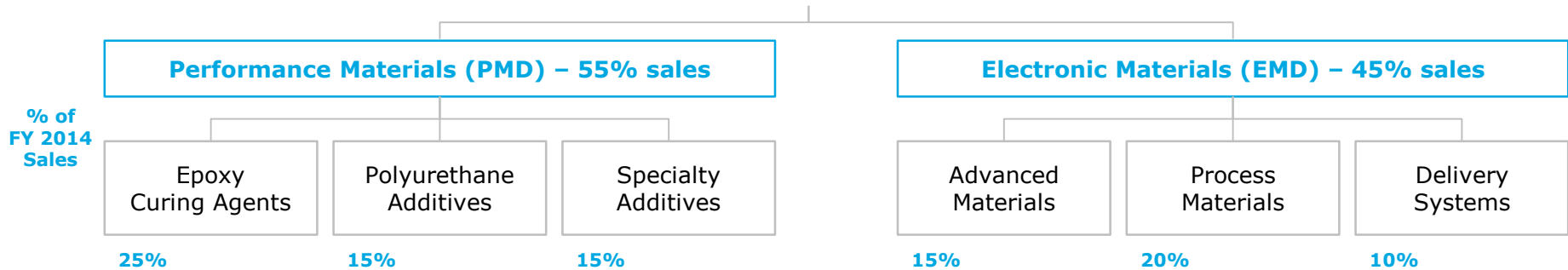
Strong free cash flow

# Materials Technologies

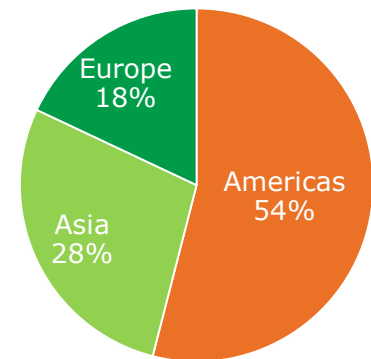
## A portfolio of world class businesses

(\$ millions, LTM 6/30/15)

Sales: \$2,158  
 EBITDA\*: 584  
 Margin: 27.1%



- Two divisions - focused on different markets with different solutions
- Niche businesses – #1 or #2 in majority of target markets
- Value creation through market expertise and customer intimacy / technical service
- Innovation-driven segments providing tailored product solutions
- Performance critical products that are a small portion of customers’ product costs
- Global scale manufacturing and supply chain network



FY 2014

\* As reported within APD, not adjusted for any incremental public company costs that Materials Technologies may incur as an independent company; non-GAAP measures—see appendix for reconciliation

# Materials Technologies Portfolio

~80% of revenue from products with #1 or #2 positions

<b>PMD Portfolio</b>	<b>Estimated Global Position</b>	<b>EMD Portfolio</b>	<b>Estimated Global Position</b>
Epoxy Curing Agents	#1	Advanced Deposition	#1
Amine Catalysts	#1	Planarization (CMP)	#2
Low/Non-emissive Amine Catalysts	#1	Process Gases	#1
Polyurethane Metal Catalysts	#2	Delivery Systems	#1
Wetting Agents	#1		

**Favorable competitive dynamics with few global players that drive trends and product innovation**

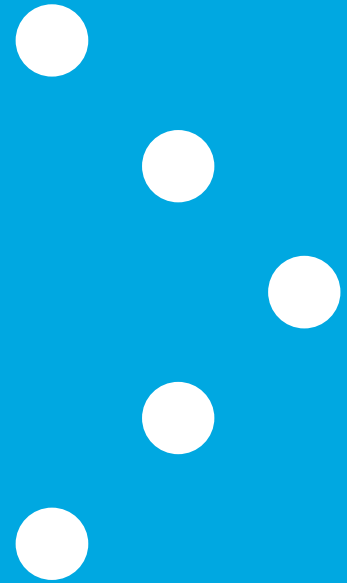
\* Management estimates based on Materials Technologies addressable markets



## Conclusion

- Air Products will be the safest and the most profitable industrial gas company in the world, providing excellent service to our customers
- Materials Technologies will be a leading innovation-driven specialty materials company, providing value-added services to its customers
- Both companies will be well-capitalized with financial flexibility to pursue respective growth strategies
- Timing is optimal given financial performance, near to medium term opportunities and strength in capital markets

# Appendix Slides



# Appendix: Total Company Adjusted EBITDA Trend Moving forward

## Total Air Products

\$ Millions	<u>Q414</u>	<u>Q115</u>	<u>Q215</u>	<u>Q315</u>	<u>LTM</u>
Income From Continuing Operations	77.5	337.5	296.9	333.2	
Add: Interest expense	29.0	29.1	23.4	28.2	
Add: Income tax provision	77.3	106.5	87.1	103.5	
Add: Depreciation and amortization	254.6	235.5	233.3	233.0	
Add Non GAAP pre-tax adjustments	<u>328.3</u> (1)	<u>14.5</u> (2)	<u>68.0</u> (2)	<u>59.8</u> (2)	
Adjusted EBITDA	766.7	723.1	708.7	757.7	2,956.2
Operating Income GAAP	144.1	430.0	374.4	422.5	
Add Non GAAP pre-tax adjustments	<u>328.3</u> (1)	<u>14.5</u> (2)	<u>68.0</u> (2)	<u>59.8</u> (2)	
Adjusted Operating Income	472.4	444.5	442.4	482.3	1,841.6
Sales	2,677.0	2,560.8	2,414.5	2,470.2	10,122.5
Adjusted EBITDA Margin					29.2%
Adjusted Op Income Margin					18.2%

### (1) Q414 Non GAAP Pre-Tax Adjustments

	<u>Q414</u>
Business restructuring/cost reduction actions	12.7
Goodwill and intangible impairment	310.1
Pension settlement loss	<u>5.5</u>
Total Q414 adjustments	<u>328.3</u>

### (2) FY15 Non GAAP Pre-Tax Adjustments

	<u>Q115</u>	<u>Q215</u>	<u>Q315</u>
Business restructuring/cost reduction actions	32.4	55.4	58.2
Gain on previously held equity investment	(17.9)	-	-
Pension Settlement Loss	-	<u>12.6</u>	<u>1.6</u>
Total FY15 adjustments	<u>14.5</u>	<u>68.0</u>	<u>59.8</u>



# Appendix: Quarterly Adjusted EBITDA Trend and LTM Metrics

Moving forward



Materials Technologies quarterly EBITDA Trend											
	Q113	Q213	Q313	Q413	Q114	Q214	Q314	Q414	Q115	Q215	Q315
<b>\$millions</b>											
Operating Income	51.1	69.4	72.7	86.3	64.3	93.8	96.6	124.3	104.6	124.2	131.5
Add: Depreciation and amortization	26.8	27.7	26.4	26.8	24.5	22.7	24.5	27.4	24.0	23.3	22.7
Add Equity Affiliates' Income	<u>0.9</u>	<u>0.9</u>	<u>0.3</u>	<u>0.7</u>	<u>0.6</u>	<u>0.6</u>	<u>0.8</u>	<u>0.6</u>	<u>0.6</u>	<u>0.7</u>	<u>0.3</u>
Adjusted EBITDA	78.8	98.0	99.4	113.8	89.4	117.1	121.9	152.3	129.2	148.2	154.5

LTM Metrics					
	Q414	Q115	Q215	Q315	LTM
<b>Total Air Products</b>					
Sales	2,677.0	2,560.8	2,414.5	2,470.2	10,122.5
Operating Income	472.4	444.5	442.4	482.3	1,841.6
Add: Depreciation and amortization	254.6	235.5	233.3	233.0	956.4
Add Equity Affiliates' Income	<u>39.7</u>	<u>43.1</u>	<u>33.0</u>	<u>42.4</u>	<u>158.2</u>
Adjusted EBITDA	766.7	723.1	708.7	757.7	2,956.2
Adjusted EBITDA Margin					29.2%
Operating Margin					18.2%
<b>Materials Technologies</b>					
Sales	560.8	524.0	533.3	539.8	2,157.9
Operating Income	124.3	104.6	124.2	131.5	484.6
Add: Depreciation and amortization	27.4	24.0	23.3	22.7	97.4
Add Equity Affiliates' Income	<u>0.6</u>	<u>0.6</u>	<u>0.7</u>	<u>0.3</u>	<u>2.2</u>
Adjusted EBITDA	152.3	129.2	148.2	154.5	584.2
Adjusted EBITDA Margin					27.1%
Operating Margin					22.5%
<b>Total Air Products ex Materials Technologies</b>					
Sales	2,116.2	2,036.8	1,881.2	1,930.4	7,964.6
Operating Income	348.1	339.9	318.2	350.8	1,357.0
Add: Depreciation and amortization	227.2	211.5	210.0	210.3	859.0
Add Equity Affiliates' Income	<u>39.1</u>	<u>42.5</u>	<u>32.3</u>	<u>42.1</u>	<u>156.0</u>
Adjusted EBITDA	614.4	593.9	560.5	603.2	2,372.0
Adjusted EBITDA Margin					29.8%
Operating Margin					17.0%



Moving forward



Thank you  
tell me more

