

Moving forward



# Create Shareholder Value

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Chairman, President and  
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Basic Materials Conference

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# Forward-looking statements

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 this presentation is filed. 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, global or regional economic conditions (including as to the United Kingdom and Europe the impact of the recent “Brexit” referendum) and supply and demand dynamics in market segments into which the Company sells; significant fluctuations in interest rates and foreign currencies from that currently anticipated; with regard to the previously announced separation of Versum Materials, general economic and business conditions that may affect the separation and the execution thereof, changes in capital market conditions, or the Company’s decision not to consummate the separation due to market, economic or other events; future financial and operating performance of major customers; unanticipated contract terminations or customer cancellations or postponement of projects and sales; asset impairments due to economic conditions or specific events; the impact of competitive products and pricing; challenges of implementing new technologies; ability to protect and enforce the Company’s intellectual property rights; unexpected changes in raw material supply and markets; the impact of price fluctuations in natural gas and disruptions in markets and the economy due to oil price volatility; the ability to recover increased energy and raw material costs from customers; costs and outcomes of litigation or regulatory investigations; the success of productivity and operational improvement programs; the timing, impact, and other uncertainties of future acquisitions or divestitures; political risks, including the risks of unanticipated government actions; acts of war or terrorism; the impact of changes in environmental, tax or other legislation and regulatory activities in jurisdictions in which the Company and its affiliates operate; and other risk factors described in the Company’s Form 10-K for its fiscal year ended September 30, 2015. The Company disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this presentation 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.

# Air Products today

**\$10**  
billion in sales

**18,000**  
employees

**50+**  
countries

**\$30+ billion**  
market cap

**7+**  
decades in business

**170,000+**  
customers

**1800**  
miles of industrial  
gas pipeline

**750+**  
production  
facilities

**30+**  
industries  
served

# Air Products is...

...a leader in the global industrial gas industry with:

- Established leading positions in diverse end markets, including energy, chemicals, metals, electronics and manufacturing
- Growth opportunities driven by Energy, Environmental and Emerging markets
- Complementary equipment businesses
- A multi-billion \$ project backlog with long-term contracts that generate consistent and predictable cash flows
- Leading positions in key growth regions including profitable joint ventures
- A prudent capital structure with a solid balance sheet supporting long-term profitable growth

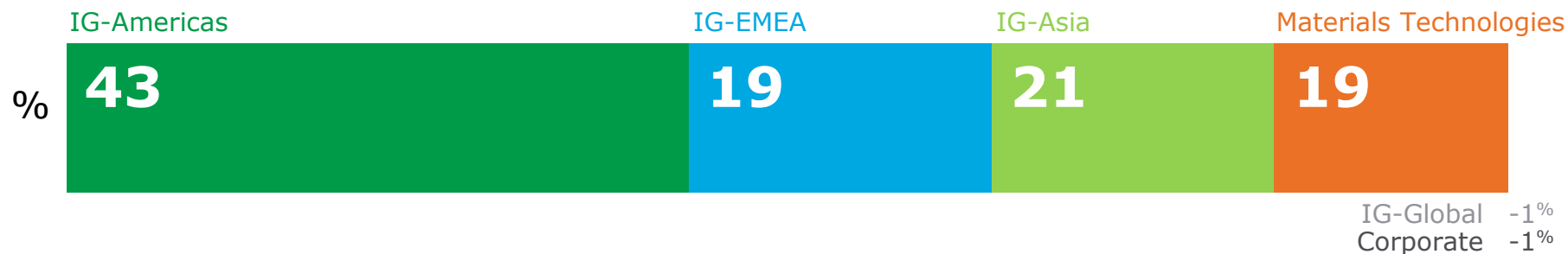


# APD segments

FY15 Sales: \$9.9 B

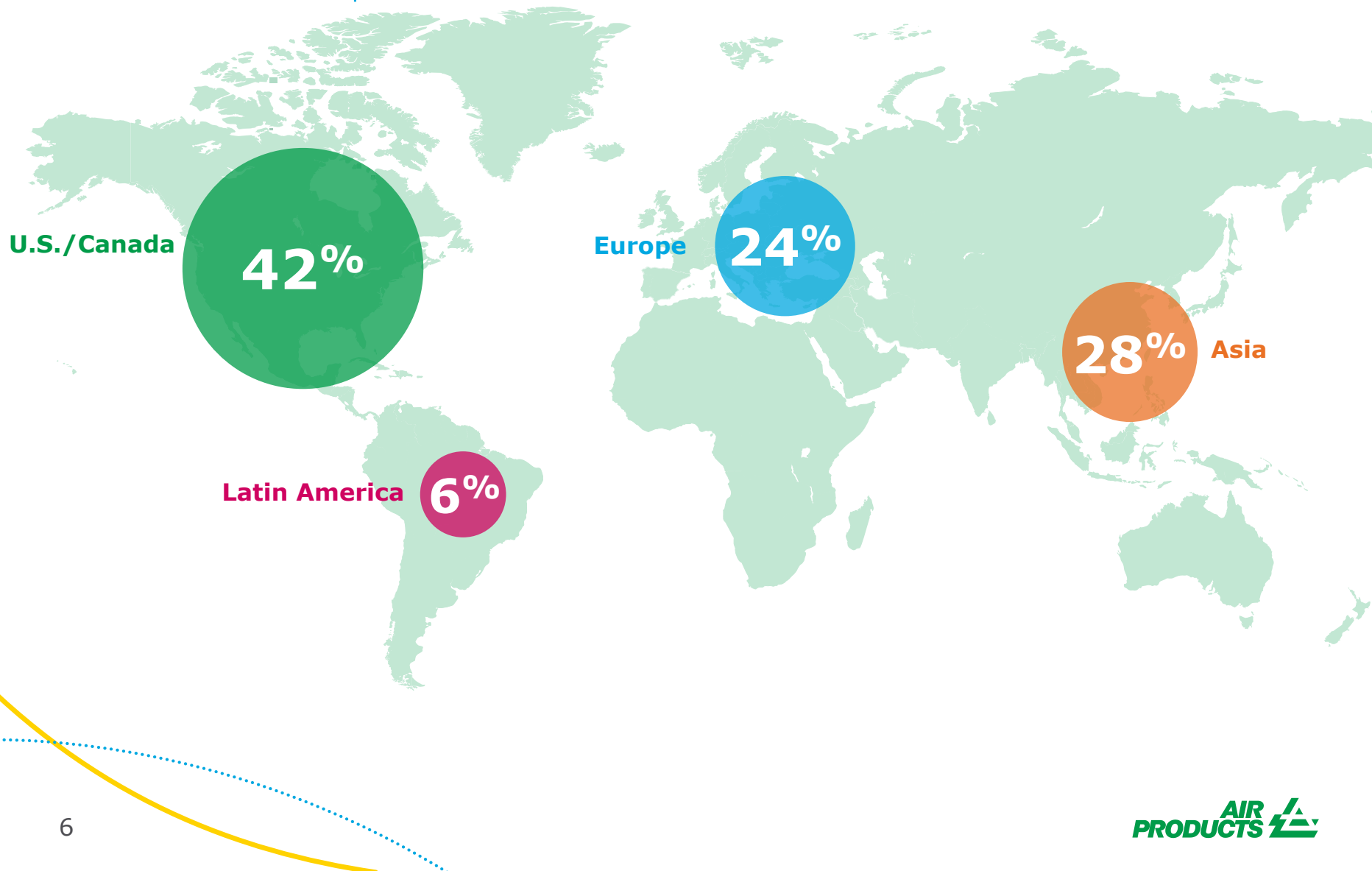


FY15 EBITDA: \$3.0 B



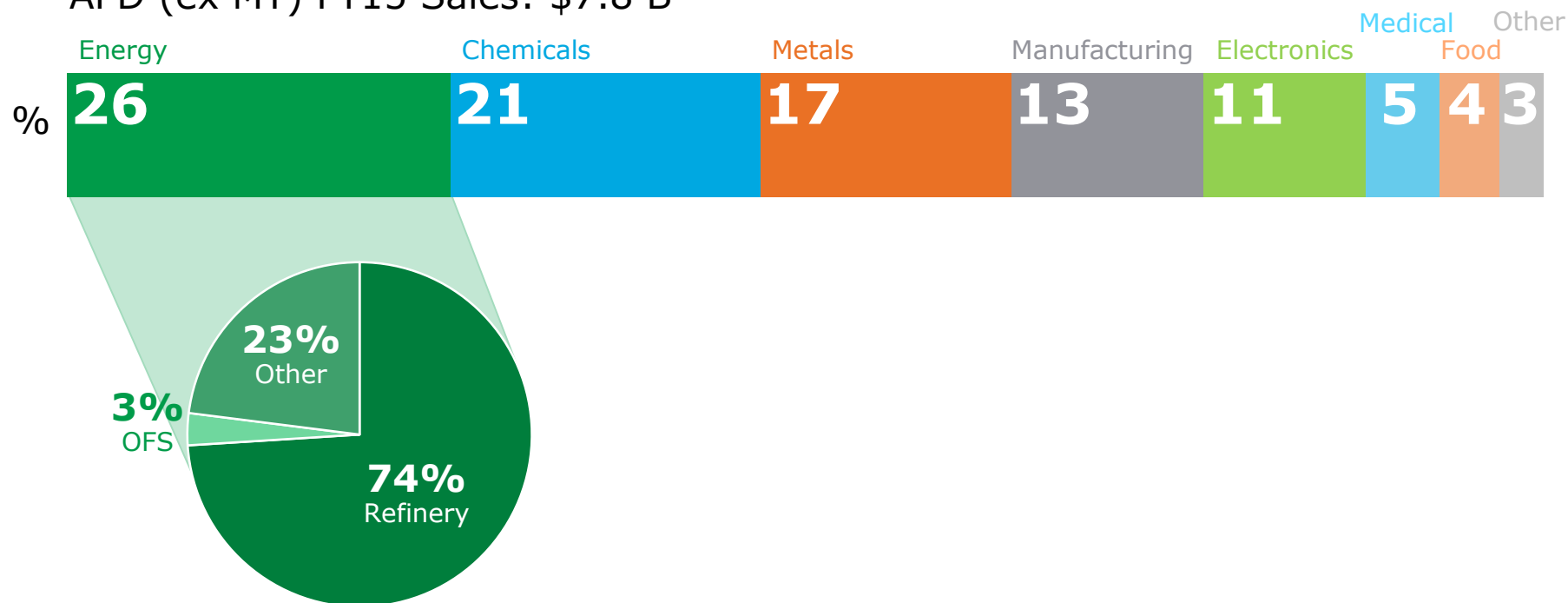
# APD global presence

FY15 Sales = \$9.9 billion









# End markets we serve

APD (ex MT) FY15 Sales: \$7.8 B



# APD Joint Ventures

Profitable joint ventures with leadership positions in emerging markets

	Mexico	Italy	South Africa	Saudi Arabia	India	Thailand
						
Sales (\$B, 100%)	\$0.8	\$0.5	\$0.2	\$0.15	\$0.15	\$0.15
AP Ownership	40%	49%	50%	25%	50%	49%

FY 2015	Air Products (as reported)	Equity Affiliates <sup>1</sup> (100% basis)	Combined <sup>2</sup> (AP + 100% EA)
Sales (\$B)	\$9.9	\$2.6	\$12.5
Op Inc (\$B)	\$1.9	\$0.5	\$2.4
Op Margin	19.0%	20.4%	19.3%

**Partially owned JV's create exposure to 26% more sales and 28% more op income**

1. Please refer to financial statements for equity affiliate accounting.
2. Non-GAAP. If Air Products was to gain controlling financial interest and then consolidate, the results would be different than shown here

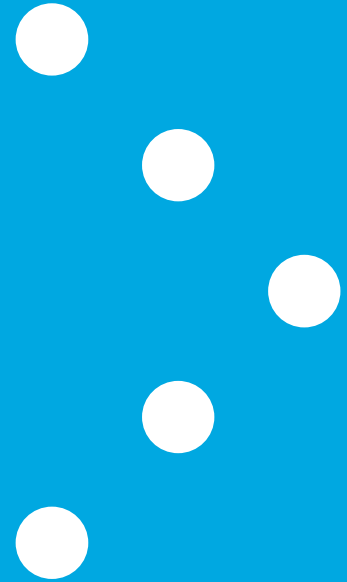


# Strong Growth Opportunities

- Large onsite investments driven by Energy, Environmental and Emerging market growth globally
  - Petrochemical investments in the US Gulf Coast
  - Coal Gasification in China
  - Refinery hydrogen globally
  - New wave of demand for outsourced industrial gases for Oil & Chemical industry driven by lower oil prices
- Merchant business growth driven by underlying manufacturing economy



Moving Forward



# Our Goal

Air Products will be the **safest** and the **most profitable** industrial gas company in the world, providing excellent service to our customers

# Creating shareholder value

## Management philosophy

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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.

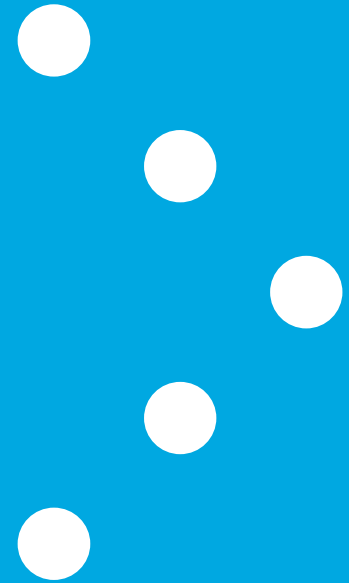
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### Operating Model

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

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# Our Strategic Plan



Two years ago we announced a  
**Five-Point Strategic Plan.**

What is the status as of today?

# Strategic Plan – Point One

Focus on the core

## Sept 2014

- Separate and / or divest PMD (Process Materials Division)
- Separate and / or divest EMD (Electronic Materials Division)
- Divest or shut down waste-to-energy project

## Sept 2016

- Agreement to sell PMD to Evonik for \$3.8B
- Spin-off scheduled for completion by October 1, 2016
- Project was shut down

# Strategic Plan – Point Two

## Restructure the organization

### Sept 2014

- Decentralize
- Geographic alignment



### Sept 2016

- Implemented the most significant reorganization in the company's 75-year history
- Created more than 20 geographically focused regions and sub-regions with P&L responsibility
- All the leadership in place
- Organization fully operational



# Strategic Plan – Point Three

## Change culture

### Sept 2014

- Drive a culture change to develop an accountable, non-bureaucratic and entrepreneurial culture focused on delivering results for the long-term



### Sept 2016

- Work in progress
- Focus on
  - Safety
  - Simplicity
  - Speed
  - Self-confidence

# Strategic Plan – Point Four

## Control capital / costs

### Sept 2014

- Control capital expenditure and be very disciplined
- Reduce overhead costs by \$300MM
- Deliver operational savings of \$300MM in 4 years

### Sept 2016

- Every capital expenditure of more than \$3MM needs approval from CEO & CFO
- Set target of 10% minimum returns on new projects
- Done
- \$75 MM annualized run-rate achieved
- On plan for the balance

# Strategic Plan – Point Five

## Align rewards

### Sept 2014

- Reward performance not presence
- EBITDA / value creation targets

### Sept 2016

- Done. Totally restructured short-term and long-term incentive plans
- In 2015, some units earned 200% reward while some received none
- Rewards based on differentiated performance

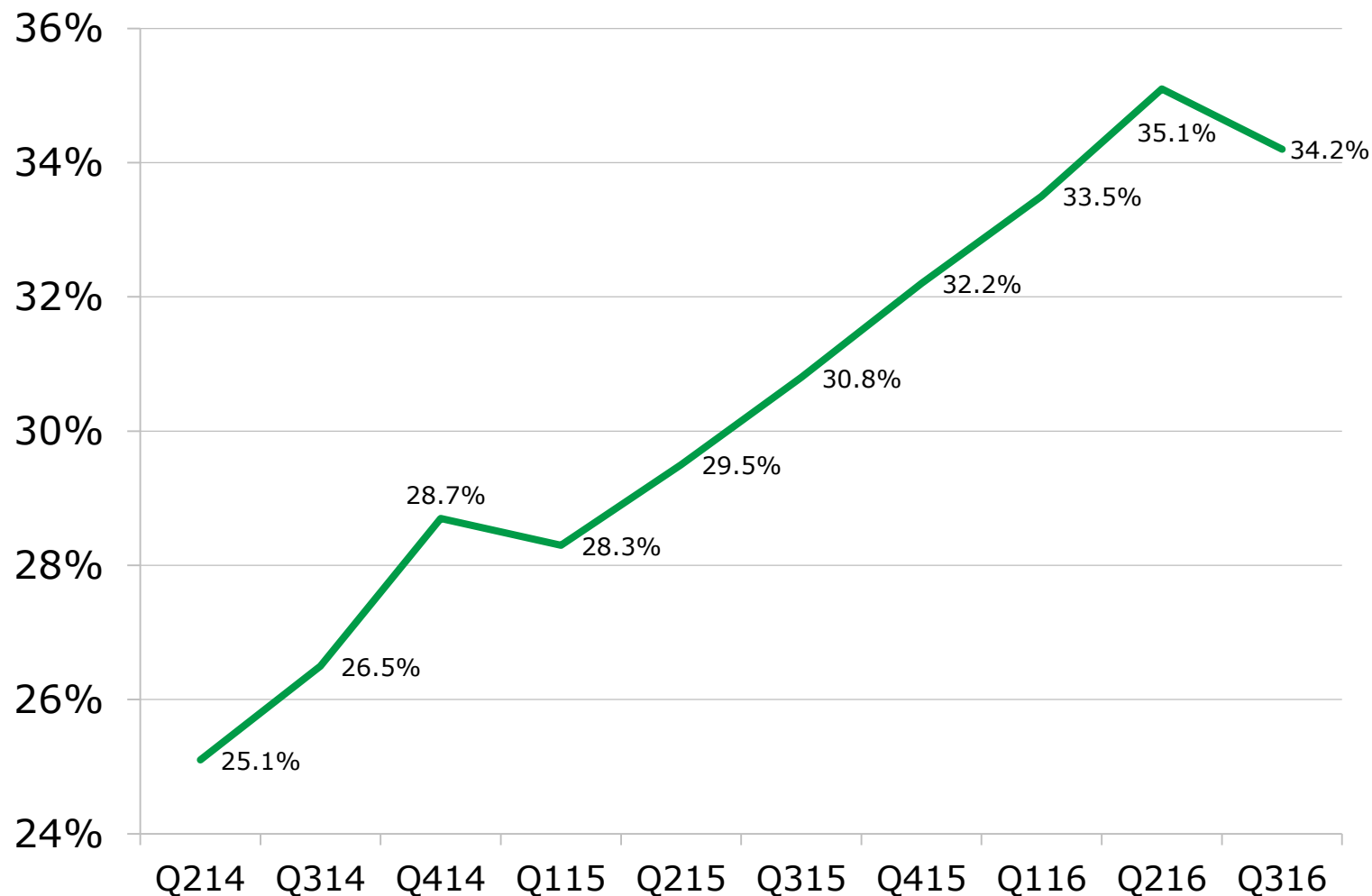
# Our Plan

## 5 point plan summary

Focus on the core	Restructure organization	Change culture	Control capital/costs	Align rewards
Industrial gases	Decentralize	Safety	Capex	Reward performance
Key geographies	Geographic alignment	Simplicity	Hurdle rates	EBITDA/value creation target
		Speed	Corporate cost	
		Self-confidence	Ops./Dist. efficiency	
✓	✓	=	✓ =	✓

What are the **results** of our efforts  
the past two years?

# EBITDA Margin Trend



Based on continuing ops, non-GAAP measures, see appendix for reconciliation  
FY14 information not audited



# While restructuring, we have continued to focus on growth, with significant projects won

- Jazan
- Big River Steel
- BPCL India
- Baytown
- Pyeongtaek Korea
- PKEDZ Nanjing China

Q3FY16 YTD





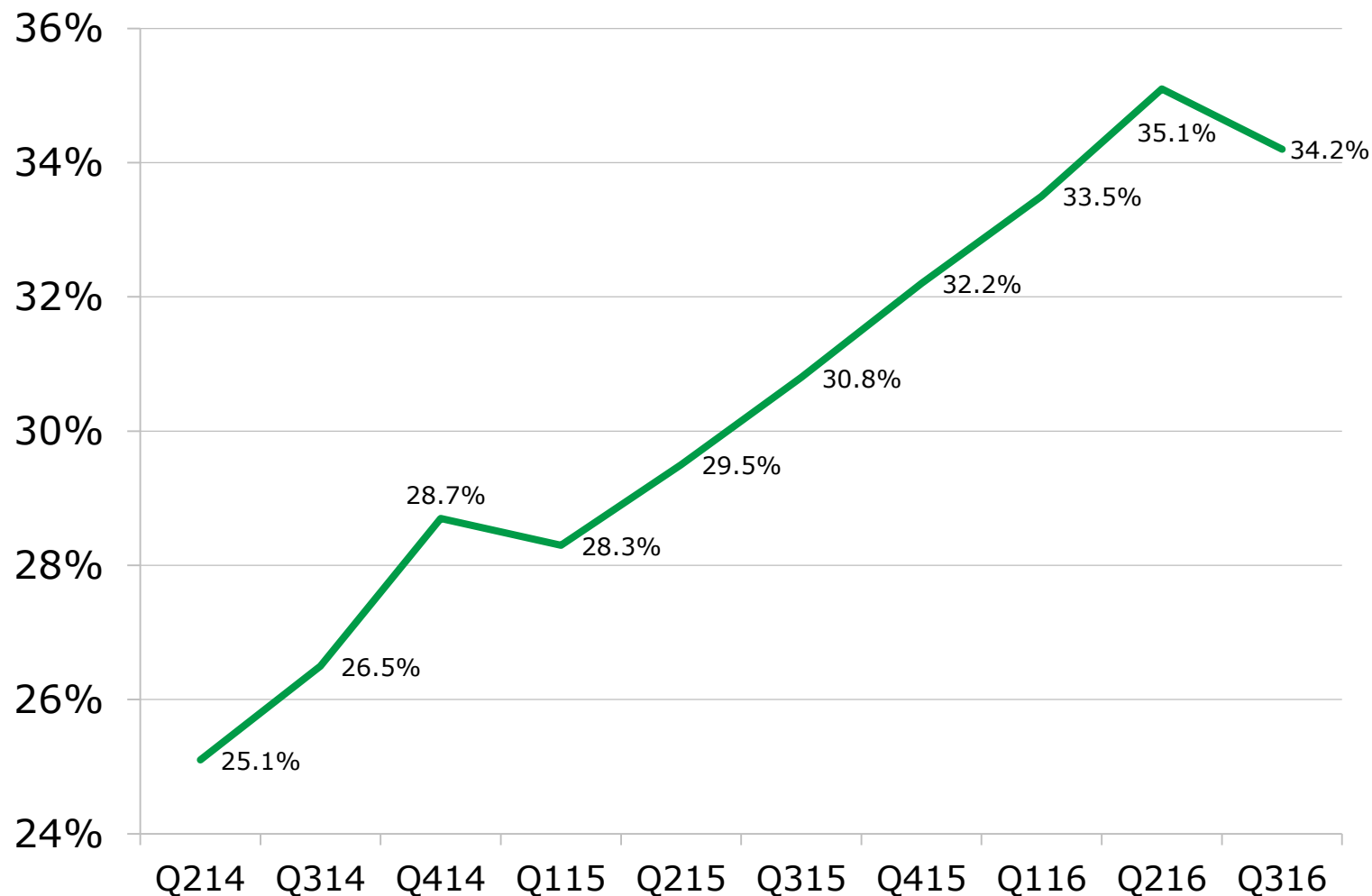
# Safety Results

	Q3YTD 2015	Q3YTD 2016	Change
Employee Lost Time Injury Rate	0.19	0.16	16% better
Employee Recordable Injury Rate	0.48	0.48	-%

# Summary

	<b>Q3YTD 2015</b>	<b>Q3YTD 2016</b>	<b>Change</b>
Sales \$millions	\$7,445	\$7,061	(5%)
EBITDA \$millions	\$2,197	\$2,418	10%
EBITDA % margin	29.5%	34.2%	+470bp
Adjusted EPS \$/share	\$4.77	\$5.54	+16%
ROCE	11.5%	13.5%	+200bp

# EBITDA Margin Trend



Based on continuing ops, non-GAAP measures, see appendix for reconciliation  
FY14 information not audited

# Cash Flow Focus

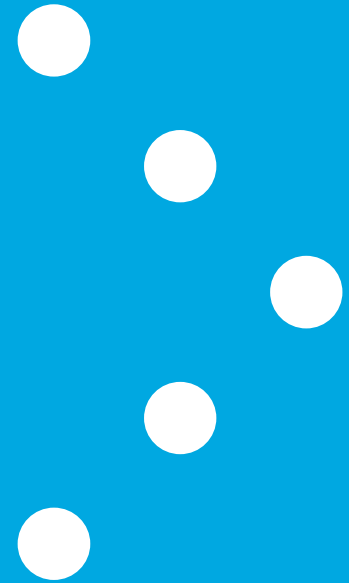
(\$ million)	Q3YTD 2015	Q3YTD 2016	Change
EBITDA	\$2,197	\$2,418	\$221
Interest	(81)	(83)	(2)
Cash Tax	(262)	(330)	(68)
Maintenance Capex	<u>(188)</u>	<u>(193)</u>	<u>(5)</u>
Distributable Cash Flow	\$1,666	\$1,812	\$146
Growth Capex	(879)	(629)	250
Dividends	<u>(503)</u>	<u>(535)</u>	<u>(32)</u>
Free Cash Flow	\$284	\$648	\$364

- Increase in Free Cash Flow driven by higher EBITDA and lower growth capex

# Outlook

- FY2016 Q4 EPS      \$1.91 - \$2.01, up 4% - 10% vs PY
- FY2016 EPS      \$7.45 - \$7.55, up 13% - 14% vs PY
- Capital Spending      Approx. \$1.2 billion

Moving forward



# Actions are expected to create additional capital capacity of ~\$2.6 billion for APD

	Sale of PMD	Spin of EMD
Sale price of PMD	\$3.8 billion	
Gross proceeds from Versum spin-off		~\$1 billion
<u>Expected tax</u>	<u>~\$1 billion</u>	<u>\$0 billion</u>
After tax proceeds	~\$2.8 billion	~\$1 billion
<u>Debt pay down</u>	<u>~\$0.5 billion</u>	<u>~\$0.7 billion</u>
<b>Net Capacity</b>	<b>~\$2.3 billion</b>	<b>~\$0.3 billion</b>

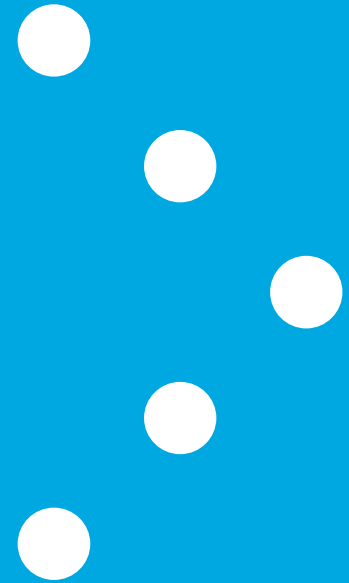
- Air Products expects to pay down debt to maintain its current targeted A/A2 rating, debt pay down assumed at 2xEBITDA

# Moving forward

- Maintain A rating
- Pursue organic growth opportunities in
  - Energy
  - Environmental
  - Emerging markets
- Accretive and complimentary acquisitions
- Grow dividend
- Share repurchases



Our competitive  
advantage



# Our competitive advantage

The only sustainable element  
of long-term competitive  
advantage is the degree of  
**commitment** and **motivation**  
of the people in the enterprise

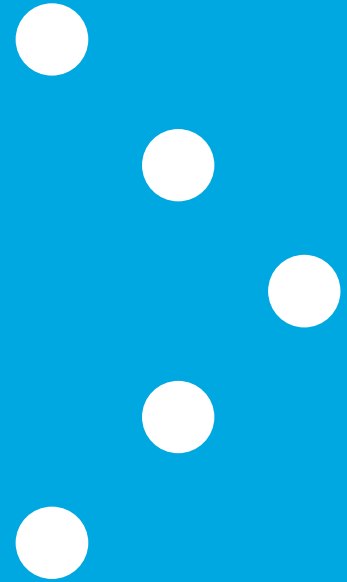
Moving forward



Thank you  
tell me more



# Appendix Slides



# Appendix: YTD EBITDA Margin

\$ Millions	<u>Q115</u>	<u>Q215</u>	<u>Q315</u>	<u>Q315 YTD</u>	<u>Q116</u>	<u>Q216</u>	<u>Q316</u>	<u>Q316 YTD</u>	
Income From Continuing Operations	339.2	298.8	334.9	972.9	386.2	387.6	363.0	1,136.8	
Add: Interest expense	29.1	23.4	28.2	80.7	22.2	25.7	35.0	82.9	
Add: Income tax provision	107.1	87.7	104.1	298.9	135.9	132.5	179.5	447.9	
Add: Depreciation and amortization	235.5	233.3	233.0	701.8	232.7	232.1	230.6	695.4	
Add Non GAAP pre-tax adjustments (1)	<u>14.5</u>	<u>68.0</u>	<u>59.8</u>	<u>142.3</u>	<u>12.0</u>	<u>18.6</u>	<u>24.7</u>	<u>55.3</u>	
Adjusted EBITDA	725.4	711.2	760.0	2,196.6	789.0	796.5	832.8	2,418.3	
Sales	2,560.8	2,414.5	2,470.2	7,445.5	2,355.8	2,271.2	2,434.4	7,061.4	<u>Q316 YTD vs PY</u>
Adjusted EBITDA Margin	28.3%	29.5%	30.8%	29.5%	33.5%	35.1%	34.2%	34.2%	470bp

## (1) Non GAAP Pre-Tax Adjustments

	<u>Q115</u>	<u>Q215</u>	<u>Q315</u>	<u>Q315 YTD</u>	<u>Q116</u>	<u>Q216</u>	<u>Q316</u>	<u>Q316 YTD</u>
Business restructuring/cost reduction actions	32.4	55.4	58.2	146.0	0.0	8.6	14.2	22.8
Pension Settlement Loss	0.0	12.6	1.6	14.2	0.0	2.6	1.0	3.6
Gain on previously held equity investment	(17.9)	0.0	0.0	(17.9)	0.0	0.0	0.0	0.0
Business separation costs	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>12.0</u>	<u>7.4</u>	<u>9.5</u>	<u>28.9</u>
Non GAAP pre-tax adjustments	<u>14.5</u>	<u>68.0</u>	<u>59.8</u>	<u>142.3</u>	<u>12.0</u>	<u>18.6</u>	<u>24.7</u>	<u>55.3</u>

# Appendix: YTD EPS Results

(\$ Millions, except per share data)

	GAAP Measure				Non GAAP Adjusts.		Non GAAP Measure			
	YTD Q316	YTD Q315	\$ Change	% Change	YTD Q316 (3)	YTD Q315 (2)	YTD Q316	YTD Q315	\$ Change	% Change
<b>Q316 YTD vs. Q315 YTD - Total Company</b>										
Sales	7,061.4	7,445.5	(384.1)	(5%)			7,061.4	7,445.5	(384.1)	(5%)
Income from Cont. Ops. (1)	1,113.3	938.7	174.6	19%	93.7	96.4	1,207.0	1,035.1	171.9	17%
Diluted EPS - Cont. Ops. (1)	\$5.11	\$4.32	\$0.79	18%	0.43	0.45	\$5.54	\$4.77	\$0.77	16%

(1) Attributable to Air Products

(2) FY15 Non GAAP Adjustments

	Income From Cont. Ops				EPS			
	Q115	Q215	Q315	Q315 YTD	Q115	Q215	Q315	Q315 YTD
Business restructuring/cost reduction actions	21.7	38.2	38.8	98.7	0.10	0.18	0.18	0.46
Pension settlement loss		7.9	1.0	8.9		0.04	-	0.04
Gain on previously held equity interest	(11.2)	-	-	(11.2)	(0.05)	-	-	(0.05)
Total Adjustments	10.5	46.1	39.8	96.4	0.05	0.22	0.18	0.45

(3) FY16 Non GAAP Adjustments

	Income From Cont. Ops				EPS			
	Q116	Q216	Q316	Q316 YTD	Q116	Q216	Q316	Q316 YTD
Business restructuring/cost reduction actions		7.1	9.3	16.4		0.03	0.04	0.07
Pension settlement loss		1.6	0.6	2.2		0.01	-	0.01
Business separation costs	12.0	8.9	54.2	75.1	0.06	0.04	0.25	0.35
Total Adjustments	12.0	17.6	64.1	93.7	0.06	0.08	0.29	0.43

# Appendix: ROCE

Moving forward

\$ Millions Quarter Ended Numerator	Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415	Q116	Q216	Q316
Operating Income Reported		387.8	416.6	146.6	432.3	376.9	424.8	474.3	510.6	513.3	535.1
Equity Affiliate Income		30.4	43.1	39.7	43.1	33.0	42.4	36.0	33.7	32.5	42.4
Earnings before tax as reported		418.2	459.7	186.3	475.4	409.9	467.2	510.3	544.3	545.8	577.5
Cost Reduction / Restructuring Charge		0.0	0.0	12.7	32.4	55.4	58.2	61.7	0.0	8.6	14.2
Gain on previously held equity interest		0.0	0.0	0.0	(17.9)	0.0	0.0	0.0	0.0	0.0	0.0
Pension Settlement Losses		0.0	0.0	5.5	0.0	12.6	1.6	7.0	0.0	2.6	1.0
Goodwill and intangible impairment		0.0	0.0	310.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business separation costs		0.0	0.0	0.0	0.0	0.0	0.0	7.5	12.0	7.4	9.5
Gain on land sales		0.0	0.0	0.0	0.0	0.0	0.0	(33.6)	0.0	0.0	0.0
Earnings before tax ex items		418.2	459.7	514.6	489.9	477.9	527.0	552.9	556.3	564.4	602.2
Effective tax rate as reported		24.0%	24.0%	49.7%	24.0%	22.7%	23.7%	25.4%	26.0%	25.5%	33.1%
Earnings after tax as reported		317.8	349.4	93.7	361.3	316.9	356.5	380.7	402.8	406.6	386.3
Effective tax rate ex items		24.0%	24.0%	24.1%	24.1%	24.1%	24.9%	23.8%	25.4%	24.8%	24.7%
Earnings after tax ex items		317.8	349.4	390.6	371.8	362.7	395.8	421.3	415.0	424.4	453.5
4 Qtr trailing AT earnings (numerator) - as reported					1,122.2	1,121.3	1,128.4	1,415.4	1,456.9	1,546.6	1,576.4
4 Qtr trailing AT Earnings (numerator) - ex items					1,429.6	1,474.5	1,520.9	1,551.6	1,594.8	1,656.5	1,714.2
Denominator											
Total Debt	6,168.3	6,167.1	6,136.0	6,118.5	6,089.0	5,930.2	5,863.2	5,879.0	5,817.8	5,818.0	5,683.7
Air Products Shareholders' Equity	7,264.0	7,370.9	7,696.7	7,365.8	7,351.5	7,332.5	7,586.0	7,249.0	7,367.1	6,916.6	7,045.4
Redeemable Noncontrolling Interest	358.7	343.6	341.4	287.2	288.7	280.0	277.9	-	-	-	-
Noncontrolling Interest	158.7	156.9	159.5	155.6	151.8	143.8	145.3	132.1	131.9	136.5	134.8
Less Disc Ops Assets	(362.5)	(411.9)	(475.3)	(591.4)	(688.6)	(724.3)	(845.1)	(893.6)	(938.2)	(20.4)	(18.8)
Total Capital	13,587.2	13,626.6	13,858.3	13,335.7	13,192.4	12,962.2	13,027.3	12,366.5	12,378.6	12,850.7	12,845.1
2 Qtr Average Capital (denominator)					13,264.1	13,077.3	12,994.8	12,696.9	12,372.6	12,614.7	12,847.9
5 Qtr Average Capital (denominator)					13,520.0	13,395.0	13,275.2	12,976.8	12,785.4	12,717.1	12,693.6
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					8.3%	8.4%	8.5%	10.9%	11.4%	12.2%	12.4%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					10.6%	11.0%	11.5%	12.0%	12.5%	13.0%	13.5%
Instantaneous ROCE ex items (Qtr earnings AT x 4) / 2 pt avg capital)					11.2%	11.1%	12.2%	13.3%	13.4%	13.5%	14.1%

# Appendix: ROCE Tax Rate

(\$ Millions)	<u>Q214</u>	<u>Q314</u>	<u>Q414</u>	<u>Q115</u>	<u>Q215</u>	<u>Q315</u>	<u>Q415</u>	<u>Q116</u>	<u>Q216</u>	<u>Q316</u>
<u>Reported</u>										
Income Before Taxes	386.7	428.4	157.3	446.3	386.5	438.9	470.9	522.1	520.1	542.5
Tax Expense	93.0	103.0	78.1	107.1	87.7	104.1	119.4	135.9	132.5	179.5
<b>Tax Rate Reported</b>	<b>24.0%</b>	<b>24.0%</b>	<b>49.7%</b>	<b>24.0%</b>	<b>22.7%</b>	<b>23.7%</b>	<b>25.4%</b>	<b>26.0%</b>	<b>25.5%</b>	<b>33.1%</b>

## ITEMS

### Operating Income

Cost Reduction / Restructuring Charges			12.7	32.4	55.4	58.2	61.7		8.6	14.2
Pension Settlement Loss			5.5		12.6	1.6	7.0		2.6	1.0
Gain on previously held equity interest				(17.9)						
Goodwill and intangible impairment			310.1							
Business separation costs							7.5	12.0	7.4	9.5
Gain on land sales							(33.6)			
Loss on debt retirement							16.6			

### Tax Exp

Cost Reduction / Restructuring Charges			4.5	10.7	17.2	19.4	7.2		1.5	4.9
Pension Settlement Loss			1.9		4.7	0.6	2.2		1.0	0.4
Gain on previously held equity interest				(6.7)						
Goodwill and intangible impairment			1.3							
Business separation costs									(1.5)	(44.7)
Income tax items			31.0							
Gain on land sales							(5.3)			
Loss on debt retirement							2.4			

## Ex Items

Income Before Taxes	386.7	428.4	485.6	460.8	454.5	498.7	530.1	534.1	538.7	567.2
Tax Expense	93.0	103.0	116.8	111.1	109.6	124.1	125.9	135.9	133.5	140.1
<b>Tax Rate ex Items</b>	<b>24.0%</b>	<b>24.0%</b>	<b>24.1%</b>	<b>24.1%</b>	<b>24.1%</b>	<b>24.9%</b>	<b>23.8%</b>	<b>25.4%</b>	<b>24.8%</b>	<b>24.7%</b>



# Appendix: EPS Guidance

## EPS Guidance

<u>Q416 Guidance vs PY</u>	<u>Diluted EPS (1)</u>
Q415 GAAP	\$1.59
Business restructuring charge	\$0.25
Pension settlement loss	\$0.02
Business separation costs	\$0.03
Gain on land sales	(\$0.13)
Loss on early retirement of debt	<u>\$0.07</u>
Q415 Non GAAP	<u>\$1.83</u>
Q416 Guidance (2)	<u>\$1.91-\$2.01</u>
% Change	4%-10%

<u>Full Fiscal Year 2016 Guidance</u>	
FY15 GAAP	\$5.91
Business restructuring charge	\$0.71
Pension settlement loss	\$0.06
Gain on previously held equity investment	(\$0.05)
Business separation costs	\$0.03
Gain on land sales	(\$0.13)
Loss on early retirement of debt	<u>\$0.07</u>
FY15 Non GAAP	<u>\$6.60</u>
FY16 Guidance (2)	<u>\$7.45-\$7.55</u>
% Change	13%-14%

(1) Continuing operations, attributable to Air Products

(2) Guidance excludes the impact of certain items, if applicable, that we believe are not representative of our underlying business

Moving forward



Thank you  
tell me more

