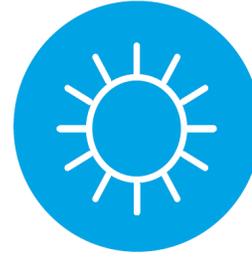




Grow



Conserve



Care

# Sustainability 2021

Reconciliations of Non-GAAP Financial Measures

## Purpose of Reconciliation Tables

Our sustainability report includes references to non-GAAP (“adjusted”) financial measures. Unless otherwise stated, these measures are based on our continuing operations and are generally identified by the word “adjusted” or “non-GAAP” preceding the measure. We believe these non-GAAP financial measures provide useful information to evaluate the performance of our business by providing a more complete understanding of the factors and trends that affect our financial performance. The purpose of this document is to provide reconciliations between the historical non-GAAP financial measures that we have disclosed and the most directly comparable measure calculated and presented in accordance with U.S. generally accepted accounting principles (“GAAP”). Amounts provided herein are in millions of dollars unless otherwise indicated, except for per share data, and are as of and for the fiscal year ended 30 September.

Our non-GAAP financial measures should be considered within the context of our complete audited and unaudited financial results for the given period, which are available in the “Investors” section of our website at [www.airproducts.com](http://www.airproducts.com). The non-GAAP financial measures supplement our GAAP disclosures and are not meant to be considered in isolation or as a substitute for the most directly comparable measures prepared in accordance with GAAP. These measures may not be comparable to similarly titled measures used by other companies.

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## Capital Expenditures

Capital expenditures is a non-GAAP measure that we define as cash flows for additions to plant and equipment, including long-term deposits, acquisitions (less cash acquired), and investment in and advances to unconsolidated affiliates. A reconciliation of cash used for investing activities to our reported capital expenditures is provided below:

|  | 2020             |
|--|------------------|
| <b>Cash used for investing activities</b>    | <b>\$3,560.0</b> |
| Proceeds from sale of assets and investments | 80.3             |
| Purchases of investments                     | (2,865.5)        |
| Proceeds from investments                    | 1,938.0          |
| Other investing activities                   | 3.9              |
| <b>Capital expenditures<sup>(A)</sup></b>    | <b>\$2,716.7</b> |

<sup>(A)</sup> Reflects remaining cash used for investing activities attributable to capital expenditures.

The components of our capital expenditures are detailed in the table below:

|  | 2020             |
|--|------------------|
| Additions to plant and equipment, including long-term deposits | \$2,509.0        |
| Acquisitions, less cash acquired                               | 183.3            |
| Investments in and advances to unconsolidated affiliates       | 24.4             |
| <b>Capital expenditures</b>                                    | <b>\$2,716.7</b> |

## Adjusted EBITDA Margin

We define adjusted EBITDA as net income less income (loss) from discontinued operations, net of tax, and excluding non-GAAP adjustments, which we do not believe to be indicative of underlying business trends, before interest expense, other non-operating income (expense), net, income tax provision, and depreciation and amortization expense. Margins are calculated by dividing net income and adjusted EBITDA by consolidated sales for each period.

The table below presents consolidated sales and a reconciliation of net income on a GAAP basis to adjusted EBITDA and net income margin on a GAAP basis to adjusted EBITDA margin:

|   | 2020         | 2019         |
|---|--------------|--------------|
| Sales   | \$8,856.3    | \$8,918.9    |
| Net income  | \$1,931.1    | \$1,809.4    |
| <b>Net income margin</b>                                      | <b>21.8%</b> | <b>20.3%</b> |
| Net income  | \$1,931.1    | \$1,809.4    |
| Less: Loss from discontinued operations, net of tax           | (14.3)       | —            |
| Add: Interest expense   | 109.3        | 137.0        |
| Less: Other non-operating income (expense), net               | 30.7         | 66.7         |
| Add: Income tax provision                                     | 478.4        | 480.1        |
| Add: Depreciation and amortization                            | 1,185.0      | 1,082.8      |
| Add: Facility closure   | —            | 29.0         |
| Add: Cost reduction actions                                   | —            | 25.5         |
| Less: Gain on exchange of equity affiliate investments        | —            | 29.1         |
| Less: Company headquarters relocation income (expense)        | 33.8         | —            |
| Less: India Finance Act 2020 - equity affiliate income impact | 33.8         | —            |
| Adjusted EBITDA   | \$3,619.8    | \$3,468.0    |
| <b>Adjusted EBITDA margin</b>                                 | <b>40.9%</b> | <b>38.9%</b> |

## Adjusted Operating Margin

Operating margin and adjusted operating margin are calculated by dividing operating income and adjusted operating income, respectively, by consolidated sales for each period. The adjusted measures exclude the impact of certain disclosed items that we believe are not representative of underlying business performance.

A reconciliation of adjusted operating margin to operating margin on a GAAP basis is provided below:

|  | 2020         | 2019         |
|--|--------------|--------------|
| Sales  | \$8,856.3    | \$8,918.9    |
| Operating income                                 | \$2,237.6    | \$2,144.4    |
| <b>Operating margin</b>                          | <b>25.3%</b> | <b>24.0%</b> |
| Operating income                                 | \$2,237.6    | \$2,144.4    |
| Facility closure                                 | —            | 29.0         |
| Cost reduction actions                           | —            | 25.5         |
| Gain on exchange of equity affiliate investments | —            | (29.1)       |
| Company headquarters relocation (income) expense | (33.8)       | —            |
| Adjusted operating income                        | \$2,203.8    | \$2,169.8    |
| <b>Adjusted operating margin</b>                 | <b>24.9%</b> | <b>24.3%</b> |

## Return on Capital Employed ("ROCE") (Non-GAAP Basis)

Return on capital employed ("ROCE") is calculated on a continuing operations basis. Management considers this measure to be useful in evaluating the Company's returns on capital.

| ROCE (GAAP Basis)   | 2020         |            |            |            | 2019         |            |            |            | 2018       |
|---|--------------|------------|------------|------------|--------------|------------|------------|------------|------------|
|   | Q4           | Q3         | Q2         | Q1         | Q4           | Q3         | Q2         | Q1         | Q4         |
| Net income  | \$494.7      | \$457.1    | \$490.4    | \$488.9    | \$518.7      | \$500.2    | \$433.5    | \$357.0    |            |
| Total liabilities and equity                              | 25,168.5     | 24,782.1   | 19,501.2   | 19,651.6   | 18,942.8     | 19,531.9   | 19,244.5   | 19,142.0   | 19,178.3   |
| Four-Quarter Trailing Net Income                          | 1,931.1      |            |            |            | 1,809.4      |            |            |            |            |
| Five-Quarter Average Total Liabilities and Equity         | 21,609.2     |            |            |            | 19,207.9     |            |            |            |            |
| <b>ROCE (GAAP Basis)</b>                                  | <b>8.9%</b>  |            |            |            | <b>9.4%</b>  |            |            |            |            |
| <b>ROCE (Non-GAAP Basis)</b>                              |              |            |            |            |              |            |            |            |            |
| Net income  | \$494.7      | \$457.1    | \$490.4    | \$488.9    | \$518.7      | \$500.2    | \$433.5    | \$357.0    |            |
| Loss from discontinued operations, net of tax             | —            | —          | 14.3       | —          | —            | —          | —          | —          |            |
| Interest expense  | 39.2         | 32.1       | 19.3       | 18.7       | 30.1         | 34.2       | 35.4       | 37.3       |            |
| Facility closure  | —            | —          | —          | —          | —            | —          | —          | 29.0       |            |
| Cost reduction actions                                    | —            | —          | —          | —          | —            | 25.5       | —          | —          |            |
| Gain on exchange of equity affiliate investments          | —            | —          | —          | —          | —            | (29.1)     | —          | —          |            |
| Company headquarters relocation (income) expense          | —            | —          | (33.8)     | —          | —            | —          | —          | —          |            |
| India Finance Act 2020                                    | —            | —          | (33.8)     | —          | —            | —          | —          | —          |            |
| Pension settlement loss                                   | —            | —          | —          | —          | —            | —          | 5.0        | —          |            |
| Tax reform repatriation                                   | —            | —          | —          | —          | —            | 3.2        | —          | (15.6)     |            |
| Tax reform adjustment related to deemed foreign dividends | —            | —          | —          | —          | —            | —          | —          | 56.2       |            |
| Tax other <sup>(A)</sup>                                  | (6.6)        | (6.2)      | 24.1       | (3.7)      | (6.1)        | (12.8)     | (8.2)      | (17.0)     |            |
| Return After-Tax (Non-GAAP Basis)                         | \$527.3      | \$483.0    | \$480.5    | \$503.9    | \$542.7      | \$521.2    | \$465.7    | \$446.9    |            |
| <b>Total Capital</b>                                      |              |            |            |            |              |            |            |            |            |
| Total liabilities and equity                              | \$25,168.5   | \$24,782.1 | \$19,501.2 | \$19,651.6 | \$18,942.8   | \$19,531.9 | \$19,244.5 | \$19,142.0 | \$19,178.3 |
| Less: Payables and accrued liabilities                    | 1,833.2      | 1,668.5    | 1,649.1    | 1,630.0    | 1,635.7      | 1,543.2    | 1,513.7    | 1,738.3    | 1,817.8    |
| Less: Accrued income taxes                                | 105.8        | 83.6       | 90.4       | 113.4      | 86.6         | 65.6       | 70.7       | 111.9      | 59.6       |
| Less: Other noncurrent liabilities                        | 1,916.0      | 1,866.9    | 1,881.0    | 1,826.7    | 1,712.4      | 1,553.6    | 1,560.5    | 1,551.6    | 1,536.9    |
| Less: Deferred income taxes                               | 962.6        | 942.0      | 844.4      | 810.5      | 793.8        | 823.2      | 805.4      | 768.9      | 775.1      |
| Capital Employed (Non-GAAP Basis)                         | \$20,350.9   | \$20,221.1 | \$15,036.3 | \$15,271.0 | \$14,714.3   | \$15,546.3 | \$15,294.2 | \$14,971.3 | \$14,988.9 |
| Four-Quarter Trailing Return After-Tax—Non-GAAP           | \$1,994.7    |            |            |            | \$1,976.5    |            |            |            |            |
| Five-Quarter Average Capital Employed—Non-GAAP            | 17,118.7     |            |            |            | 15,103.0     |            |            |            |            |
| <b>ROCE (Non-GAAP Basis)</b>                              | <b>11.7%</b> |            |            |            | <b>13.1%</b> |            |            |            |            |

<sup>(A)</sup> Represents the tax impact on interest expense and our pre-tax non-GAAP adjustments.

## Adjusted Diluted Earnings Per Share ("EPS")

Adjusted diluted EPS is calculated as net income from continuing operations attributable to Air Products, excluding the impact of certain disclosed items that we believe are not representative of underlying business performance, divided by the weighted average common shares that reflect the potential dilution that could occur if stock options or other share-based awards were exercised or converted into common stock. We believe it is important for the reader to understand the per share impact of our non-GAAP adjustments as management does not consider these impacts when evaluating underlying business performance.

A reconciliation of adjusted diluted EPS to diluted EPS on a GAAP basis is provided below:

|   | 2020          | 2019          |
|---|---------------|---------------|
| <b>Diluted EPS<sup>(A)</sup></b>                          | <b>\$8.55</b> | <b>\$7.94</b> |
| Facility closure  | —             | 0.10          |
| Cost reduction actions                                    | —             | 0.08          |
| Gain on exchange of equity affiliate investments          | —             | (0.13)        |
| Company headquarters relocation (income) expense          | (0.12)        | —             |
| India Finance Act 2020                                    | (0.06)        | —             |
| Pension settlement loss                                   | —             | 0.02          |
| Tax reform repatriation                                   | —             | (0.06)        |
| Tax reform adjustment related to deemed foreign dividends | —             | 0.26          |
| <b>Adjusted diluted EPS<sup>(A)</sup></b>                 | <b>\$8.38</b> | <b>\$8.21</b> |

<sup>(A)</sup> Measures are reflected on a continuing operations basis. The per share impact for each non-GAAP adjustment was calculated independently and may not sum to total adjusted diluted EPS due to rounding.