



Grow ... Conserve ... Care

Sustainability in Action

2022 Sustainability Report



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 in the Sustainability Report 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. 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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Adjusted EBITDA and 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:

	2021	2020	Change
Sales	\$10,323.0	\$8,856.3	
Net income	\$2,114.9	\$1,931.1	10 %
Net income margin	20.5%	21.8%	
Net income	\$2,114.9	\$1,931.1	
Less: Income (Loss) from discontinued operations, net of tax	70.3	(14.3)	
Add: Interest expense	141.8	109.3	
Less: Other non-operating income (expense), net	73.7	30.7	
Add: Income tax provision	462.8	478.4	
Add: Depreciation and amortization	1,321.3	1,185.0	
Add: Facility closure	23.2	—	
Less: Gain on exchange with joint venture partner	36.8	—	
Less: Company headquarters relocation income (expense)	—	33.8	
Less: India Finance Act 2020 - equity affiliate income impact	—	33.8	
Adjusted EBITDA	\$3,883.2	\$3,619.8	7 %
Adjusted EBITDA margin	37.6%	40.9%	



Adjusted Operating Income and 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 operating margin on a GAAP basis to adjusted operating margin is provided below:

	2021	2020	Change
Sales	\$10,323.0	\$8,856.3	
Operating income	\$2,281.4	\$2,237.6	2 %
Operating margin	22.1%	25.3%	
Operating income	\$2,281.4	\$2,237.6	
Facility closure	23.2	—	
Gain on exchange with joint venture partner	(36.8)	—	
Company headquarters relocation (income) expense	—	(33.8)	
Adjusted operating income	\$2,267.8	\$2,203.8	3%
Adjusted operating margin	22.0%	24.9%	



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 reflecting 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. The per share impact of each non-GAAP adjustment was calculated independently and may not sum to total adjusted diluted EPS due to rounding.

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

	2021	2020
Diluted EPS	\$9.12	\$8.55
Facility closure	0.08	—
Gain on exchange with joint venture partner	(0.12)	—
Company headquarters relocation (income) expense	—	(0.12)
India Finance Act 2020	—	(0.06)
Tax election benefit and other	(0.05)	—
Adjusted diluted EPS	\$9.02	\$8.38



Capital Expenditures

We define capital expenditures 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:

	2021
Cash used for investing activities	\$2,732.9
Proceeds from sale of assets and investments	37.5
Purchases of investments	(2,100.7)
Proceeds from investments	1,875.2
Other investing activities	5.8
Capital expenditures^(A)	\$2,550.7

^(A) Reflects remaining cash used for investing activities attributable to capital expenditures.

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

	2021
Additions to plant and equipment, including long-term deposits	\$2,464.2
Acquisitions, less cash acquired	10.5
Investments in and advances to unconsolidated affiliates	76.0
Capital expenditures	\$2,550.7



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.

	2021				2020				2019
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
ROCE (GAAP Basis):									
Net income	\$618.8	\$532.3	\$477.1	\$486.7	\$494.7	\$457.1	\$490.4	\$488.9	
Total liabilities and equity	26,859.2	26,252.1	26,158.9	26,088.1	25,168.5	24,782.1	19,501.2	19,651.6	18,942.8
Four-Quarter Trailing Net Income	2,114.9				1,931.1				
÷ Five-Quarter Average Total Liabilities and Equity	26,105.4				21,609.2				
ROCE (GAAP Basis)	8.1%				8.9%				
ROCE (Non-GAAP Basis):									
Net income	\$618.8	\$532.3	\$477.1	\$486.7	\$494.7	\$457.1	\$490.4	\$488.9	
(Income) Loss from discontinued operations, net of tax	(51.8)	(8.2)	—	(10.3)	—	—	14.3	—	
Interest expense	33.4	35.6	36.1	36.7	39.2	32.1	19.3	18.7	
Facility closure	—	—	23.2	—	—	—	—	—	
Gain on exchange with joint venture partner	—	—	(36.8)	—	—	—	—	—	
Company headquarters relocation (income) expense	—	—	—	—	—	—	(33.8)	—	
India Finance Act 2020	—	—	—	—	—	—	(33.8)	—	
Tax election benefit and other	—	(12.2)	—	—	—	—	—	—	
Tax other ^(A)	(6.0)	(5.8)	(3.7)	(7.1)	(6.6)	(6.2)	24.1	(3.7)	
Return After-Tax (Non-GAAP Basis)	\$594.4	\$541.7	\$495.9	\$506.0	\$527.3	\$483.0	\$480.5	\$503.9	
Total liabilities and equity	\$26,859.2	\$26,252.1	\$26,158.9	\$26,088.1	\$25,168.5	\$24,782.1	\$19,501.2	\$19,651.6	\$18,942.8
Less: Payables and accrued liabilities	2,218.3	2,118.4	2,042.2	1,962.2	1,833.2	1,668.5	1,649.1	1,630.0	1,635.7
Less: Accrued income taxes	93.9	78.8	86.7	108.4	105.8	83.6	90.4	113.4	86.6
Less: Other noncurrent liabilities	1,640.9	1,819.0	1,840.0	1,935.7	1,916.0	1,866.9	1,881.0	1,826.7	1,712.4
Less: Deferred income taxes	1,180.9	1,078.2	1,050.8	1,003.0	962.6	942.0	844.4	810.5	793.8
Capital Employed (Non-GAAP Basis)	\$21,725.2	\$21,157.7	\$21,139.2	\$21,078.8	\$20,350.9	\$20,221.1	\$15,036.3	\$15,271.0	\$14,714.3
Four-Quarter Trailing Return After-Tax—Non-GAAP	\$2,138.0				\$1,994.7				
÷ Five-Quarter Average Capital Employed—Non-GAAP	21,090.4				17,118.7				
ROCE (Non-GAAP Basis)	10.1%				11.7%				

^(A) Represents the tax impact on interest expense and our pre-tax non-GAAP adjustments.