Create Shareholder Value

Seifi Ghasemi
Chairman, President and Chief Executive Officer

December 2, 2014
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Air Products today

- $10.4 billion in sales
- 21,600 employees
- 50+ countries

- 276 on Fortune 500 list
- 7+ decades in business
- 170,000+ customers

- 1800 miles of industrial gas pipeline
- 750+ production facilities
- 30+ industries served
Air Products global presence

43% U.S./Canada

25% Europe

25% Asia

7% Latin America
Our Mission

Create Shareholder Value
Our Goal

Air Products will be the **safest** and the **most profitable** industrial gas company in the world, providing excellent service to our customers.
The only acceptable goal is zero accidents.

Maintaining a safe workplace is a fundamental and moral responsibility.
Most Profitable

As measured by:

- **EBITDA** as a percent of Sales
- **Operating** Profit as a percent of Sales
- **Return on Capital**
# Management Principles

## 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

## CEO Focus
- Capital allocation is the most important job of the CEO

## Operating Model
- Decentralized organization releases entrepreneurial energy and minimizes costs and politics
Our 5 Point Plan

1. Focus on the Core
2. Restructure the Organization
3. Change Company Culture
4. Control Capital / Costs
5. Align Rewards
Our Plan – Focus on the Core

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

- Strengthen our **integrated supply** networks and build density

- Selective **geographic participation** where we are advantaged

- **Sale of gas** and **sale of equipment** at attractive returns
1. Our Plan – Focus on the Core

**Our Core Businesses**

**Products**
- Atmospheric Gases: $O_2$, $N_2$, Ar
- Process & Specialty Gases: $H_2$, He, $CO_2$
- Equipment: LNG, He Containers

**Integrated Supply Modes**
- Onsite / Pipeline, Liquid / Bulk, Packaged

**Participate based on Profitability**
- Materials Technologies
- Energy-from-Waste
2. Our Plan – Restructure Organization

- Decentralized organization
- Geographic focus and alignment
- Empowered and accountable business managers
- Reduced and streamlined management layers
- Detailed operating metrics
2. Our Plan – Reporting Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY13 Revenue ($MM)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gases - Americas</td>
<td>$3,900</td>
<td>38%</td>
</tr>
<tr>
<td>Gases - EMEA</td>
<td>$2,100</td>
<td>21%</td>
</tr>
<tr>
<td>Gases - Asia</td>
<td>$1,600</td>
<td>16%</td>
</tr>
<tr>
<td>Global Gases</td>
<td>$310</td>
<td>3%</td>
</tr>
<tr>
<td>Materials Technologies</td>
<td>$1,900</td>
<td>18%</td>
</tr>
<tr>
<td>Energy from Waste</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>$420</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Industrial Gases**
- Onsite / Pipeline
  - Air Separation Unit (ASU) – O₂, N₂, Ar
  - Hydrogen/HyCO
- Liquid / Bulk – O₂, N₂, Ar, He, etc
- Packaged Gases
- Sale of Equipment (ASU, non-cryo)
- Performance Materials
- Electronics Materials
- Tees Valley
- LNG Equipment
- Helium containers
- Corporate Costs

(FY13 Revenue $MM)
2. Our Plan – New Organization

Chairman, President & CEO
S. Ghasemi

SVP & CAO
J. Stanley

SVP
Eng. & Mfg.
P. Mattimore

VP
HR
J. Grant

SVP & CFO
S. Crocco

VP
HyCO & LASU COE
J. Byrne

VP
Corp. Dev.
K. Klein

EVP
Materials Tech.
G. Novo

VP
Perf. Mat.
R. Thomas

VP
Elect. Mat.
W. Mitchell

President
Americas
C. Painter

President
EMEA
I. Bols

President
Asia
W. Mok

VP
Energy from Waste
D. Taylor

VP
Ops. Excel.
R. Boocock

EVP
Industrial Gases
C. Painter

VP
Elect. Mat.
W. Mitchell

President
Americas
C. Painter

President
EMEA
I. Bols

President
Asia
W. Mok

VP
Ops. Excel.
R. Boocock

Joint Ventures
S. Ghasemi

Mexico

India

Thailand

S. Africa

Italy
### 3. Our Plan – Change Culture

#### Safety
- Enjoyable place to work
- Encourages people to get involved
- Disciplined approach to every job
- More efficient and profitable operation

#### Speed
- Get it done
- Sense of urgency
- Fast response to customer needs
- Once a decision is made, implement!

#### Simplicity
- Simple and clear structure
- Simple work and decision-making processes
- Simple and well-understood reward system based on areas of responsibility

#### Self-Confidence
- Every employee at Air Products is as capable, or more capable than, any one of our competitors’ employees
- As a team, we can and will be the best
- We are a team working together to win
- We are not just doing a job, we are committed to excellence
4. Our Plan – Control Capital / Costs

**Capital Allocation**
- We will not spend more than we can afford
- We have raised required project returns and lowered delegations of authority for capital spend

**Cost / Efficiency Program**
- Reduce Corporate overhead
- Drive operational improvement across the network
5. Our Plan – Align Rewards

- **Annual incentive plan** based on aggressive EBITDA targets at business unit level
- **Long-term equity plan** totally aligned with shareholder value creation
- **Significant stock ownership** by senior management
Summary

Mission
Create value for shareholders

Our Goal
Be the **safest** and **most profitable**

Management Principles
- Cash is king
- Capital allocation
- Decentralized organization
## Our Plan – 5 Point Plan Summary

<table>
<thead>
<tr>
<th>Focus on the Core</th>
<th>Restructure Organization</th>
<th>Change Culture</th>
<th>Control Capital/Costs</th>
<th>Align Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial gases</td>
<td>Decentralize</td>
<td>Safety</td>
<td>Capex</td>
<td>Reward performance</td>
</tr>
<tr>
<td>Key geographies</td>
<td>Geographic alignment</td>
<td>Simplicity</td>
<td>Hurdle rates</td>
<td>EBITDA / value creation target</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Speed</td>
<td>Corporate cost</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Self-confidence</td>
<td>Ops. / Dist. efficiency</td>
<td></td>
</tr>
</tbody>
</table>
## Safety results – Q4

<table>
<thead>
<tr>
<th></th>
<th>FY13 Q4</th>
<th>FY14 Q4</th>
<th>Trend change vs prior year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatalities</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Employee Lost Time Injury Rate</td>
<td>0.29</td>
<td>0.26</td>
<td></td>
</tr>
<tr>
<td>Employee Recordable Injury Rate</td>
<td>0.66</td>
<td>0.57</td>
<td></td>
</tr>
</tbody>
</table>
# Q4 Summary

<table>
<thead>
<tr>
<th>($millions)</th>
<th>Q4 FY14</th>
<th>Q4 FY13</th>
<th>Q3 FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$2,677</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>- Volume (ex-PUI)</td>
<td></td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>- PUI volume</td>
<td></td>
<td>(1%)</td>
<td>-%</td>
</tr>
<tr>
<td>- Price</td>
<td></td>
<td>1%</td>
<td>-%</td>
</tr>
<tr>
<td>- Energy/Raw Mat’l pass-thru</td>
<td></td>
<td>-%</td>
<td>(1%)</td>
</tr>
<tr>
<td>- Currency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>$767</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>28.6%</td>
<td>170bp</td>
<td>220bp</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$472</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>17.6%</td>
<td>130bp</td>
<td>190bp</td>
</tr>
<tr>
<td>Net Income</td>
<td>$358</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Diluted EPS ($/share)</td>
<td>1.66</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>ROCE (quarter)</td>
<td>11.0%</td>
<td>60bp</td>
<td>120bp</td>
</tr>
</tbody>
</table>

Based on continuing ops., excl. items, non-GAAP measures - See appendix for reconciliation
### FY 2014 Summary

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY13</th>
<th>$ ∆</th>
<th>% ∆</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales ($billions,)</td>
<td>$10.4</td>
<td>$10.2</td>
<td>$0.3</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>- Volume (ex-PUI)</td>
<td></td>
<td></td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>- PUI volume</td>
<td></td>
<td></td>
<td>(1%)</td>
</tr>
<tr>
<td></td>
<td>- Energy/Raw Mat’l pass-thru</td>
<td></td>
<td></td>
<td>1%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$2.8</td>
<td>$2.6</td>
<td>$0.1</td>
<td>5%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>26.5%</td>
<td>25.9%</td>
<td></td>
<td>60bp</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$1.7</td>
<td>$1.6</td>
<td>$0.1</td>
<td>6%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>15.9%</td>
<td>15.4%</td>
<td></td>
<td>50bp</td>
</tr>
<tr>
<td>EPS ($/share)</td>
<td>$5.78</td>
<td>$5.50</td>
<td>$0.28</td>
<td>5%</td>
</tr>
<tr>
<td>ROCE</td>
<td>9.8%</td>
<td>10.1%</td>
<td></td>
<td>(30bp)</td>
</tr>
</tbody>
</table>

- Record Q4 drives strong finish to the year
- New organization provides momentum into FY’15

Based on continuing ops., excl. items, non-GAAP measures - See appendix for reconciliation
### Cash Flow Focus

<table>
<thead>
<tr>
<th></th>
<th>FY14 ($ billion)</th>
<th>FY13 ($ billion)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>2.8</td>
<td>2.6</td>
<td>0.1</td>
</tr>
<tr>
<td>Cash Tax</td>
<td>(0.2)</td>
<td>(0.3)</td>
<td>0.2</td>
</tr>
<tr>
<td>Interest</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0.0</td>
</tr>
<tr>
<td>Dividends</td>
<td>(0.6)</td>
<td>(0.6)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Capex</td>
<td>(1.9)</td>
<td>(2.0)</td>
<td>0.1</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>0.0</td>
<td>(0.4)</td>
<td>0.4</td>
</tr>
</tbody>
</table>

- Improved Free Cash Flow (after taxes, interest, dividends and capex)
- Driven by higher EBITDA, lower capex and lower cash taxes
FY 2015 Outlook

<table>
<thead>
<tr>
<th>FY EPS</th>
<th>$6.30 - $6.55</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Spending</td>
<td>$1.7 - $1.9 billion</td>
</tr>
<tr>
<td>FQ1 EPS</td>
<td>$1.45 - $1.50</td>
</tr>
</tbody>
</table>
The only sustainable element of long-term competitive advantage is the degree of commitment and motivation of the people in the enterprise.
Thank you

tell me more