



2015 Annual Report



Since 1940



Employees at the company's Allentown, Pennsylvania headquarters formed a giant '75' on October 1, 2015, marking three-quarters of a century in business.

Our Businesses

On 1 October 2014, Air Products began operating under a new structure and reporting results under seven new segments:

- Industrial Gases – Americas
- Industrial Gases – EMEA (Europe, Middle East, and Africa)
- Industrial Gases – Asia
- Industrial Gases – Global
- Materials Technologies
- Energy-from-Waste
- Corporate and other



Each of the **three regional Industrial Gases segments (Americas, EMEA, Asia)** includes onsite Air Separation Units (ASUs producing primarily oxygen, nitrogen and argon), Hydrogen/HyCO plants (producing primarily hydrogen, carbon monoxide, syngas and steam), and the regional Merchant Gases businesses (including liquid/bulk, packaged gases and related equipment).

The **Industrial Gases – Global segment** includes atmospheric sale of equipment businesses, such as ASUs and noncryogenic generators, as well as global resources associated with the Industrial Gases business.

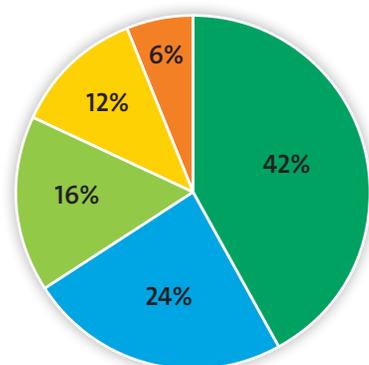
The **Materials Technologies segment** includes the Electronics Materials and Performance Materials businesses, serving the semiconductor, polyurethanes, cleaning and coatings, and adhesives industries.

The **Energy-from-Waste segment** consists of the Tees Valley projects in the United Kingdom.

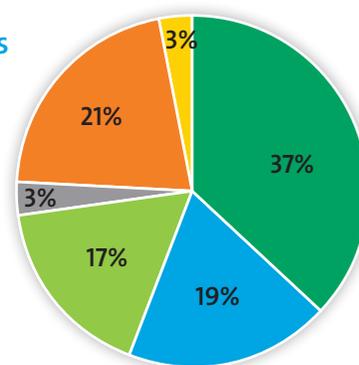
The **Corporate and other segment** includes two on-going global businesses (our liquefied natural gas, or LNG, sale of equipment and process technology business and our helium storage and distribution vessel sale of equipment business), and corporate support functions that benefit all of the business segments. Support functions that support a specific business are allocated directly to the related segment.



Financial highlights



Consolidated sales by destination

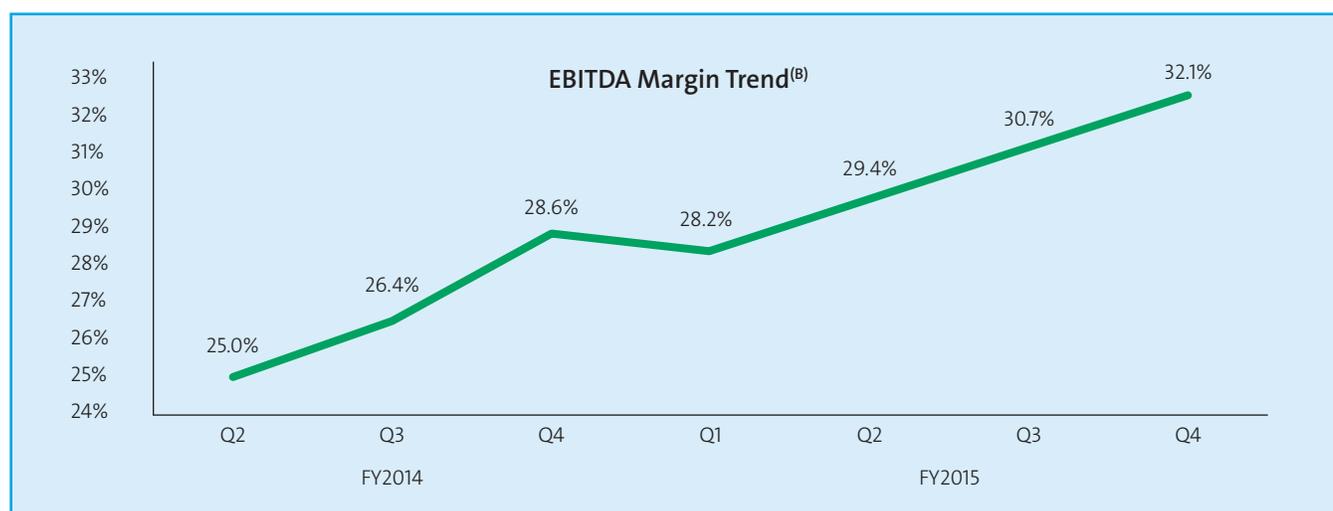


Consolidated sales by business segment



Millions of dollars, except per share

	2015	2014	Change
FOR THE YEAR			
Sales	\$9,895	\$10,439	(5%)
Operating income ^(A)	1,884	1,657	14%
Net income from continuing operations attributable to Air Products ^(A)	1,427	1,243	15%
Adjusted EBITDA ^(A)	2,975	2,765	8%
Capital expenditures ^(A)	2,028	1,885	8%
Return on capital employed (ROCE) ^(B)	11.3%	9.8%	150 bp
Return on average Air Products shareholders' equity ^(B)	19.3%	16.9%	240 bp
Operating margin ^(A)	19.0%	15.9%	310 bp
Adjusted EBITDA margin ^(A)	30.1%	26.5%	360 bp
PER SHARE			
Diluted earnings ^(A)	\$ 6.57	\$ 5.78	14%
Dividends	3.20	3.02	6%
Book value	33.66	34.49	(2%)
AT YEAR END			
Air Products shareholders' equity	\$ 7,249	\$ 7,366	
Shares outstanding (in millions)	215	214	
Shareholders	6,400	6,600	
Employees ^(C)	19,700	21,200	



(A) Amounts are non-GAAP measures. See reconciliation to GAAP results within Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of the accompanying Form 10-K.

(B) Amounts are non-GAAP measures. See pages III – V for reconciliation to GAAP results.

(C) Includes full- and part-time employees from continuing and discontinued operations.

Non-GAAP measures

Return on capital employed (ROCE)

ROCE is calculated as earnings after-tax divided by five-quarter average total capital. Earnings after-tax is defined as operating income and equity affiliates' income, after tax, at our quarterly effective tax rate. On a non-GAAP basis, operating income and

taxes have been adjusted for the impact of the disclosed items detailed below. Total capital consists of total debt, total equity, and redeemable noncontrolling interest.

	2015	2014
Earnings before-tax GAAP	\$ 1,853.6	\$ 1,479.6
Business restructuring and cost reduction actions	207.7	12.7
Pension settlement loss	21.2	5.5
Goodwill and intangible asset impairment charge	—	310.1
Business separation costs	7.5	—
Gain on previously held equity interest	(17.9)	—
Gain on land sales	(33.6)	—
Earnings Before-Tax Non-GAAP	\$ 2,038.5	\$ 1,807.9
Non-GAAP tax adjustment	493.3	434.8
Earnings After-Tax Non-GAAP	\$ 1,545.2	\$ 1,373.1
	2015	2014
Earnings after-tax non-GAAP	\$ 1,545.2	\$ 1,373.1
Five-quarter average total capital	13,725.4	14,019.4
ROCE	11.3%	9.8%
Change	150bp	

Non-GAAP measures

Return on average Air Products shareholders' equity

Return on Air Products shareholders' equity is calculated using income from continuing operations attributable to Air Products divided by five-quarter average Air Products shareholders' equity.

On a non-GAAP basis, income from continuing operations attributable to Air Products has been adjusted for the impact of the disclosed items detailed below.

	2015	2014	2013
Five-quarter average Air Products shareholders' equity	\$7,377.0	\$7,347.9	\$6,545.0
Income from Continuing Operations – GAAP	\$1,277.9	\$ 987.1	\$1,004.2
Business restructuring and cost reduction actions	153.2	8.2	157.9
Pension settlement loss	13.7	3.6	—
Goodwill and intangible asset impairment charge	—	275.1	—
Business separation costs	7.5	—	—
Gain on previously held equity interest	(11.2)	—	—
Advisory costs	—	—	6.4
Gain on land sales	(28.3)	—	—
Loss on early retirement of debt	14.2	—	—
Chilean tax rate change	—	20.6	—
Tax election benefit	—	(51.6)	—
Income from Continuing Operations – Non-GAAP	\$1,427.0	\$1,243.0	\$1,168.5
Return on Air Products Shareholders' Equity – GAAP	17.3%	13.4%	15.3%
Return on Air Products Shareholders' Equity – Non-GAAP	19.3%	16.9%	17.9%

Adjusted EBITDA

We define Adjusted EBITDA as income from continuing operations (including noncontrolling interests) excluding certain disclosed items, which the Company does not believe to be indicative of underlying business trends, before interest expense, income tax provision, and depreciation and amortization expense. Adjusted EBITDA provides a useful metric for management to assess

operating performance. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by sales.

Below is a reconciliation of Income from Continuing Operations on a GAAP basis to Adjusted EBITDA:

2015	Q1	Q2	Q3	Q4	Total
Income from Continuing Operations	\$ 337.5	\$ 296.9	\$ 333.2	\$ 350.0	\$1,317.6
Add: Interest expense	29.1	23.4	28.2	22.8	103.5
Add: Income tax provision	106.5	87.1	103.5	118.8	415.9
Add: Depreciation and amortization	235.5	233.3	233.0	234.6	936.4
Add: Business restructuring and cost reduction actions	32.4	55.4	58.2	61.7	207.7
Add: Pension settlement loss	—	12.6	1.6	7.0	21.2
Add: Business separation costs	—	—	—	7.5	7.5
Less: Gain on previously held equity interest	17.9	—	—	—	17.9
Less: Gain on land sales	—	—	—	33.6	33.6
Add: Loss on early retirement of debt	—	—	—	16.6	16.6
Adjusted EBITDA	\$ 723.1	\$ 708.7	\$ 757.7	\$ 785.4	\$2,974.9
Adjusted EBITDA margin	28.2%	29.4%	30.7%	32.1%	30.1%

2014	Q1	Q2	Q3	Q4	Total
Income from Continuing Operations	\$ 296.0	\$ 291.5	\$ 323.5	\$ 77.5	\$ 988.5
Add: Interest expense	33.3	31.5	31.3	29.0	125.1
Add: Income tax provision	94.5	92.1	102.1	77.3	366.0
Add: Depreciation and amortization	234.2	229.1	239.0	254.6	956.9
Add: Business restructuring and cost reduction actions	—	—	—	12.7	12.7
Add: Pension settlement loss	—	—	—	5.5	5.5
Add: Goodwill and intangible asset impairment charge	—	—	—	310.1	310.1
Adjusted EBITDA	\$ 658.0	\$ 644.2	\$ 695.9	\$ 766.7	\$2,764.8
Adjusted EBITDA margin	25.8%	25.0%	26.4%	28.6%	26.5%

To our shareholders*

My fellow shareholders,

Our mission at Air Products is to be a best-in-class, thriving and profitable commercial enterprise in order to create value for our shareholders. The only way to serve our customers with excellence, develop and reward our employees, and support our communities is to have a profitable company with satisfied shareholders.

In line with our stated mission, last year, we committed to deliver fiscal 2015 earnings per share (EPS) of \$6.30 to \$6.55. Despite weaker than forecasted economic activity and a currency headwind of more than \$.40 per share, our people delivered an EPS of \$6.57, a 14 percent improvement over last year, while increasing the operating margin by 310 basis points to 19 percent and the adjusted EBITDA margin by 360 basis points to 30.1 percent.*

This was achieved while improving our safety performance, completing the most significant organizational change in Air Products' 75-year history, winning profitable projects with major customers around the world, and announcing our intention to spin-off the Materials Technologies business by September 2016.

You can read more about our performance in fiscal 2015 in the detailed report that follows this letter. But I want to acknowledge and thank our talented, committed and motivated employees for delivering these outstanding results and moving our company forward. Their performance shows their determination to achieve our goal, which is to be the safest and most profitable industrial gas company in the world, providing excellent service to our customers.

Our management principles

In managing Air Products, we are guided by the following key principles:

- Cash is king. We are focused on generating cash, and our incentive systems are based on EBITDA.
- In the long-term, what creates value for our shareholders is the increase in per-share value of our stock, not EPS or growth rate.
- Capital allocation is the most important job of any CEO.
- Decentralized organizations promote entrepreneurial spirit, reduce costs and help decrease corporate politics.
- We nurture core values such as integrity, respect and innovation, which are at the heart of every successful enterprise.

*The results included in this letter are non-GAAP, including, without limitation, all references to earnings per share. See reconciliation to GAAP results within Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of the accompanying Form 10-K.

Photo courtesy of NYSE



Air Products' Chairman, President and CEO Seifi Ghasemi and employee winners of the company's 75th anniversary storytelling contest rang The Closing Bell® at the New York Stock Exchange on November 6, 2015.

Progress implementing our five point plan

Last year, we launched a strategic Five Point Plan as a roadmap to achieve our stated goal of being the most profitable industrial gas company in the world and transforming Air Products. I am very pleased to report that during 2015, we made excellent progress implementing our Plan.

1. Focus on the core

Air Products is determined to focus on its core business and core competency—that is, industrial gases. We did announce that we intend to spin-off our Materials Technologies business, tax-free to our US shareholders, and set it up as a separate, stand-alone public company by September 2016. This business is about 20 percent of Air Products. The spin-off will provide shareholders with ownership in two leading and focused companies. I will continue my role with Air Products and also become the non-executive chairman of the new specialty materials company, which will be called Versum Materials.

2. Restructure the company

Successfully executing the second point of our Plan hinged on our ability to run our industrial gases business on a geographically focused structure. During fiscal 2015, we embarked on the largest organizational restructuring that Air Products has ever undertaken, creating more than 40 profit centers with individual incentive plans, and the empowered, decentralized structure that we have today. We eliminated significant layers of management and the global structure on top of the local structure. With the organization in place, our people are focused on outstanding customer service, profitability, efficiency and cost reduction, and they are delivering the results that you can see in this Annual Report.

3. Company culture

I have always believed that the culture of the company is a key element of success. No matter how strong the strategy, it must be executed by every employee in the company. Therefore, the fundamental culture of the enterprise, and the commitment and motivation of our people, will guarantee our success.

To that end, we relentlessly promote the following key principles at Air Products:

- **Safety:** The only acceptable goal is zero accidents and incidents. All accidents are preventable. Everyone is responsible and accountable for safety at Air Products.
- **Simplicity:** We constantly endeavor to simplify our organization and work processes. This is essential to improve productivity and enhance our ability to serve our customers. We focus not only on doing things right, but on doing the right things. We eliminate unnecessary work so that we have time and energy to do what is necessary.
- **Speed:** We believe speed of execution is a key competitive advantage.
- **Self-confidence:** As a team, we believe we have the capability and the capacity to be the best in the industry.

4. Controlling capital and costs

We made excellent progress this year in the responsible use of cash and controlling costs. Our CFO and I review every capital investment of more than \$3 million, and we've established a minimum hurdle rate of 10 percent internal rate of return for all new projects. Meanwhile, we significantly reduced our cost structure through a major reorganization, lowering overhead costs by \$300 million run rate. We have a detailed plan to achieve an additional \$300 million of operational cost savings over the next four years.

5. Align rewards

We have completely changed the incentive reward program. Annual performance bonus is based on EBITDA results, and people are rewarded for what they achieve in their specific business units. This has created differentiation: some units in 2015 will get no incentive award, while other units will get 200 percent of their targeted awards. And our long-term incentive plan is now based on the relative total shareholder return as described in our Proxy Statement.

To our shareholders

Promoting growth

While improving our cost structure and delivering on our financial commitments, we also remained focused on winning profitable projects to ensure future growth.

During the year, we were successful in bringing on-stream several large projects in China with over 20,000 tons per day of additional oxygen capacity. We were honored to have Saudi Aramco, the world's largest oil company, award us the right to build the world's largest industrial gas complex with an investment of more than \$2 billion. Once built, this facility will supply almost 75,000 tons per day of oxygen and nitrogen to Saudi Aramco based on a long-term, 20-year supply contract. We also won a significant contract to build a world-scale facility for a major semiconductor company in South Korea and an oxygen supply contract for Big River Steel in the US. And we announced that we will be building a world-scale hydrogen plant with an investment of around \$400 million to supply hydrogen and carbon monoxide through our pipeline system in Texas.

These wins added to the celebration this year, as Air Products marked 75 years in business, reliably serving customers around the world.

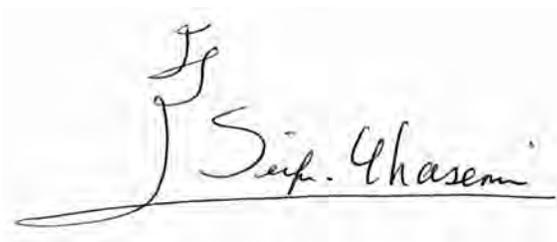
Acknowledgments

I want to close by thanking those who have supported us throughout the year and helped us achieve our success.

To our customers . . . We thank you for giving us your business. At the end of the day, we recognize that Air Products could not exist without your confidence and support. That's why we strive to provide you with solutions and innovations that you need to be successful. Your success is our success. Providing excellent service to you, our customers, remains the foundation of all we are aiming to achieve as we transform our company.

To our employees . . . I want to thank everyone at Air Products for your commitment to excellence, dedication, collaboration and hard work. The collective success of Air Products depends on each one of our people coming to work, acting as if he or she is the CEO of the company, and doing his or her best to improve our performance. I know that our people are committed to making Air Products successful, and that is the main reason I am optimistic about the future of our company.

To our shareholders . . . Thank you for your confidence and investment in our company. We are focused on creating shareholder value; that is our priority at Air Products.



Seifi Ghasemi
Chairman, President and Chief Executive Officer
of Air Products



75
years

Since 1940

Board of Directors

Susan K. Carter

Senior Vice President and Chief Financial Officer of Ingersoll-Rand Plc.
Director of the Company since 2011.

Charles I. Cogut

Senior Mergers and Acquisitions Counsel and Retired Partner, Simpson Thacher & Bartlett LLP.
Director of the Company since 2015.

William L. Davis, III

Former Chairman, President, and Chief Executive Officer of R.R. Donnelley and Sons Company.
Director of the Company since 2005.

Chadwick C. (Chad) Deaton

(Lead Director)
Retired Chairman and Chief Executive Officer of Baker Hughes Incorporated.
Director of the Company since 2010.

W. Douglas Ford

Former Chief Executive, Refining and Marketing, of BP Amoco Plc. ("BP").
Director of the Company since 2003.

Seifi Ghasemi

Chairman, President and Chief Executive Officer of the Company.
Director of the Company since 2013.

Evert Henkes

Former Chief Executive Officer of Shell Chemicals Ltd.
Director of the Company since 2006.

David H. Y. Ho

Chairman and Founder of Kiina Investment Ltd.
Director of the Company since 2013.

Margaret G. McGlynn

Former President and Chief Executive Officer, International AIDS Vaccine Initiative.
Director of the Company since 2005.

Edward L. Monser

President of Emerson Electric Co.
Director of the Company since 2013.

Matthew H. Paull

Former Senior Executive Vice President and Chief Financial Officer of McDonald's Corporation.
Director of the Company since 2013.

Executive Officers

Seifi Ghasemi

Chairman, President and Chief Executive Officer

M. Scott Crocco

Senior Vice President and Chief Financial Officer

Guillermo Novo

Executive Vice President
Materials Technologies

Corning F. Painter

Executive Vice President
Industrial Gases

John D. Stanley

Senior Vice President, General Counsel and Chief Administrative Officer

For more information about corporate governance practices at Air Products, visit our Governance website at www.airproducts.com/company/governance.

Shareholders' information

Common stock information

Ticker Symbol: APD

Exchange Listing: New York Stock Exchange

Transfer Agent and Registrar:

Broadridge Corporate Issuer Solutions

P.O. Box 1342

Brentwood, NY 11717

Phone: 844-318-0129

International: 720-358-3595

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Publications for shareholders

In addition to this Annual Report on Form 10-K for the fiscal year ended September 30, 2015, Air Products informs shareholders about Company news through:

Notice of Annual Meeting and Proxy Statement—made available to shareholders in mid-December and posted to the Company's website at www.airproducts.com/annualmeetingmaterials.

Earnings information—shareholders and investors can obtain copies of earnings releases, Annual Reports, 10-Ks and news releases by visiting www.airproducts.com/investors/overview. Shareholders and investors can also register for e-mail updates at that website.

Dividend policy

Dividends on Air Products' common stock are declared by the Board of Directors and, when declared, usually will be paid during the sixth week after the close of the fiscal quarter. It is the Company's objective to pay dividends consistent with the reinvestment of earnings necessary for long-term growth.

Direct investment program

Current shareholders and new investors can conveniently and economically purchase shares of Air Products' common stock and reinvest cash dividends through Broadridge Corporate Issuer Solutions. Registered shareholders can purchase shares on Broadridge Corporate Issuer Solutions, shareholder@broadridge.com. New investors can obtain information on the website or by calling: Phone: 844-318-0129
International: 720-358-3595

Annual meeting

The annual meeting of shareholders will be held on Thursday, January 28, 2016.

Annual certifications

The most recent certifications by our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to our Form 10-K. We have also filed with the New York Stock Exchange the most recent Annual CEO Certification as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

Additional information

The forward-looking statements contained in this Report are qualified by reference to the section entitled "Forward-Looking Statements" on page 52 of the Form 10-K section.

For more information,
please contact us at:

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Corporate Secretary's Office

Mary Afflerbach, Corporate Secretary
and Chief Governance Officer
T 610-481-2297

Investor Relations Office

Simon Moore, Director
T 610-481-5775



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