

Moving forward



# Create Shareholder Value

Q2 FY'16  
Earnings Conference Call

April 28 2016



# 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 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, global or regional economic conditions 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 Materials Technologies, general economic and business conditions that may affect the separation and the execution thereof, changes in capital market conditions, and Air Products' 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 cost reduction 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

# Safety results

	<b>FY15 Q2</b>	<b>FY16 Q2</b>	<b>Change</b>
Employee Lost Time Injury Rate	0.19	0.13	32% better
Employee Recordable Injury Rate	0.53	0.43	19% better

# 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 Plan

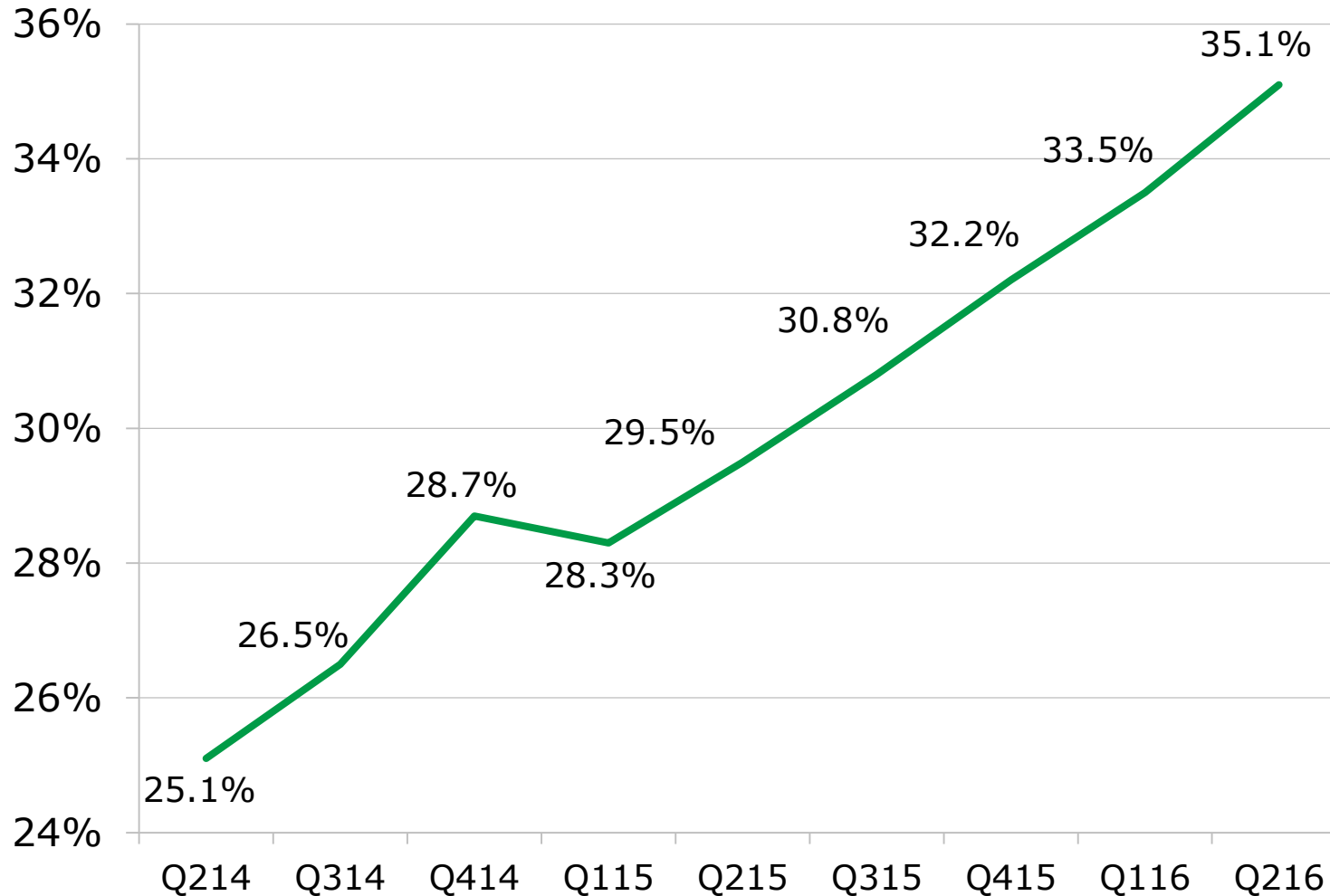
## 5 point plan summary

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	
				

# Q2 Summary

	<b>FY15 Q2</b>	<b>FY16 Q2</b>	<b>Change</b>
Sales \$millions	\$2,415	\$2,271	(6%)
EBITDA \$millions	\$711	\$797	12%
EBITDA % margin	29.5%	35.1%	+560bp
EPS \$/share	\$1.56	\$1.82	+17%
ROCE	11.0%	13.0%	+200bp

# EBITDA Margin Trend



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



# Q2 Results

(\$ million)	Q2 FY16	Fav/(Unfav) vs.	
		Q2 FY15	Q1 FY16
Sales	\$2,271	(6%)	(4%)
- Volume		-%	(2%)
- Price		-%	-%
- Energy/Raw Mat'l pass-thru		(3%)	(1%)
- Currency		(3%)	(1%)
EBITDA	\$797	12%	1%
- <i>EBITDA Margin</i>	<i>35.1%</i>	<i>560bp</i>	<i>160bp</i>
Operating Income	\$532	20%	2%
- <i>Operating Margin</i>	<i>23.4%</i>	<i>500bp</i>	<i>120bp</i>
Net Income	\$397	18%	2%
Diluted EPS (\$/share)	\$1.82	17%	2%
ROCE	13.0%	200bp	50bp

- Operating Margin up 460bp vs PY excluding the impact of lower energy pass-thru

# Q2 Cash Flow Focus

(\$ million)	Q2 FY15	Q2 FY16	Change
EBITDA	\$711	\$797	\$86
Interest	(23)	(26)	(3)
Cash Tax	(93)	(111)	(18)
Maintenance Capex	<u>(49)</u>	<u>(61)</u>	<u>(12)</u>
<b>Distributable Cash Flow</b>	<b>\$546</b>	<b>\$599</b>	<b>\$53</b>
Growth Capex	(282)	(204)	78
Dividends	<u>(165)</u>	<u>(175)</u>	<u>(10)</u>
<b>Free Cash Flow</b>	<b>\$99</b>	<b>\$220</b>	<b>\$121</b>

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

# EfW Business Exit

- Discontinue efforts to startup and operate two EfW projects
- EfW business accounted for as a discontinued operation effective Q2FY16
  - March 31 EfW assets = \$934 million
  - Increase FY15 EPS by 3 cents
- \$946 million Q2 pre-tax discontinued operations charge
  - \$914 million asset write down to salvage value of \$20 million
  - \$32 million plant disposition and severance costs
  - Increases ROCE by approximately 100bp due to a reduction in the denominator
- Future potential pre-tax charges
  - \$50 - \$100 million plant wind down and settle purchase contracts
  - Still evaluating ASU in IG EMEA segment – approx. \$60 million current value
- Taxes
  - No change to expected Air Products continuing operations book tax rate
  - Modest cash tax benefit ~\$75 - \$100 million total over 10+ years
- Cash
  - Future potential net cash cost of \$60 - \$110 million = Salvage value minus disposition, severance, wind down and purchase contract exits, excludes cash taxes
  - Work to optimize cash value of investments

# Q2 EPS Analysis

	Q2 FY15	Q2 FY16	Change	
As reported cont ops EPS	\$1.34	\$1.74		
less non-GAAP items	<u>(0.22)</u>	<u>(0.08)</u>		
Non-GAAP cont ops EPS	\$1.56	\$1.82	\$0.26	
Volume			(0.10)	} \$0.34
Price / raw materials			0.08	
Cost			0.36	
Currency/FX			(0.05)	
Equity affiliate income			-	} (0.03)
Higher interest expense			(0.01)	
Higher tax rate			<u>(0.02)</u>	
Change			\$0.26	

# Gases Americas

	Q2 FY16	Fav/(Unfav) vs.	
		Q2 FY15	Q1 FY16
Sales	\$798	(10%)	(5%)
- Volume		(2%)	(3%)
- Price		1%	-%
- Energy/Raw Mat'l pass-thru		(6%)	(2%)
- Currency		(3%)	-%
EBITDA	\$341	14%	2%
- EBITDA Margin	42.8%	910bp	270bp
Operating Income	\$224	23%	6%
- Operating Margin	28.1%	770bp	280bp

- Weaker Latin America, OFS and steel volumes
- 6<sup>th</sup> consecutive quarter of positive price
- Restructuring actions and lower maintenance drive operating margin up 670bp vs PY excluding the impact of lower energy pass-thru

# Gases EMEA

	Q2 FY16	Fav/(Unfav) vs.	
		Q2 FY15	Q1 FY16
Sales	\$420	(6%)	(4%)
- Volume		(1%)	(2%)
- Price		2%	1%
- Energy/Raw Mat'l pass-thru		(4%)	(2%)
- Currency		(3%)	(1%)
EBITDA	\$145	14%	(1%)
- <i>EBITDA Margin</i>	<i>34.5%</i>	<i>630bp</i>	<i>120bp</i>
Operating Income	\$89	26%	(3%)
- <i>Operating Margin</i>	<i>21.3%</i>	<i>550bp</i>	<i>40bp</i>

- 5<sup>th</sup> consecutive quarter of positive price despite a continuing difficult economy
- Restructuring and price actions drive another record margin quarter
- Operating margin up 500bp vs PY excluding the impact of lower energy pass-thru

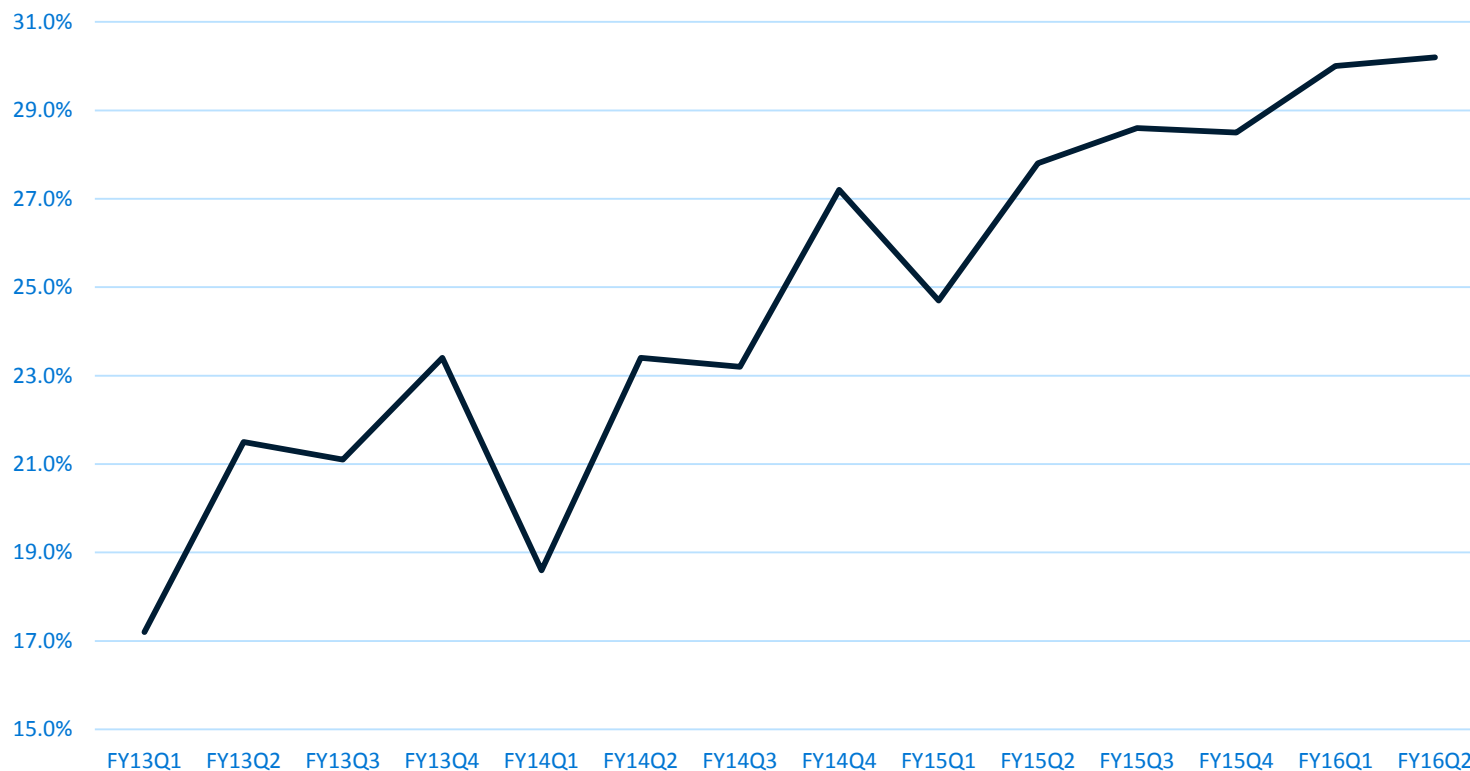
# Gases Asia

	Q2 FY16	Fav/(Unfav) vs.	
		Q2 FY15	Q1 FY16
Sales	\$406	3%	(2%)
- Volume		10%	-%
- Price		(1%)	-%
- Energy/Raw Mat'l pass-thru		-%	-%
- Currency		(6%)	(2%)
EBITDA	\$170	18%	(5%)
- <i>EBITDA Margin</i>	<i>41.9%</i>	<i>520bp</i>	<i>(170bp)</i>
Operating Income	\$104	23%	(11%)
- <i>Operating Margin</i>	<i>25.7%</i>	<i>410bp</i>	<i>(250bp)</i>

- Strong volume and profit growth from new plants and base business
- China coal gasification operating rates and oxygen demand remain high
- Benefits from restructuring actions

# REACHING HIGHER LEVELS OF PERFORMANCE

## SELF-HELP ACTIONS DRIVING SUSTAINABLE MARGIN IMPROVEMENT



### Materials Technologies Adj. EBITDA Margin



As reported for MT segment within Air Products, no allocated corporate costs.  
Based on continuing ops, non-GAAP measures, see appendix for reconciliation



# Materials Technologies

	Q2 FY16	Fav/(Unfav) vs.	
		Q2 FY15	Q1 FY16
Sales	\$494	(7%)	1%
- Volume		(6%)	1%
- Price		-%	-%
- Currency		(1%)	-%
EBITDA	\$150	1%	2%
- <i>EBITDA Margin</i>	<i>30.2%</i>	<i>240bp</i>	<i>20bp</i>
Operating Income	\$129	4%	2%
- <i>Operating Margin</i>	<i>26.2%</i>	<i>290bp</i>	<i>20bp</i>

- Volumes impacted by weaker demand in Epoxy and Additives and lower Electronics Delivery Systems activity
- Profit improvement driven by price/raw materials management, mix and restructuring actions
- Another quarterly EBITDA and Operating Margin record

# Materials Technologies Electronic Materials

	<b>Q2 FY16</b>	<b>Fav/(Unfav) vs. Q2 FY15</b>
Sales	\$234	(10%)
- Volume		(10%)
- Price		2%
- Currency		(2%)
EBITDA	\$83	(1%)
- <i>EBITDA Margin</i>	<i>35.5%</i>	<i>320bp</i>
Operating Income	\$70	4%
- <i>Operating Margin</i>	<i>30.1%</i>	<i>400bp</i>

- Volumes flat ex-Delivery Systems
- Continued growth in Advanced Materials volumes
- Pricing/mix and restructuring actions driving margin expansion

# Materials Technologies Performance Materials

	Q2 FY16	Fav/(Unfav) vs. Q2 FY15
Sales	\$261	(5%)
- Volume		(2%)
- Price		(2%)
- Currency		(1%)
EBITDA	\$67	1%
- EBITDA Margin	25.8%	160bp
Operating Income	\$60	2%
- Operating Margin	22.8%	160bp

- Oil & gas and marine coatings weakness impacting volumes
- Positive margin in the face of price/raw material deflation

# MATERIALS TECHNOLOGIES

A PORTFOLIO OF WORLD CLASS BUSINESSES

Sales:*	\$2,014
Adj. EBITDA:*	\$591
EBITDA Margin:	29.3%
Op Income:*	\$504
Op Margin:	25.0%

**Performance Materials Division (PMD)**  
~50% of sales

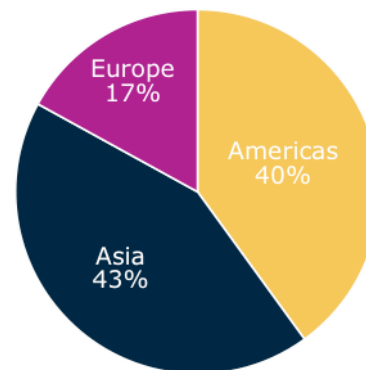
**Electronic Materials Division (EMD)**  
~50% of sales

**Solid growth**

**High margins**

**Low capital intensity**

**Strong free cash flow**



% of FY 15 Sales

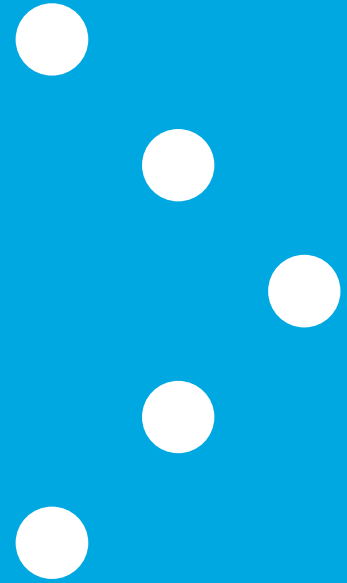
# Outlook

FY2016 Q3 EPS            \$1.87 - \$1.92, up 13% - 16% vs PY

FY2016 EPS             \$7.40 - \$7.55, up 12% - 14% vs PY

Capital Spending        Approx. \$1.2 billion

# Appendix Slides



# Global Gases

	<b>Q2 FY16</b>	<b>Fav/(Unfav) vs.</b>	
		<b>Q2 FY15</b>	<b>Q1 FY16</b>
Sales	\$87	\$20	(\$18)
EBITDA	(\$9)	(\$7)	\$9
Operating Income	(\$11)	(\$3)	\$8

- Sales up on higher ASU activity
- Profits down on positive prior year contract wrap-up

# Corporate and other

	<b>Q2 FY16</b>	<b>Fav/(Unfav) vs.</b>	
		<b>Q2 FY15</b>	<b>Q1 FY16</b>
Sales	\$66	(\$16)	(\$8)
EBITDA	\$-	\$5	\$1
Operating Income	(\$5)	\$5	\$1

- LNG sales down vs prior year
- Profit improvement on lower costs



# Major Projects

Plant	Location	Capacity	Timing	Market
<b>ONSTREAM (last five quarters)</b>				
ASU/Liquid	Zhengyuan, Hebei, China	2,000 TPD O2	Onstream	Gasif to Fertilizer
Helium	Colorado	230 MMSCFY	Onstream	Merchant Helium
ASU	Yankuang, Yulin, China	12,000 TPD O2	Onstream	Gasif to CTL
H2	Scotford, Canada	150 MMSCFD H2	Onstream	Refinery (Pipeline)
<b>IG + MT BACKLOG - \$2.1 billion - over 85% secure onsite/pipeline business model</b>				
ASU	Lu'An, Changzhi City, China	10,000 TPD O2	Q4FY16*	Gasif to CTL
H2/ASU	BPCL, India	165 MMSCFD H2	Q4FY16	Refinery / Chems
ASU/Liquid	Big River Steel, Arkansas	World Scale	Q4FY16	Steel
ASU/H2/Liq.	Pyeongtaek, Korea	World Scale	FY17	Electronics
H2/CO	Baytown, Texas	125 MMSCFD H2 plus CO	2018	Pipeline
<b>JAZAN</b>				
ASU = SOE + 25% EAJV	Saudi Aramco, Jazan	75,000 TPD O2/N2	2018 / 2019	Refinery

\* Multiple Phases

# Capital Expenditure

<b>FY</b>	<b>\$MM</b>
2016 Forecast	Approx. \$1.2 billion
2015	\$1,749
2014	\$1,885
2013	\$1,997
2012	\$2,088
2011	\$1,539
2010	\$1,298
2009	\$1,475
2008	\$1,355
2007	\$1,635

Non-GAAP - includes Capital Expenditures - GAAP basis, plus Capital Lease expenditures and Purchase of non-controlling interests.  
 EfW included: FY13 \$207, FY14 \$301, FY15 \$350, FY16 \$97  
 2015 excludes \$0.3B for Indura equity  
 2012 excludes \$0.7B for Indura equity  
 2007 - 2010 includes European Homecare Services

# Air Products EPS

	<b>FY13</b>	<b>FY14</b>		<b>FY15</b>	<b>FY16</b>
			Q1	\$1.55	\$1.79
			Q2	\$1.56	\$1.82
			Q3	\$1.66	\$1.87-\$1.92
			Q4	\$1.83	
<b>FY</b>	<b>\$5.53</b>	<b>\$5.81</b>	<b>FY</b>	<b>\$6.60</b>	<b>\$7.40-\$7.55</b>
EfW Disc Ops Impact	\$0.03	\$0.03	FY	\$0.03	
Previously reported	\$5.50	\$5.78	FY	\$6.57	

Based on continuing ops, non-GAAP measures, see appendix for reconciliation

# Appendix: Q216 Results

(\$ Millions, except per share data)

	GAAP Measure				Non GAAP Adjusts. (2)		Non GAAP Measure			
	Q216	Q215	\$ Change	% Change	Q216	Q215	Q216	Q215	\$ Change	% Change
<b>Q216 vs. Q215 - Total Company</b>										
Sales	2,271.2	2,414.5	(143.3)	(6%)			2,271.2	2,414.5	(143.3)	(6%)
Operating Income	513.3	376.9	136.4	36%	18.6	68.0	531.9	444.9	87.0	20%
Operating Margin	22.6%	15.6%		700bp			23.4%	18.4%		500bp
Income from Cont. Ops. (1)	379.8	291.9	87.9	30%	17.6	46.1	397.4	338.0	59.4	18%
Diluted EPS - Cont. Ops. (1)	\$1.74	\$1.34	\$0.40	30%	0.08	0.22	\$1.82	\$1.56	\$0.26	17%
<b>Q216 vs. Q116 - Total Company</b>										
Sales	2,271.2	2,355.8	(84.6)	(4%)			2,271.2	2,355.8	(84.6)	(4%)
Operating Income	513.3	510.6	2.7	1%	18.6	12.0	531.9	522.6	9.3	2%
Operating Margin	22.6%	21.7%		90bp			23.4%	22.2%		120bp
Income from Cont. Ops. (1)	379.8	377.8	2.0	1%	17.6	12.0	397.4	389.8	7.6	2%
Diluted EPS - Cont. Ops. (1)	\$1.74	\$1.73	\$0.01	1%	0.08	0.06	\$1.82	\$1.79	\$0.03	2%

(1) Attributable to Air Products

(2) Non GAAP Adjustments

	Q216			Q116			Q215		
	Op Inc	Inc From Cont Ops	EPS	Op Inc	Inc From Cont Ops	EPS	Op Inc	Inc From Cont Ops	EPS
Business restructuring/cost reduction actions	8.6	7.1	0.03				55.4	38.2	0.18
Pension settlement loss	2.6	1.6	0.01				12.6	7.9	0.04
Business separation costs	7.4	8.9	0.04	12.0	12.0	0.06	-	-	-
<b>Total Adjustments</b>	<b>18.6</b>	<b>17.6</b>	<b>0.08</b>	<b>12.0</b>	<b>12.0</b>	<b>0.06</b>	<b>68.0</b>	<b>46.1</b>	<b>0.22</b>

# Appendix: Adjusted EBITDA Trend

\$ Millions	Q115	Q215	Q315	Q415	FY15	Q116	Q216	Q216 vs PY		Q216 vs PQ	
								\$	%	\$	%
Income From Continuing Operations	339.2	298.8	334.9	351.5	1,324.4	386.2	387.6				
Add: Interest expense	29.1	23.4	28.2	22.8	103.5	22.2	25.7				
Add: Income tax provision	107.1	87.7	104.1	119.4	418.3	135.9	132.5				
Add: Depreciation and amortization	235.5	233.3	233.0	234.6	936.4	232.7	232.1				
Add Non GAAP pre-tax adjustments (1)	<u>14.5</u>	<u>68.0</u>	<u>59.8</u>	<u>59.2</u>	<u>201.5</u>	<u>12.0</u>	<u>18.6</u>				
Adjusted EBITDA	725.4	711.2	760.0	787.5	2,984.1	789.0	796.5	85.3	12%	7.5	1%
Sales	2,560.8	2,414.5	2,470.2	2,449.4	9,894.9	2,355.8	2,271.2				
Adjusted EBITDA Margin	28.3%	29.5%	30.8%	32.2%	30.2%	33.5%	35.1%			560bp	160bp

## (1) Non GAAP Pre-Tax Adjustments

	Q115	Q215	Q315	Q415	FY15	Q116	Q216
Business restructuring/cost reduction actions	32.4	55.4	58.2	61.7	207.7	0.0	8.6
Pension Settlement Loss	0.0	12.6	1.6	7.0	21.2	0.0	2.6
Gain on previously held equity investment	(17.9)	0.0	0.0	0.0	(17.9)	0.0	0.0
Business separation costs	0.0	0.0	0.0	7.5	7.5	12.0	7.4
Gain on land sales	0.0	0.0	0.0	(33.6)	(33.6)	0.0	0.0
Loss on early retirement of debt	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>16.6</u>	<u>16.6</u>	<u>0.0</u>	<u>0.0</u>
Non GAAP pre-tax adjustments	<u>14.5</u>	<u>68.0</u>	<u>59.8</u>	<u>59.2</u>	<u>201.5</u>	<u>12.0</u>	<u>18.6</u>

# Appendix: Adjusted EBITDA by Segment

Moving forward

\$ Millions	Q115	Q215	Q315	Q415	FY15	Q116	Q216	Q216 vs PY		Q216 vs PQ	
								\$	%	\$	%
<b>Gases - Americas</b>											
Operating Income	211.2	182.0	206.5	208.7	808.4	211.8	224.2				
Add: Depreciation and amortization	103.6	103.3	103.9	106.1	416.9	108.8	109.4				
Add Equity Affiliates' Income	<u>17.2</u>	<u>15.1</u>	<u>17.3</u>	<u>15.0</u>	<u>64.6</u>	<u>14.5</u>	<u>7.7</u>				
Adjusted EBITDA	332.0	300.4	327.7	329.8	1,289.9	335.1	341.3	40.9	14%	6.2	2%
Adjusted EBITDA Margin	33.1%	33.7%	36.5%	36.6%	34.9%	40.1%	42.8%		910bp		270bp
<b>Gases - EMEA</b>											
Operating Income	81.3	71.0	87.6	90.8	330.7	91.7	89.4				
Add: Depreciation and amortization	51.1	47.6	47.0	48.6	194.3	46.7	48.3				
Add Equity Affiliates' Income	<u>10.3</u>	<u>8.0</u>	<u>12.1</u>	<u>12.0</u>	<u>42.4</u>	<u>7.6</u>	<u>7.2</u>				
Adjusted EBITDA	142.7	126.6	146.7	151.4	567.4	146.0	144.9	18.3	14%	(1.1)	(1%)
Adjusted EBITDA Margin	28.5%	28.2%	32.2%	32.9%	30.4%	33.3%	34.5%		630bp		120bp
<b>Gases - Asia</b>											
Operating Income	90.5	84.7	100.9	104.4	380.5	116.7	104.4				
Add: Depreciation and amortization	49.6	50.3	51.9	51.1	202.9	51.7	48.5				
Add Equity Affiliates' Income	<u>14.6</u>	<u>9.4</u>	<u>12.7</u>	<u>9.4</u>	<u>46.1</u>	<u>11.7</u>	<u>17.4</u>				
Adjusted EBITDA	154.7	144.4	165.5	164.9	629.5	180.1	170.3	25.9	18%	(9.8)	(5%)
Adjusted EBITDA Margin	38.8%	36.7%	39.6%	38.5%	38.4%	43.6%	41.9%		520bp		(170)bp
<b>Gases - Global</b>											
Operating Income	(17.9)	(7.9)	(24.1)	(1.7)	(51.6)	(19.3)	(10.9)				
Add: Depreciation and amortization	4.3	5.5	4.2	2.5	16.5	2.1	1.8				
Add Equity Affiliates' Income	<u>0.4</u>	<u>(0.2)</u>	<u>0.0</u>	<u>(1.0)</u>	<u>(0.8)</u>	<u>(0.5)</u>	<u>0.0</u>				
Adjusted EBITDA	(13.2)	(2.6)	(19.9)	(0.2)	(35.9)	(17.7)	(9.1)	(6.5)		8.6	
<b>Materials Technologies</b>											
Operating Income	104.6	124.2	131.5	116.4	476.7	127.2	129.3				
Add: Depreciation and amortization	24.0	23.3	22.7	22.8	92.8	19.6	20.0				
Add Equity Affiliates' Income	<u>0.6</u>	<u>0.7</u>	<u>0.3</u>	<u>0.6</u>	<u>2.2</u>	<u>0.4</u>	<u>0.2</u>				
Adjusted EBITDA	129.2	148.2	154.5	139.8	571.7	147.2	149.5	1.3	1%	2.3	2%
Adjusted EBITDA Margin	24.7%	27.8%	28.6%	28.5%	27.4%	30.0%	30.2%		240bp		20bp
<b>Corporate/Other</b>											
Operating Income	(22.9)	(9.1)	(17.8)	(1.7)	(51.5)	(5.5)	(4.5)				
Add: Depreciation and amortization	2.9	3.3	3.3	3.5	13.0	3.8	4.1				
Add Equity Affiliates' Income	<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>				
Adjusted EBITDA	(20.0)	(5.8)	(14.5)	1.8	(38.5)	(1.7)	(0.4)	5.4		1.3	

# Appendix: ROCE

\$ Millions										
Quarter Ended	<u>Q114</u>	<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>
<b>Numerator</b>										
Operating Income Reported		387.8	416.6	146.6	432.3	376.9	424.8	474.3	510.6	513.3
Equity Affiliate Income		<u>30.4</u>	<u>43.1</u>	<u>39.7</u>	<u>43.1</u>	<u>33.0</u>	<u>42.4</u>	<u>36.0</u>	<u>33.7</u>	<u>32.5</u>
Earnings before tax as reported		418.2	459.7	186.3	475.4	409.9	467.2	510.3	544.3	545.8
Cost Reduction / Restructuring Charge		0.0	0.0	12.7	32.4	55.4	58.2	61.7	0.0	8.6
Gain on previously held equity interest		0.0	0.0	0.0	(17.9)	0.0	0.0	0.0	0.0	0.0
Pension Settlement Loss		0.0	0.0	5.5	0.0	12.6	1.6	7.0	0.0	2.6
Goodwill and intangible impairment		0.0	0.0	310.1	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
Gain on land sales		<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>(33.6)</u>	<u>0.0</u>	<u>0.0</u>
Earnings before tax ex items		418.2	459.7	514.6	489.9	477.9	527.0	552.9	556.3	564.4
Effective tax rate as reported		24.0%	24.0%	49.7%	24.0%	22.7%	23.7%	25.4%	26.0%	25.5%
Earnings after tax as reported		317.8	349.4	93.7	361.3	316.9	356.5	380.7	402.8	406.6
Effective tax rate ex items		24.0%	24.0%	24.1%	24.1%	24.1%	24.9%	23.8%	25.4%	24.8%
Earnings after tax ex items		317.8	349.4	390.6	371.8	362.7	395.8	421.3	415.0	424.4
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
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
<b>Denominator</b>										
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
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
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
Less Disc Ops Assets	(362.5)	(411.9)	(475.3)	(591.4)	(688.6)	(724.3)	(845.1)	(893.6)	(938.2)	(20.4)
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
2 Qtr Average Capital (denominator)					13,264.1	13,077.3	12,994.8	12,696.9	12,372.6	12,614.7
5 Qtr Average Capital (denominator)					13,520.0	13,395.0	13,275.2	12,976.8	12,785.4	12,717.1
ROCE as rptd (4 Qtr trail AT earnings / 5 pt avg capital)					8.3%	8.4%	8.5%	10.9%	11.4%	12.2%
ROCE ex items (4 Qtr trail AT earnings/ 5 pt avg capital)					10.6%	11.0%	11.5%	12.0%	12.5%	13.0%
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%

# 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>Reported</u>									
Income Before Taxes	386.7	428.4	157.3	446.3	386.5	438.9	470.9	522.1	520.1
Tax Expense	93.0	103.0	78.1	107.1	87.7	104.1	119.4	135.9	132.5
<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>
<u>ITEMS</u>									
<u>Operating Income</u>									
Cost Reduction / Restructuring Charges			12.7	32.4	55.4	58.2	61.7		8.6
Pension Settlement Loss			5.5		12.6	1.6	7.0		2.6
Gain on previously held equity interest				(17.9)					
Goodwill and intangible impairment			310.1						
Business separation costs							7.5	12.0	7.4
Gain on land sales							(33.6)		
Loss on debt retirement							16.6		
<u>Tax Exp</u>									
Cost Reduction / Restructuring Charges			4.5	10.7	17.2	19.4	7.2		1.5
Pension Settlement Loss			1.9		4.7	0.6	2.2		1.0
Gain on previously held equity interest				(6.7)					
Goodwill and intangible impairment			1.3						
Business separation costs									(1.5)
Income tax items			31.0						
Gain on land sales							(5.3)		
Loss on debt retirement							2.4		
<u>Ex Items</u>									
Income Before Taxes	386.7	428.4	485.6	460.8	454.5	498.7	530.1	534.1	538.7
Tax Expense	93.0	103.0	116.8	111.1	109.6	124.1	125.9	135.9	133.5
<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>



# Materials Technologies

## Electronic Materials and Performance Materials EBITDA

Moving forward



\$ Millions	<u>Q215</u>	<u>Q216</u>	<u>Fav/(Unfav)</u> <u>vs. Q2 FY15</u>
<b><u>Electronic Materials</u></b>			
Operating Income	67.6	70.3	4%
Add: Depreciation and amortization	15.5	12.5	
Add Equity Affiliates' Income	<u>0.4</u>	<u>0.0</u>	
Adjusted EBITDA	83.5	82.8	(1%)
Sales	258.8	233.5	(10%)
Adjusted EBITDA Margin	32.3%	35.5%	320bp
Op Margin	26.1%	30.1%	400bp
<b><u>Performance Materials</u></b>			
Operating Income	58.3	59.5	2%
Add: Depreciation and amortization	7.8	7.5	
Add Equity Affiliates' Income	<u>0.3</u>	<u>0.2</u>	
Adjusted EBITDA	66.4	67.2	1%
Sales	274.5	260.8	(5%)
Adjusted EBITDA Margin	24.2%	25.8%	160bp
Op Margin	21.2%	22.8%	160bp

Note: Operating Income /Adjusted EBITDA exclude certain costs that are not allocated to the businesses within Materials Technologies

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Thank you  
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