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June 11, 2025

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Re: Air Products Blue Energy LLC's Proposed Louisiana Clean Energy Complex, MVN-2011-03218-MM / P20240033—Project Divestment

Dear Mr. Morse and Ms. Zachary:

We are writing on behalf of Lake Maurepas Preservation Society, RISE St. James, Concerned Citizens of St. John, Inc., Healthy Gulf, Sierra Club, and Earthworks to relay important information about Air Products Blue Energy LLC's proposed project, dubbed the Louisiana Clean Energy Complex, for which the company seeks the following permits pursuant to a joint application: *(1)* Clean Water Act Section 404 / Rivers Harbors Act Section 10 permit No. MVN-2011-03218-MM pending before the U.S. Army Corps of Engineers New Orleans District ("Army Corps") and *(2)* Coastal Use Permit No. P2024003 pending before the Louisiana Department of Natural Resources Office of Coastal Management ("OCM").

Air Products Blue Energy LLC's parent company Air Products & Chemical, Inc., recently announced it no longer plans to go through with much of its proposed project—i.e., carbon dioxide sequestration, ammonia plant, and marine terminal, and instead is hoping to find buyers for these components.[1] The company stated that the carbon dioxide component could be sold "as

[1] Q2 2025 Air Products Earnings Conference Call, May 1, 2025, Tr. ("Q2 2025 Air Products Tr."), pdf. pp. 7–8, 15 (Eduardo Meunezis, CEO, Air Products), https://uk.investing.com/news/transcripts/earnings-call-transcript-air-products-q2-2025-misses-eps-forecast-shares-dip-93CH-4060016, Ex. 1; *see also* Air

a stand alone operation" that would not be part of the proposed project.[2] Additionally, the company said it will not move forward with the hydrogen plant, which is the only major component that is not for sale, until it has "off take agreements."[3] Air Products said "[t]here will be *no new spending commitments* on this project while [it] pursue[s] the derisking strategy,"[4] and it has given itself "until the end of the year" to consider options.[5] For these reasons, going forward with review of Air Products' application at this time would waste significant federal and state resources since the proposed project is now merely a speculative endeavor. For this reason, we ask that the Army Corps and OCM suspend their respective processing of the pending application.

Air Products publicly announced its "derisking strategy" last month, telling its shareholders and the media that it is facing "difficult changes" as it returns to its "traditional business model" of producing industrial gases such as hydrogen[6] and moves away from "complex higher risk projects."[7] The company's "risky strategy was criticized by activist investors who began calling for a change of course last year," as "the project's price tag [] swelled to $8 billion"[8]—almost double the initial estimate of $4.5 billion. The proposed project was also originally expected to be operational next year, but now the company says "[t]he earliest start up of this facility is 2028 or 2029, pending the derisking strategy."[9] Further, the project may never proceed since Air Products has made clear that it needs offtake agreements for the hydrogen before it goes forward. But analysts say "[t]he main challenge right now is finding buyers" for so-called low-carbon or "blue" hydrogen[10] that Air Products hopes to sell.

The Corps and OCM should not go forward with their review of the pending application, given the changes and uncertainty surrounding the project, as the company itself announced. To

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Products*, Fiscal Second Quarter 2025 Earnings Results Teleconference,* May 1, 2025, https://investors.airproducts.com/static-files/a9d41252-e3ce-4042-ab37-aa758adc57a4.

[2] *Id.* at pdf. p. 36.

[3] *Id.* at pdf. p. 7.

[4] *Id.* at pdf. p. 8 (emphasis added).

[5] *Id.* at pdf. p. 15.

[6] *Id.* at pdf. p. 10 ("Going forward, we will [] focus 100 percent on our core industrial gas business.").

[7] *Id.* at pdf. p. 15; *see also* Allison Bruhl, "Company delays multibillion-dollar decision Ascension Parish blue hydrogen project," Louisiana First News, May 6, 2025, available at https://www.louisianafirstnews.com/news/local-news/ascension-parish/company-delays-multibillion-dollar-ascension-parish-blue-hydrogen-project/

[8] Ed Ballard, *How Hydrogen, the Fuel of the Future, Got Bogged Down in the Bayou, Air Products bet big on the element, but sentiment has soured, costs are snowballing and customers remain elusive*, Wall Street Journal, June 7, 2025, at pdf. p. 1, https://www.wsj.com/business/energy-oil/how-hydrogen-the-fuel-of-the-future-got-bogged-down-in-the-bayou-36131eb6?st=7HBmve&reflink=article_gmail_share, Ex. 2.

[9] Q2 2025 Air Products Tr., at pdf. p. 7, Ex. 1.

[10] *How Hydrogen, the Fuel of the Future, Got Bogged Downin the Bayou* (quoting Bloomberg analyst), at pdf. p. 3, Ex. 2.

do so would be a waste of federal and state resources, especially given the project's extreme public opposition and complexity, and with impacts that would significantly affect the environment. For instance, Air Products seeks to fill and/or excavate 484.77 acres of wetlands and/or waterbottoms across five parishes. Much of this wetland destruction would occur within the Maurepas Swamp Wildlife Management Area where the Army Corps has partnered with other agencies on the "River Reintroduction into the Maurepas Swamp Project."[11] The river reintroduction project broke ground in December of 2024, aiming to revitalize the rare cypress-tupelo wetland habitat and stem its loss while also serving as mitigation for a Corps' levee project.[12]Construction activities and permanent infrastructure associated with this proposed project could potentially undo gains the river reintroduction project achieves. Air Products also wants permits to tear up Lake Maurepas waterbottoms and construct 18 platforms throughout the lake (some 100' x 75' hovering 19' above the surface), which would mar its unspoiled beauty and greatly interfere with its current use as a popular place for boating, fishing, and eco-tourism.[13] All of these, and the countless additional impacts, would need careful study and consideration requiring enormous resources should the agencies process the application for the proposed project that is now speculative.

Both the Corps' and OCM's regulations and practices call for the suspension of application processing pending the receipt of information necessary for agency review and public notice.[14] Air Products has widely announced its plans to cease active investment in the proposed project as it seeks to unload major components to a willing buyer(s) and recoup costs. This renders its application incomplete and inaccurate since ownership of major project components is unknown and the construction timeframe is just a guess. Without this basic information, the agencies must not proceed with processing the application. For these reasons, we urge the Corps and OCM to suspend their reviews of the proposed project.

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[11] Coastal Protection Restoration Authority, *CPRA Joins Partners to Break Ground on the River Reintroduction into Maurepas Swamp Project*, Dec. 3, 2024, https://coastal.la.gov/news/cpra-joins-partners-to-break-ground-on-the-river-reintroduction-into-maurepas-swamp-project/.

[12] *Id*.; Maurepas Swamp Fact Sheet, https://coastal.la.gov/wp-content/uploads/2023/04/Maurepas-Swamp-Final-Full-Fact-Sheet.pdf.

[13] *See* Jason Kerzinski, *Louisiana fisherfolk fear Air Products Lake Maurepas carbon capture scheme*, Facing South, Nov. 14, 2022, https://www.facingsouth.org/2022/11/louisiana-fisherfolk-fear-air-products-lake-maurepas-carbon-capture-scheme.

[14] 33 C.F.R. 325.1 (requiring meeting with applicant and information necessary for public notice including a schedule of the proposed activity); LAC 43.I.723.C.7 (requiring agency to stop processing application pending receipt of additional information necessary for proper assessment).

Respectfully submitted by,

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Counsel for Lake Maurepas Preservation Society, RISE St. James, Concerned Citizens of St. John, Inc., Healthy Gulf, Sierra Club, and Earthworks

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EXHIBIT 1

Earnings call transcript: Air Products Q2 2025 misses EPS forecast, shares dip

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APD
1.30%

Air Products and Chemicals Inc. (APD), with a market capitalization of $60.31 billion, reported its financial results for the second quarter of 2025, falling short of earnings expectations. The company posted an adjusted earnings per share (EPS) of $2.69, below the forecasted range of $2.75 to $2.85. Revenue also came in slightly lower than anticipated at $2.92 billion, compared to the fore of $2.94 billion. According to InvestingPro data, the company maintains a solid financial health score of "GOOD," despite recent challenges. Following the announcement, Air Products' stock dropped 4.83% in premarket trading, reflecting investor concerns over the earnings miss and future guidance. The stock, which trades at a P/E ratio of 15.71, appears slightly overvalued according to InvestingPro's Fair Value analysis. Notably, the company has maintained dividend payments for 55 consecutive years, demonstrating long-term financial stability despite short-term fluctuations.

Key Takeaways

- Adjusted EPS for Q2 2025 was $2.69, missing the forecasted range.
- Revenue was $2.92 billion, slightly below expectations.
- Stock fell 4.83% in premarket trading following the earnings announcement.
- Headcount reduction of 2,400 employees announced as part of cost-saving measures.
- Future guidance suggests EPS growth and a focus on core industrial gas business.

Company Performance

Air Products reported a challenging quarter with a 9% decrease in adjusted operating income and a 3% decline in sales volume year-over-year. Despite these setbacks, the company increased its total pricing by 1%. The performance reflects broader industry challenges, including uncertainties in manufacturing activity and tariff impacts. Air Products continues to lead in hydrogen supply and maintains a strong position in electronics high-purity gases.

Financial Highlights

- Revenue: $2.92 billion, down from forecasted $2.94 billion.
- Earnings per share: $2.69, below the expected range of $2.75-$2.85.

Adjusted operating income decreased by 9% year-over-year.

Earnings vs. Forecast

The company reported an EPS of $2.69, missing the forecast by approximately 5.3%. Revenue also fell short of expectations by $20 million. This marks a deviation from previous quarters where the company met or exceeded forecasts, highlighting potential challenges in maintaining growth momentum.

Market Reaction

Following the earnings release, Air Products' stock price fell 4.83% in premarket trading, dropping to $258 from a previous close of $271.09. This decline reflects investor disappointment with the earnings miss and cautious guidance. The stock remains within its 52-week range but has shown volatility in response to the earnings report.

Outlook & Guidance

Air Products provided guidance for Q3 2025, expecting adjusted EPS between $2.90 and $3.00. For the full fiscal year 2025, the company projects adjusted EPS between $11.85 and $12.15. The company aims for high single-digit EPS growth from 2026 to 2029, with a focus on its core industrial gas business and strategic projects like green hydrogen initiatives. InvestingPro analysis reveals the company is trading at an attractive PEG ratio of 0.24, suggesting potential value relative to its growth prospects. For deeper insights into APD's valuation and growth metrics, including additional ProTips and comprehensive analysis, explore the full Pro Research Report available on InvestingPro.

Executive Commentary

CEO Eduardo Meunezis stated, "We will focus 100% on our core industrial gas business," emphasizing the company's strategic direction. CFO Melissa highlighted the goal to be cash flow positive by next year, underscoring financial discipline and future growth prospects.

Risks and Challenges

- Sales volume decline: A 3% year-over-year decrease poses a risk to revenue growth.
- Project cancellations: Three U.S. projects were canceled, affecting potential future earnings.
- Tariff impacts: Ongoing tariff issues could create macroeconomic challenges.
- Volatile helium market: Fluctuations in helium supply and demand may affect pricing and margins.

Q&A

During the earnings call, analysts raised questions about the company's project derisking strategies and challenges with underperforming projects. Discussions also covered the approach to European hydrogen infrastructure and the volatility in the helium market, highlighting management's focus on addressing these concerns.

Full transcript - Air Products and Chemicals Inc (APD) Q2 2025:

Eric, Unspecified, Air Products: EBITDA, the effective tax rate and ROCE either on a total company or segment basis. Unless we specifically state otherwise, statements regarding these measures refer to our adjusted non GAAP financial measures. Reconciliations of these measures to our most directly comparable

GAAP financial measures can be found on our investor website in the relevant earnings release section. Now I'll turn the call over to Eduardo.

Eduardo Meunezis, CEO, Air Products: Thank you, Eric. Good morning, this is Eduardo Meunezis. Thank you for joining us today. Please turn to Slide three. Let me begin by sharing few thoughts from my first three months as

Air I can say products is a solid core industrial gas business with significant upside if we stay within our traditional business model. Decades ago, our products pioneered the on-site business model. Today, approximately 50% of the company's sales are on-site with long term take or pay contracts, the highest percentage in the industry. Air Products has also built density in its merchant business, helping customers be more efficient and sustainable.

We became the leading supplier of hydrogen, operating hydrogen pipeline networks around the world, including the world's largest at The U. S. Gulf Coast. We have also became a leading supplier of high purity gases for the electronics industry. These are clearly strengths to build upon.

However,

Unidentified Speaker: over

Eduardo Meunezis, CEO, Air Products: the past few years, Air Products moved away from its core business in search of growth. The company pivoted to investments in coal gasification and then in clean energy. It deployed capital to complex higher risk projects with first of a kind technologies and more importantly, without permitted off take agreements in place. In doing so, Air Products moved away from its successful model, while significantly increasing its financial leverage and headcount to support these projects. The company grew by almost 7,000 employees since 2018 to execute the capital plan.

This had a negative impact on both cost and the execution probably, leading to significant project delays. All of this leads to the importance of refocusing our products on its core business and core capabilities. Please turn to Slide four and let me talk about where the business stands today. You can think about our products business in three categories. First, we have the strong core industrial gas business.

This includes the on-site projects with pay per pay agreement, our regional merchant business and a portfolio of high quality minority owned joint ventures. The business has about $12,000,000,000 in sales and operating margin of 24%. I'm confident we can improve margins and unlock significant value through disciplined cost productivity, pricing and operational excellence. This is the largest opportunity we have considering the $35,000,000,000 in capital we have invested in the base business. In summary, the products can grow strongly and profitably in traditional industrial gas.

In The S, we can also participate in clean energy opportunities as long as they align with the traditional industrial gases model where customers take the volume list. Second, we have the two large projects in Saudi Arabia and Louisiana. We believe these projects are set up to be the lowest cost producer of green and blue ammonia for several decades. To be clear, Air Products is an industrial gases company and does not intend to be a retail marketer of ammonia. As a progress report, I can say that the Saudi Green project is progressing well.

Our four gigawatts solar and wind power generation will be concluded by mid-twenty twenty six, and we will start commissioning the electrolyzers and the money production after that. As you were informed before, we successfully limited our spend on this project through partnership and project financing. We expect product availability in 2027. Regarding the Louisiana project, we are actively working to derisk it by focusing on the industrial gases portion of the project. We announced ongoing discussions to divest the carbon sequestration and the ammonia production elements of this project.

The earliest start up of this facility is 2028 or 2029, pending the derisking strategy. To make it clear, Air Products will only move forward with this project when we have one off take agreements for hydrogen and nitrogen. Third, we also have the underperforming projects with CapEx totaling about $5,000,000,000 These are first of a kind energy transition projects with substantial cost overruns. In some instances, these underperforming projects were designed to produce additional volumes for non contracted pipeline sales and for the hydrogen mobility market, which is being delayed or reduced. I will provide additional comments on these underperforming projects in a few minutes.

Please turn to Slide five. The projects will get back to basics. First, we will return to excellence in execution in our core business. We can invest about $1,500,000,000 per year in four industrial gas projects going forward. Our focus will be on opportunities that meet our high return thresholds with high quality customers and contracted take or pay off date.

And we will work to expand our margins through operational excellence, and by rightsizing the organization as we return to a normal level of CapEx spending. Focus on the second column of this slide, we remain cautiously optimistic about both the green hydrogen project in Saudi Arabia and the blue hydrogen facility in Louisiana. In Saudi Arabia, in the near term, we'll focus on completing construction and selling clean ammonia FOB Saudi Arabia until hydrogen regulations fully develop. And we will delay investment in downstream facilities in Europe until specific regulatory frameworks are clear for each country, and we have firm customer commitments. As you all know, the previously announced agreement for green hydrogen supply in Europe is scheduled to start in 02/1930.

We expect clarity regarding the development of this project no later than 2027. For Louisiana, we plan to concentrate on the hydrogen and nitrogen production and continue discussions to derisk the carbon sequestration ammonia production activities. There will be no new spending commitments on this project while we pursue the derisking strategy. Lastly, we're moving forward with the underperforming projects, given our commercial obligations and project status. So they are not expected to materially contribute to operating income.

We anticipate these projects will provide positive cash flow, which will allow us to recover on an undiscounted basis our cash investment over the life of the projects. We have roughly $2,000,000,000 remaining to be spent on these projects from 2026 to 2028. Our goal will be to maximize profitability through commercial negotiations, operation improvements and productivity. Turning to Slide six, we have begun the process of getting back to basics. We canceled three significant U.

S. Projects in February, and we are taking a more prudent approach to the Louisiana project. Additionally, we are also working to address the underperforming projects, which do not currently meet our expectations. For the previously announced net zero hydrogen project in Edmonton, total cost is now expected to be $3,300,000,000 with on stream between late twenty twenty seven and early twenty twenty eight. On the next two slides, I will detail how we will bring down both our capital expenditure and headcount in the coming years.

On Slide seven, you can see that once we complete the projects in Saudi Arabia and Louisiana as well as the underperforming projects, our capital expenditure will level at roughly $2,500,000,000 per year, which can sustain both our future growth and ongoing maintenance. Now please turn to Slide eight. Part of our productivity improvement will come from rightsizing our headcount to the levels we have before we started the large wave of projects discussed in this presentation. The product's total headcount increased from approximately 16,000 to 23,000 employees since 2018. '13 hundred reductions have already been identified and are in process.

This is in addition to the approximately 500 related to the LNG divestiture. We intend to identify another 2,500 to 3,000 positions, which will be eliminated between 2026 and 2028 as we finalize the large projects with the objective of reaching an employment level similar to 2018 adjusted for employee growth to support new assets. Let's turn to Slide nine and talk about our roadmap for improvement in the coming years. For 2025, we expect our base business to deliver around $12 per share of EPS, double digit ROCE and over 20 adjusted operating margin. We strongly believe we can do better, so we will look to maximize profitability from the base business to drive results in the coming years.

We will manage our cash flow to allow dividend increases, new projects and in time reduce our debt and buyback shares. As we improve our operating margin through productivity and address challenges in certain projects, we expect these key operating metrics to improve. Despite the burden of the underperforming projects, we anticipate that during the twenty twenty six to twenty twenty nine period, we can achieve high single digit adjusted EPS growth, adjusted operating margin in the high 20s and adjusted ROCE in the low to mid teens. We also expect our aggregate net cash flow to improve to neutral during this period. As you can see in the far right column, once the Saudi Arabia and Louisiana projects begin contributing, we expect to unlock significant potential, achieving roughly 30% adjusted operating margin mid to high teens adjusted ROCE and double digit adjusted EPS growth by 02/1930 and beyond.

Our objective is that at full contribution, these projects will allow us to achieve greater than 10% compounded EPS growth versus 2025 by 02/1931 or 02/1932. The Air Products team recognized the importance of transparent communications with our investors. Going forward, we will: a, focus 100% on our core industrial gas business b, be disciplined with capital and c, build a culture that prioritizes productivity and continues to improve. Finally, I would like to express my gratitude to our products employees for the way they received me during the last three months and for their support to refocus the company in our traditional business model despite difficult changes we'll need to go through. Now I will turn it over to Melissa to go through our financial results.

Melissa?

Melissa, CFO, Air Products: Thank you, Eduardo, and good morning, everyone. As a reminder, on this call, we will be speaking about our adjusted non GAAP financial measures. Before we do, I want to take a moment to acknowledge the $2,300,000,000 after tax charge taken in the second quarter. This charge included the project cancellation we previously announced, cost reduction measures and executive separation costs. We will now turn to Slide number 11 to review our financial results.

Our second quarter adjusted earnings per share of $2.69 were below our previous guidance of $2.75 to $2.85 primarily due to changes in cost estimates on a sale of equipment project in The U. S. And lower than forecasted helium contribution. Compared to last year, sales volume was down 3% with 2% driven by the LNG business divestment, while weaker merchant, primarily helium, was largely offset by favorable on-site volumes across the region. Total company price was up 1%, which equates to a three percent improvement for the merchant business, driven by continued non helium pricing strength in The Americas and Europe.

Adjusted operating income decreased 9%, mainly due to the LNG divestiture and unfavorable helium impact. Additionally, we saw higher costs driven by Americas maintenance and fixed cost inflation, which was partially offset by strong productivity actions across the company. Operating margin was down two ten basis points with approximately 100 basis points driven by higher energy pass through. Now please turn to Slide 12 for the details of the second quarter earnings per share. Second quarter adjusted earnings per share of $2.69 decreased $0.16 from prior year.

The divestment of the LNG business accounted for $0.12 of headwind and currency was unbearable $0.04 Our base, which includes volume, price and cost, was down $07 Other than LNG, volume was relatively flat as the lower helium was largely offset by favorable on-site volume. Price was positive $04 driven by improvements in The Americas and Europe. Costs were $0.11 unfavorable, primarily due to fixed cost inflation and higher maintenance in Americas, partially offset by favorable cost productivity across the company. Equity affiliate income was better in Europe, but partially offset by lower contribution in Americas. Now please turn to Slide 13.

I would like to provide an update on our FY ’20 ’20 ’5 full year guidance. Since our last earnings call, we have canceled several large projects and observed volatility in the macroeconomic conditions. As we look at the guidance year on year, the divestiture of LNG will continue to drive a 4% decrease relative to the prior year. The large project cancellation will be a 3% headwind resulting from lower operating income and reduced capitalized interest. We anticipate base business growth of 2% to 5% for the year despite the 5% headwind in helium, resulting in a fiscal twenty twenty five full year adjusted earnings per share to be in the range of 11.85 to $12.15 Please note, the potential economic impact of global tariff is not in our guidance.

While the industrial gas business is primary a local business and very resilient, it is difficult to determine at this time if there will be broader macroeconomic impacts from tariffs or events that may impact our customers. We expect our third quarter adjusted earnings per share to be in the range of $2.9 to $3 and our full year capital expenditure to be approximately five We've included additional details on the segment results in the appendix section. Now we'll open up the call for questions. Operator?

Operator: Thank And our first question is going to come from John McNulty from BMO Capital Markets.

Unidentified Speaker: Yeah. Good morning, and thanks for taking my question, and welcome to, to Air Products. So I I had a question for you on the underperforming projects where where you highlighted that there's no operating income contribution. I guess maybe a couple of things on that. First, how should we think about the EBITDA contribution?

Just because obviously early on there's going to be a lot of DNA just given the size and scale of these projects. And then I guess also tied to that, the Alberta project looks like it's ballooned up almost three times what I think the original plan was. I guess can you help us to understand what's going on there and what looks to be a reasonable delay in that project as well? Thanks very much.

Eduardo Meunezis, CEO, Air Products: Thank you, John, for the question. Yes, let's start with the contribution from the projects in terms of EBITDA. As we're saying here, we expect to basically recover our capital on an undiscounted basis, which means that we expect be able to get on average our depreciation for this project. So of course, this is not what we expect to have, but that's what the situation is considering tremendous increase that we have in capital, which is part of your second question. So regarding Alberta, I would say that, of course, we had some self inflicted issues.

And when you have that in a construction environment that is so unforgivable as Alberta, you pay a steep price. So when you have a project that gets out of sequence and you start losing windows in terms of weather on how to execute the project and then you have very low productivity from contractors that are very expensive to start with. So you get on this spiral and then the project get delayed. We have capitalized interest, in which case in the case of Air Products is included in the cost of these projects. So what happened here basically this didn't happen in the last ninety days, as you can imagine.

At the end of last year, the company basically understood that we had a problem. We hired a third party to look at the project, to give us some opinions about how we're doing on that. And as a result of that and some of the reviews that I was able to do here, we basically took some actions on replacing project management teams, replacing contractors, and then we resequenced the job and that resulted on this estimate for cost and schedule that we are presenting today. Again, of course, this is not exactly what we would like to have, but we have a commitment to be transparent with the shareholders and this is where we are today.

Unidentified Speaker: Got it. Okay. Thanks for the color on that. And then maybe just a follow-up. In your introductory remarks, you spoke about some of the past strategic decisions, including the pivot to gasification.

You've got, it seems like $0.04 0 to $0.50 worth of kind of big gasification projects out there in terms of EPS contribution. I guess, can you speak to your comfort with those projects? Are they delivering kind of as you would expect if you were starting from scratch? And I guess, you speak to the resiliency that you would expect from those if we have some sort of a downturn, especially given some of the issues going on between The U. S.

And China?

Eduardo Meunezis, CEO, Air Products: Yes. It's another tough subject. I we have three gasification projects in China where we operate the coal gasifiers. And the reality is, if you look at our numbers from 2023 and 2024, the EPS contribution the combined EPS contribution of these three projects was close to zero. So it's not exactly the $0.40 you're mentioning here.

Before you ask, I know there were a lot of discussions about the Luang project when that started. The Luang project is probably the best of the three projects we have there. The main issues we have are in the other two projects. So we have our team working on that, trying to understand how we can optimize these assets. But if you look historically on the performance of the Asian segment for Air Products, you see some deterioration coming from the last few years.

And I would say that most of this deterioration came from these gasification projects. And in terms of the tensions between China and The U. S. At this point, we don't see a lot in the ground. Our business is really a local business.

I think it's understood locally by the government and customers as a local business. And again, these other two projects that we have, that we have more problems there. They are not government entities. Are private owned companies that make methanol or ammonia from syngas from coal gasification.

Unidentified Speaker: Got it. Thanks very much for the color.

Operator: And our next question comes from Steve Byrne from Bank of America.

Steve Byrne, Analyst, Bank of America: Yes. Thank you. In your remarks, Eduardo, about descoping Louisiana, I was just wondering if one potential scenario would be to just focus on hydrogen. You you mentioned you have the, you know, the largest pipeline network in the Gulf Coast. Why why pursue ammonia at all?

Drop the ammonia reactor, drop the deepwater port, and just focus on hydrogen and reduce the CapEx? Is that a is that a scenario that you would consider?

Eduardo Meunezis, CEO, Air Products: That that that's exactly the scenario we are we are trying to to explain here. We are talking about not only having someone else executing the ammonia loop and owning the ammonia loop, but also another company or the same company taking care of the CO2 sequestration, which is not a core business for us. So the objective, Steve, from the total cost of this project, let's say, it's $8,000,000,000 with the full scope. Our objective is to bring the total CapEx down to a range of 5,000,000,000 to $6,000,000,000 with a firm offtake agreement for the hydrogen and nitrogen. That's the objective.

We are giving ourselves until the end of the year to work on these options. And I'm relatively optimistic on that. I think we have a good location. We have probably the best CO2 part of the space in the region. So I think we have the right components and our total CapEx is in line or even a little better than other products that we announced in the region when you adjust for the size of the project.

Steve Byrne, Analyst, Bank of America: Okay. Thank you for that. And with a question about Neom, is 600 a ton a reasonable estimate for the green ammonia that you will be taking possession from the joint venture? And curious to hear your view on the value proposition to potential customers at $600 a ton.

Eduardo Meunezis, CEO, Air Products: Yeah, as you can imagine, we cannot talk about specific numbers on our agreements. I can tell you that from the outside, I was very concerned with this project because we have this long term take or pay commitment to buy entire production of ammonia. I have seen several reports from sell side analysts with estimates of the price. I can tell you that I was positively surprised with the numbers that I found, and they are in the lower part of the range of the estimates that I've seen before. I would say that in addition to that, the one positive point for our Neon project is that since we own the power generation in both solar and wind, and there is no other variable cost, our price that we're going to have from the joint venture is going to be basically fixed for the life of the agreement.

We have a small adjustment for O and M, but that would be it. So I think in the long term, it's very favorable outlook for us in the market. In the short term, 2017 to basically 02/1930 until the regulations in Europe are more well developed, we're going to have a little less contribution. But I'm relatively optimistic that the project will contribute to us starting in the at the when we start up the plant in 2027.

Steve Byrne, Analyst, Bank of America: Very good. Thank you.

Eduardo Meunezis, CEO, Air Products: Thank you.

Operator: And our next question is going to come from David Begleiter from Deutsche Bank. Please go ahead.

Unidentified Speaker: Thank you. Good morning. Eduardo, first, on the headcount reduction, what's the initial savings from the first tranche of, roughly 1,800 people being let go, and and what's the cadence of those savings?

Eduardo Meunezis, CEO, Air Products: We started this process before, so even in 2023, '20 '20 '4. So I'll let Melissa explain the numbers, but we are very advanced on the twenty three-twenty four, and I think we are already close to 50% or more than that on the new reductions at 800 people. Melissa, do you have additional comments on that?

Melissa, CFO, Air Products: Sure. Yes. Thank you, Eduardo. So since FY 'twenty three, we've taken actions on around 2,400 individuals. That's about 10% of the organization.

This will largely be complete, the FY 2023 and 2024 actions by the end of this fiscal year. And we'll see the FY 2025 actions continue through FY 2026. We should see about $25,000,000 in savings for this fiscal year associated to the 25 actions, and the remaining will be seen in '26. We're looking for a run rate of around $100,000,000 for the FY 2025 actions.

Unidentified Speaker: Thank you, Andwar. Just in Alberta, again, six months' time, the project has basically doubled in cost and been pushed out by two years. So when I'm still not clear when the company became aware of this, and what's been the reaction of your customer to this delay?

Eduardo Meunezis, CEO, Air Products: Yeah. I I hope you understand that. You know, I'm I'm here for ninety days, and, you know, I I cannot give you that that information precisely. I I you know, it's It's something that we're probably going to need to take a look, and I can make some comments in private to you, but it's definitely not something that I can comment here.

Chris Parkinson, Analyst, Wolfe Research: Understood. Thank you.

Operator: Our next question comes from Jeff Zekauskas from JPMorgan.

Unidentified Speaker: Thanks very much. Can you talk about what the point of the remaining Louisiana project is for air products? That is how much hydrogen you need and why you need it and why you want to go forward with that part of the project.

Eduardo Meunezis, CEO, Air Products: Yes, Jeff. If I understand your question, it's the total project, if you go back and look at the numbers, if I'm not wrong, is something like seven fifty million cubic feet a day of hydrogen. And as you know, we announced two ammonia trains. And so the ammonia production is taking about 75% to 80% of the or maybe more, 80% to 85% of the total hydrogen production. So the balance that we have is really the equivalent of one SMR, right, one size SMR.

So that's where we have today in the scope. And as you know, the size of our I'm sorry. As you know, size of our system, this is a relatively small part of our total production in the Gulf Coast, and we believe we can absorb that in our normal business.

Unidentified Speaker: Thank you for that. And for Melissa, if the cost savings from the employee reductions are something like $100,000,000 going forward, Does that mean that these employees or the costs of these employees were mainly capitalized? And so the income statement effects of getting to a more normal employee level are smaller?

Melissa, CFO, Air Products: Yeah. Great question, Jeff. So the amount that I'm giving you, the $100,000,000 associated to the FY 'twenty five program, that's a P and L impact. So there are, in fact, engineers that are capitalized on top of that $100,000,000 of savings, around $40,000,000 from an engineering resources impact that you don't see float down to the bottom line, but obviously, we'll have a reduction in the capital cost.

Unidentified Speaker: Okay. Great. Thank you so much.

Operator: Our next question comes from Patrick Cunningham from Citi.

Patrick Cunningham, Analyst, Citi: Hi, good morning and welcome, Eduardo. For Neom, you're now delaying the downstream investment until you get regulatory clarity. What does that mean for the agreement with Total? And, you know, who are the logical customers for that green ammonia and just your general view on the relative premium you would get paid there?

Eduardo Meunezis, CEO, Air Products: Yeah. Our agreement, you know, for green hydrogen in Europe, the agreement that we announced a few months ago and they were making reference to is really for 2,030, right? And the agreement, as you know, the customer has several refineries across Europe. And as part of the agreement, what we're basically doing today is engineering work and permitting work and trying to wait to see how each country will transpose the EU regulations. So together, we can decide which refinery would make more sense for us to supply the green hydrogen.

So this is the work we're going to be doing between now and 2027, I would say. And by 2027, we hope to have a definition. We'll be able to understand exactly the regulations and what makes sense for both our products and the customer in terms of installing this hydrogen this ammonia dissociators for hydrogen production. In terms of what we do starting 2027, it's part of what I have been working on. We hope to be able to announce firm plans on how we're going to commercialize this ammonia.

Again, FOB, Saudi Arabia, we don't intend to be long term marketers of ammonia to be in the ammonia business. So we are looking working with potential partners, and I hope to be able to have something firm that I can share with you all by the end of twenty twenty six I'm sorry, by the end of twenty twenty five.

Mike Harrison, Analyst, Seaport Research Partners: Understood.

Patrick Cunningham, Analyst, Citi: Very helpful. And, you know, I'm curious as you go and meet with leaders in the different countries, you know, what's your sense for the opportunity on productivity and price optimization for the core business? How meaningful will those levers be? And where do you see the biggest opportunities on price?

Eduardo Meunezis, CEO, Air Products: Yes. I would say that coming from the outside, I going back in time, I tell people that I used to come to Allentown Twenty, Twenty Five Years ago to work in projects and talking to business development people. And culturally, they were not very different from what I was used with. So I wasn't expecting very different cultures when I came here. I didn't know exactly what to expect on the operating side of the day to day, but I'm pleasantly surprised.

I think the local business performs well. I think they have a lot of attention to the detail. They have been working very hard on price and productivity for the last few years. It doesn't mean it's perfect. There is always an opportunity.

You see that we talk about our base business today running at 24% operating profit margin. And by the way, you won't see any reference to EBITDA in any of our presentations going forward. So we're going to look at really the operating profit from our regions, keep the equity affiliates outside of that, although we have fantastic business on some of these joint ventures. But we're going to focus on our business. And I don't think there is any reason for us to not have the same level of performance of the best in class players here.

So we're going to work on that. I believe there is an opportunity for us to raise our operating margins to the level of 30% as we have in the road map slide. And it's basically blocking and tackling and reviewing every business, paying attention to every detail. And I think the business already had that DNA, and we I'm just trying to expedite that and make sure that everyone behaves like a business owner and they own their own P and Ls, and we can accomplish this increase in operating

Operator: And our next question is going to come from Mike Leithead from Barclays.

Eric, Unspecified, Air Products: Great. Thanks. Good morning. First question, I was hoping you could provide a bit more color on how the team worked through deciding which projects should be canceled versus which projects were deemed underperforming yet to go forward, such as why the green hydrogen project in Arizona moves forward versus, say, the green hydrogen project in New York does not.

Eduardo Meunezis, CEO, Air Products: Yes. It's just a cash flow decision. So you have two factors, right? One, any commercial commitments that you have with customers, we take that very seriously. So we need to finish any contractual commitment that we have.

And then if you have the freedom of making decision like that, then you just look at your cash flow, look at what you need to spend to finish the project from where you are and what the cash flow will be after the discount cash flow will be after you start the plant. So in the case of Arizona, we are basically 90% done or 95% of the CapEx was already spent or committed. So it was not the best thing for the shareholders was to finish the project and get whatever cash flow we'll get out of this project, right? In the case of Messina in New York, we were in the beginning of the project, we still had to spend another $400,000,000 to finish. And based on the perspectives that you have for the mobility market, it didn't make sense for us to continue on a cash basis.

Eric, Unspecified, Air Products: Great. That's super helpful. And then second, I just was hoping you could talk more about the cash flow progression you expect over the next one to two years. I guess when you talk about net cash flow, is that after funding the dividend? And how do you think about when is appropriate to begin share repurchases as you've alluded to in the slides?

Eduardo Meunezis, CEO, Air Products: Yes. I think we are talking about being neutral, including everything, but I'll let Melissa give you more details. Go ahead, Melissa.

Melissa, CFO, Air Products: Sure. Thanks, Eduardo. So when we look at cash flow positive, we believe we can be cash flow positive as early as next year. This obviously is, of course, dependent on our WIP curves for the execution of our projects and several other factors. But as of right now, we are projecting to be cash flow positive next year.

Additionally, we are forecasting to be net cash flow positive through 2028 and then accelerating the significant positive thereafter. When I think about share repurchase, obviously, I take into consideration a number of things. We need to think about and assess our balance sheet. We need to delever as we decrease our capital spend. But of course, part of that plan, as our balance sheet does get into a position to do so and economically we can, we will then put in our share buyback program at that point in time.

Eric, Unspecified, Air Products: Great. Thank you.

Operator: And our next question comes from Duffy Fischer from Goldman Sachs.

Duffy Fischer, Analyst, Goldman Sachs: Yeah. Good morning. Helium for you guys has been a pretty volatile earnings contributor over the last five years, you know, kinda ran up post the war and then rolled off hard. And it acts kinda like a commodity on supply demand to some degree. So can you help size the earnings contribution from helium today and basically how you see that contribution progressing kinda out through your ’26 to ’29 period?

Eduardo Meunezis, CEO, Air Products: Yeah. Duffy, it’s it’s, you know, heating is a is a different product. As you know, we we, you know, we have, you know, suppliers and customers, and, and it’s a more cyclical business. And, you it became even more cyclical with the when the BLM basically ended the program and they were basically the balance of the volume and that went away. Air Products, we took measures to protect ourselves.

So we have this big cavern that we commissioned in Texas, and we use that to basically absorb the cyclicality in volumes. Don't have HEDN as a segment in our numbers, so I have a very difficult time to give you more specific numbers on that. But I can tell you that compared to the years pre COVID that when we had the market shortage and the prices went up, I think the team at Air Products did a good very good job pushing, taking advantage of that. They really increased the operating profit very significantly. And now that market is long because of all the Russian product that you see coming in Asia, we have been managing that using our cavern.

And although the numbers year over year, they are negative for us, as Medise said, was a very significant impact. As you know, their products has a very large much larger percent of their sales in helium than their larger competitors. But today, our operating income from Hidden is still significantly higher than it was in the years pre COVID. So it went up very significantly. It's coming down, but it's still better than, let's say, the period between 2015 and 2018.

We expect that for 2026 and 2027 that we'll continue to see some headwinds in price. We have more volume because of our caverns, so we expect to manage that and reduce these headwinds as much as we can. But, other than this information that Melissa was able to provide, for this year, I'm afraid that we cannot disclose more than that.

Duffy Fischer, Analyst, Goldman Sachs: Fair enough. And then I just wanted to go back if I could, Neom, just to understand. So in the early years before you have the offtake agreement, let's say, in 2030 and hopefully some other committed by then, when you're selling just the ammonia, Your assumption is that your offtake price for, you know, the the product will be meaningfully lower than what you'll be able to sell it at, so you'll be able to generate significant free positive cash flow and EBITDA from the asset or from the offtake agreement?

Eduardo Meunezis, CEO, Air Products: Yes. I don't know your definition meaningfully, but it will be our forecast is that we'll be able, starting 2027, to be positive and to increase that number as the years go by. We are trying to be cautious here on what we can do. We are still negotiating a lot of these off take agreements. And but our expectation is that we're going to be let's say, we're going to be start to be slightly positive in '27 and increase from there.

Again, need to do that because, as you can imagine, if we have a very favorable price for the ammonia, as I explained, it means that the joint venture doesn't have a very high return. So we need to get some margin to basically remunerate our shareholders for the investment that we made at the joint venture.

Operator: And our next question is going to come from Josh Spector at UBS.

Eduardo Meunezis, CEO, Air Products0: First, a quick follow-up for Melissa. Just an answer to Mike's comments around free cash flow. Can you just confirm your 26 comments? Is that positive free cash flow after the dividend or before the dividend?

Melissa, CFO, Air Products: So that's positive free cash flow after the dividend.

Eduardo Meunezis, CEO, Air Products0: Perfect. Thanks. And then for Eduardo, I I wanted to ask around your general approach to guidance here. So obviously, Air Products versus peers has had a bit of a different approach in terms of what macro assumptions are baked in. So as you look at what's here for 2025, the next couple of quarters, what's your assumptions baked in on a macro perspective?

And then more medium term, when you say high single digit EPS growth, how much of that, again, Air Products in your control, cost savings, etcetera, projects versus macro assumptions? Well,

Eduardo Meunezis, CEO, Air Products: I would say that we expect not a lot of help going forward from the economy for the next two quarters. The currency, we expect to be about where we are today. The tariff issue, as Melissa said, is a little bit complicated now. We don't have a lot of trade in our day to day business. The main issue here is on the capital side.

And as you can imagine, for our projects, when we don't buy things off the shelf, we basically have to order equipment and modules and that kind of stuff. And they normally take six months to eighteen months to manufactured by our suppliers. And I have to say that it's a very difficult environment to predict right now considering that you only pay the tariffs once you the equipment is imported. So we are having as everyone else, a little difficult to trying to forecast what to do in our projects and going back to our customers that we are in active negotiations and presenting alternatives and trying to share the risks somehow. But this is affecting much more our projects, business development than our day to day business.

Eduardo Meunezis, CEO, Air Products0: Okay. Thank

Operator: Our next question is going to come from Mike Harrison from Seaport Research Partners. Please go ahead.

Mike Harrison, Analyst, Seaport Research Partners: Good morning. Eduardo, you talked about growth CapEx of $1,000,000,000 a year on the core industrial gas business. I'm just curious, is that kind of just a placeholder and the actual spend is going to depend on the number of available projects that you guys find meet return metrics? Maybe if you could talk just a little bit more about about your approach to determining, you know, what projects you're gonna pursue and and what you'll pass on.

Eduardo Meunezis, CEO, Air Products: Yeah. Of course. It's it's it's just an estimate based on on, what we have been doing for the last few years. And the $1,500,000,000 is more like what we envision for 2029, '2 thousand and '30. So if you look at this slide, you're going to see that for the next few years, we're going have a little less than that.

That is our expectation. But again, two things we need to have. First, we need to be able to fit that in our capital allocation principle, which is being net cash neutral, including dividends, as Melissa said, from 26% to 28%. And secondly, they need to satisfy our return expectations, right? I worked in this business for a long time, and I can tell you that the most difficult thing when you talk about new projects is to say no, right?

It's very easy to say yes, but you have to basically raise the to be very firm about your hurdle rates, about the returns and expectations. And if you the project can deliver that, that's great. If the project cannot deliver that after you stress all the assumptions, then you need to pass. And that will be the philosophy.

Mike Harrison, Analyst, Seaport Research Partners: All right. Thank you for that. And then just related to the uncertainty around tariffs, a lot of companies that we talked to are saying that they're seeing some slowing in manufacturing activity and pauses in decision making. I'm just curious, your merchant Loxlinlar business probably gives you some pretty real time line of sight into what's going on with your manufacturing customers. Can you talk a little bit about what you've been seeing in the March and April time frame across your three key regions from a merchant demand perspective?

Thank you.

Eduardo Meunezis, CEO, Air Products: Thank you, Mike. Yes, I'm asking the same question. It's being a little difficult to get a good answer on that. In fact, I think we had like a slight uptick in manufacturing before the tariffs came online because people are trying to create inventory or something else. And now I expect that to be a little negative.

Really, the countries that we are more concerned that are being more affected are US and China. And I at this point, it's very hard for me to give you a good estimate of what's going on there.

Operator: Our next question is going to come from Chris Parkinson from Wolfe Research. Please go ahead.

Chris Parkinson, Analyst, Wolfe Research: Thank you so much. I just want to turn back to your commentary about Alberta and Rotterdam, understanding some of the commentary on the underperformance and the cost overruns. But is this given you still have some decent customers associated with those projects, is this commentary about those specific projects and how they were managed? Or is it more of a larger indictment on your view of Blue Hydrogen and how that fits into your intermediate to long term strategy? Thank you.

Eduardo Meunezis, CEO, Air Products: No. I would say that our contracts and our customers, they have been as expected. As I said quickly during the remarks, some of these projects, they even have they had some additional volume that we need to place for other customers. We still believe we can do that. That's being positive.

We have some other projects like in Alberta that we have a liquid hydrogen plant associated with the project that was supposed to produce liquid hydrogen for the local market, for the mobility local market. That part of the project on the liquefied is basically done. And so we're going to go ahead with that because it's going to be there, but we expect a very slow development on that. So the overall, let's say, underperformance of the projects related to our expected financials are basically related to the overrun in CapEx and to some additional volumes for the mobility market. Everything else, I think it's we expect to perform as expected in the project.

Chris Parkinson, Analyst, Wolfe Research: Got it. And just a quick to dive into a little bit more details, on your comment about 2026 free cash flow post the dividends, you both just mentioned this, but just to just really hit the nail on this. What further assumptions we need to make in terms of like cash flow conversion of what's specifically in your control to reach those levels? I apologize, but I've just gotten like 10 questions on it. So I just want to be absolutely certain that we have this correct.

Yes.

Eduardo Meunezis, CEO, Air Products: At the end of the day, you look at our projects, our CapEx and our cash generation, it's all about how much money we're going spend in Louisiana. Louisiana, right? So it's all about what how we're going to be able to derisk that project and manage that the cash flow for that project in 2026, '20 '20 '7 and maybe a little bit of 2028 to make sure that we are cash neutral on this period. So that's the main point. So we're going to solve the equation to be cash neutral.

We're not going to increase our debt. That's our spirit here. And the level that we have is really the spending in the Louisiana project.

Chris Parkinson, Analyst, Wolfe Research: Thank you very much.

Operator: And our next question is going to come from Kevin McCarthy, Vertical Research Partners. Please go ahead.

Eduardo Meunezis, CEO, Air Products1: Yes. Thank you, and good morning. Eduardo, coming back to your blue hydrogen project in Louisiana, I was wondering if you can provide an update on your business discussions for that project. For example, irrespective of the scope changes that you talked about, I think Air Products is pursuing partnerships for sequestration and also, as I understood it, financial partners with an eye toward project financing. So how are those discussions going?

And with regard to the new timeline of late twenty eight or possibly 02/1929, What is the rate limiting step? Is it no longer receipt of the class six permit, and it's shifted to the business side sorting out some of the scope and financial issues that you outlined?

Eduardo Meunezis, CEO, Air Products: No. There is no issues with the permits. I think we are basically complete on the permit for the Class VI well. The issue really is how we progress in our discussions, both for the CO2 sequestration and the ammonia loop. And how long it will take, again, we're giving ourselves until the end of this year to get this concluded.

And the final schedule will depend on how fast we can close these deals. In terms of project financing for the remaining scope of the project, which is the hydrogen and nitrogen plan, it's something that we may consider, but it's not even practical to start talking about that before we can have the project completely delineated and we have partners for the ammonia and the CO2. So to make it clear, I'm not a big fan of project financing. I think it's expensive. I think it's something that we should do only in cases where we have joint ventures or other cases.

But it has for very large products like this one, Neon, it has some merit. And in the case of Neon, frankly, it even helped us to keep the project very well contained in the box. So we do not have the same issues that we have in other places in terms of overruns and so forth. And I think part of that is a discipline that came with the project finance. So we're going to look for that.

We may look for that depending on our cash flow and depending on the offers that we have, But that's not the priority right now. The priority are the CO2 and the ammonia loop.

Eduardo Meunezis, CEO, Air Products1: I appreciate that. And then secondly, thank you for the updated comments on your infrastructure build out in Europe. Just wanted to clarify though what the status of that build out is in The UK, Netherlands and Germany. At one point, Air Products talking about $2,000,000,000 for various import terminals in in those countries. Can you comment on, you know, how much capital has been sunk and how much you're avoiding and, you know, what what you would need to see to resume?

Eduardo Meunezis, CEO, Air Products: We I would say that, we we're basically pausing all activity there. We're just doing the permitting and a little bit of engineering on all these places until we understand exactly what the regulations will be for each country. So we have some costs that was some money that we spent that I think it's part of the overall charge that Melissa took, but it's not very significant compared to this $2,000,000,000 And again, we will not going to spend anywhere close to this money in going forward. I can't tell you right now when and or where we're going to spend this money until we get clarity from the regulations from each country there.

Eduardo Meunezis, CEO, Air Products1: Understood. Thank you so much.

Operator: And our next question is going to come from Laurence Alexander from Jefferies.

Steve Byrne, Analyst, Bank of America: Good morning. Just to come back to the merchants and so the non on-site businesses, can you just characterize what return hurdles you're using and how they compare to what has been used by your products over the last, I don't know, ten, fifteen years? Have you significantly changed in any way the return hurdle metric? And secondly, within the footprint, how much of the region by region and I mean, you know, within, like, you know, the local operations, how much of the footprint is actually in highly concentrated markets? And how much is in markets where you wish there was a you know, you you need a significant increase in density either by yourself or competitors to improve return on capital on a regional basis?

Eduardo Meunezis, CEO, Air Products: Yes. Let me try to answer. I don't know if I understood the question completely. But the merchant business for us, most of our merchant business comes from big bag from large on-site plants. So basically, they are included on the calculations that we have for return on our projects.

We the hurdle rate is something that we don't talk publicly. I think it's fair to say it's double digits. And on top of that, and that's the any additional risk that we have, country risk, customer risk, regulatory risk, we need to add on top of our standard hurdle rate that we use for, let's say, The U. S. So that's all I can say on that.

In terms of density, our business, I think it's we have good presence in most of the geographies where we participate. We don't participate in a lot of geographies. So if you go, for example, in Asia, you're going to see that 90% of our business is in three countries in China, Korea and Taiwan. And the business in U. S.

And in Europe, we have two very large competitors that are based there, so it's a little more complicated. But where we operate, we have good density and I don't think we have any we're always going to have a place here and there that would like to have more, but it's not a main issue for us today.

Eric, Unspecified, Air Products: Thank you.

Operator: And our next call comes from Laurent Farr from BNP.

Eduardo Meunezis, CEO, Air Products2: Yes. Good morning. You mentioned when you talked about the margin improvement, headcount reduction. I was wondering if you could talk a little bit more about what you're going to do with the organization, incentivization as well, management structure, etcetera. So for instance, are you keeping the 12 person board, management board that was announced last summer?

Thank you.

Eduardo Meunezis, CEO, Air Products: Thank you, Vasi. Yes, it's I know in Europe, the term management board has a very different meaning than it has in America. I was surprised with that as well. It doesn't have a legal meaning that it has in Europe. I need to think a little bit about that, how we call debt in the organization and to avoid complications and people, especially people in Europe looking at this and thinking it's like a management board in Europe, which is not.

So overall, I have to say that the message that we have here is not an easy message for our employees. I think our people are smart people. They understand that if today we are spending $4,000,000,000 in capital above the maintenance capital projects and we're going to go down to 1,000,000,000 to

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in the company, they understand that we are in a rough patch here. And they, in general, support the measures, and they understand that we need to do some of these movements in order to have the company to bring back the strength of the company and avoid even further cuts in the future.

So overall, I think I expect that to be well understood by the employees. And in terms of the management of the company, we I'm still working with the original group that we have here. Of course, we're going to have changes here and there like you have in any business, but there is no drastic changes or big restructures to announce.

Eduardo Meunezis, CEO, Air Products2: Thank you. And on the capital allocation side, apart from the descoping, which I assume you hope to get some proceeds for, And are you considering any disposal for certain business lines or certain countries?

Eduardo Meunezis, CEO, Air Products: Oh, you're talking about divesting of countries and operations? Is that right?

Eduardo Meunezis, CEO, Air Products: Yeah.

Eduardo Meunezis, CEO, Air Products2: Yeah.

company.

We are an industrial gas business. And wherever there is a business, we're going to try to be there. That doesn't mean that if you have a very small position in some geography that doesn't make it a lot of sense for you to be there, that you're not going to consider that. But nothing major, nothing that like I've seen some considerations before from their products in the press like South Koreans, things like that. Definitely not going to exit any of these positions in their products.

Eduardo Meunezis, CEO, Air Products2: All right. Thank you.

Eduardo Meunezis, CEO, Air Products: Thank you.

Operator: Our next question comes from Mike Sussen from Wells Fargo.

Eduardo Meunezis, CEO, Air Products3: Hey, good morning, Eduardo. One quick question. On the $5,000,000,000 of underperforming assets, Air Products used to talk about generating roughly 15% on every dollar spent for EBITDA and about 10% on every dollar for EBIT, implying that depreciation is around 5%. Is that what you're you think the 5,000,000,000 will will generate around a 5% or mid single digit return? And then if that formula is, you know, maybe different than what you think, what what do you what do you think the return should be on every capital that Air Products spends on future projects?

Thank you.

Eduardo Meunezis, CEO, Air Products: Okay. Yes, I understand the math. I think it's a very simplified version. 5% means that you are depreciating twenty years.

In some cases, we do.

In some cases, we do shorter than that. We have I think we have an accounting obligation depreciate according to the life of the agreement. So it will be what it will be on each case. And again, I it's one of these when we compete for these projects, it's really a tough fight. And it's about the CapEx that you have, the efficiency that you have in your plants, the O and M cost, and it's about your expected IRR.

So obviously, we try to avoid and make comments about that publicly. We're not going to be in the range of ROCE that we want to be if every project comes at, let's say, 10% IRR. So we need projects to come higher than that. And but that's all I can say at this point. We're not going to talk about publicly what our hurdle rates are because that's a sensitive information from a competitive point of view.

Melissa, CFO, Air Products: Thank you.

Operator: We will now take our last question from John Roberts from Mizuho. Please go ahead.

Steve Byrne, Analyst, Bank of America: Thank you, and welcome as well. Do you expect any material recovery on what's already been spent in Louisiana for CCS and ammonia? And would that recovery likely be rolled into a favorable contract for CCS or a hydrogen offtake agreement?

Eduardo Meunezis, CEO, Air Products: Again, we are negotiating that. You know, we cannot make a lot of, comments on that. I think, of course, in the in the ammonia side, that makes all the sense in the world. In the CO2 side, there are some other options that we may look at. But certainly, the sites that we have and the work we've done in the CO2 side, it has value.

And it can be monetized within this project or as a stand alone operation. So I think that's our goal in both cases.

Eric, Unspecified, Air Products: Thank you.

Eduardo Meunezis, CEO, Air Products: Okay.

Operator: And this will conclude our question and answer session. I'll turn it back over to Eduardo for any closing or

Eduardo Meunezis, CEO, Air Products: you. Thank you for attending the call, and, I have safe day. And I look forward to see you in the next quarter. Bye.

Operator: And this concludes today's call. Thank you for your participation. You may now disconnect.

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EXHIBIT 2

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How Hydrogen, the Fuel of the Future, Got Bogged Down in the Bayou

Air Products bet big on the element, but sentiment has soured, costs are snowballing and customers remain elusive

By Ed Ballard Follow | *Photographs by Edmund D. Fountain for WSJ*

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The chief executive of Air Products & Chemicals APD **1.29%** ▲ visited the Louisiana governor's mansion in 2021 to unveil the industrial-gases supplier's biggest-ever investment: a $4.5 billion facility that would make the fuel of the future by the Mississippi River.

Seifi Ghasemi's plan was to produce hydrogen from natural gas, capture the carbon dioxide, pipe it through wildlife-rich wetland and sequester it below picturesque Lake Maurepas.

Ghasemi had a grand vision. Beyond its regular uses in oil refining and ammonia for fertilizers, hydrogen would power buses, trucks, trains, ships, planes and steel mills after the plant opened in 2026, he predicted.

Nearly five years after his visit, the project's price tag has swelled to $8 billion, the construction timeline has slipped and the company is still seeking customers. Ghasemi has been ousted as CEO, and his successor is reining in spending.

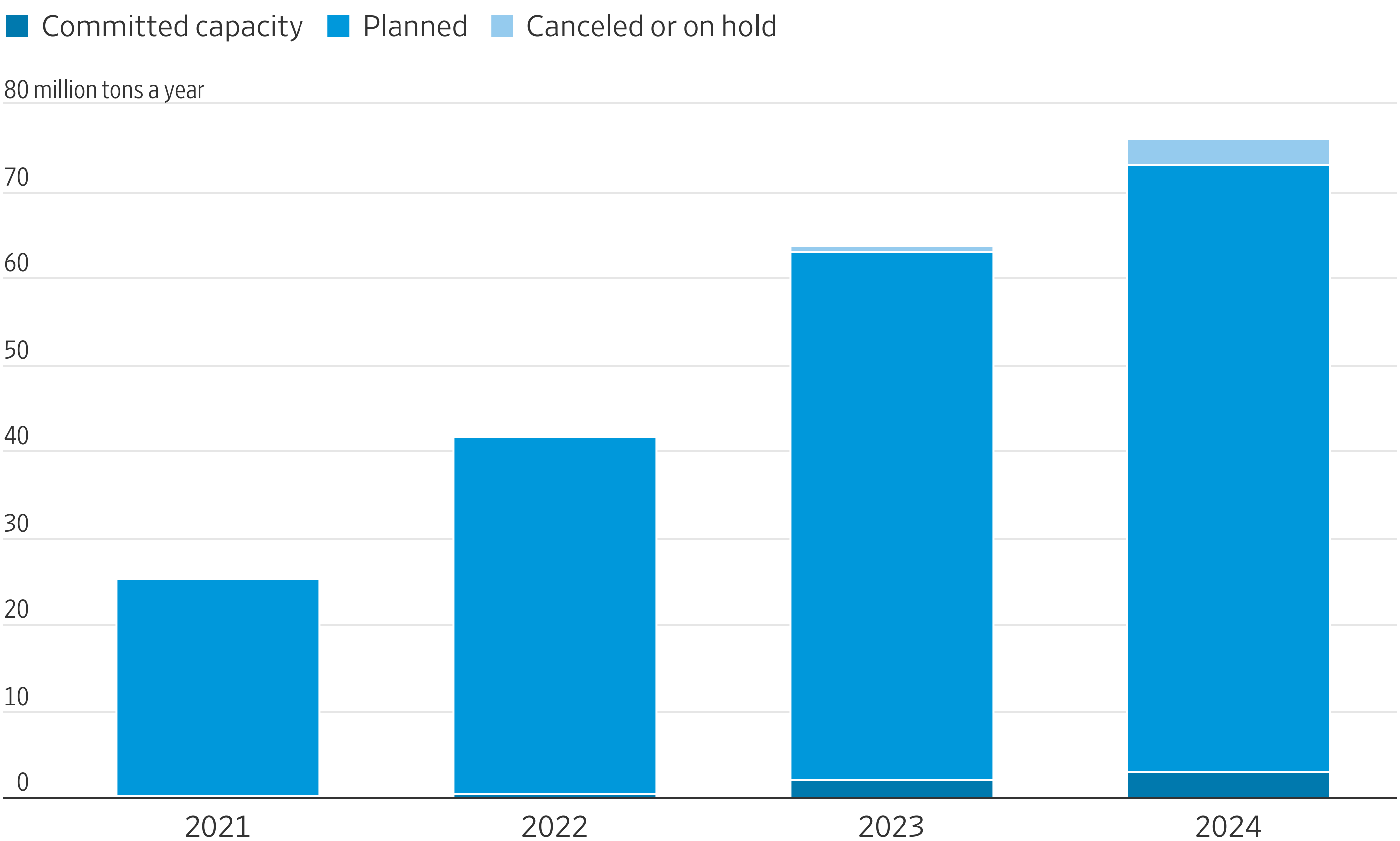
The idea that low-carbon hydrogen could replace oil and gas in many applications was taking off when Ghasemi visited Baton Rouge, La., as politicians and executives were vowing to slash emissions.

Cypress knees jut from Lake Maurepas. New homes in Gonzales, La., near the proposed site of Air Products' carbon-capture facility.

But sentiment has since soured. This fossil-fuel alternative remains stubbornly expensive, and governments in the U.S. and elsewhere have shied away from putting their weight behind it.

The tax bill approved by House Republicans would cut off hydrogen production tax credits, part of an effort to undo many Biden-era climate programs and reduce funding for wind and solar power. President Trump, meanwhile, has cast himself as the savior of U.S. oil and gas.

Clean-hydrogen production capacity, by status of announced projects



Note: "Committed" covers plants that were financed, started construction or were commissioned.
Source: BloombergNEF

Companies that once looked like early movers—such as the steel producer ArcelorMittal and Airbus, the plane maker—have delayed plans to use hydrogen.

"The main challenge right now is finding buyers," said Martin Tengler, a BloombergNEF analyst who estimates that just 4% of the announced low-carbon hydrogen production capacity had secured funding as of 2024.

Hydrogen hype isn't new. High oil prices spurred an earlier wave in the 1970s. But high costs and impracticality—hydrogen is explosive and can leak through gold—meant that the plans fizzled.

When climate worries revived the dream, few dove in more eagerly than Ghasemi. Air Products stood out for starting projects before it had customers and embracing technical challenges that rivals handed off to experienced partners.

The Air Products plant site along the Mississippi River in Ascension Parish, La.

"If you don't take the risk, you always lose," he said in a 2017 interview.

Today, most hydrogen is extracted from natural gas, a process that adds carbon dioxide to the atmosphere. There are two main alternative methods—and Air Products pursued both.

The Louisiana plant intends to make blue hydrogen. It is produced the traditional way, but the carbon is captured and kept out of the atmosphere—forever, if possible. Green hydrogen is made by splitting water into oxygen and hydrogen using renewable electricity.

Blue hydrogen is more controversial. Carbon-capture facilities often catch less pollution than hoped —Air Products says it will capture more than 95%—and using natural gas ties this ostensible climate solution to a source of emissions.

The House tax bill would eliminate tax credits for hydrogen production, which would kill most green-hydrogen projects, Tengler expects, but not the carbon-capture credits that benefit blue-hydrogen producers.

“It was a feeding frenzy” of a wave of blue-hydrogen projects that were drawn to Louisiana by tax credits and rocks suitable for storing carbon dioxide, said Corinne Van Dalen, a lawyer at the nonprofit Earthjustice.

Air Products’ ventures, from the bayou to a mostly unbuilt megacity in the Middle East, track hydrogen’s growing pains.


The Manchac Swamp, which connects to Lake Maurepas.

At Neom, Saudi Arabia's under-construction desert metropolis, Air Products has an unusual double role in the largest green-hydrogen project being built. As well as being a shareholder, the company committed to buy the hydrogen from the plant in the form of ammonia, which is easier to export.

That puts the company on the hook to find customers.

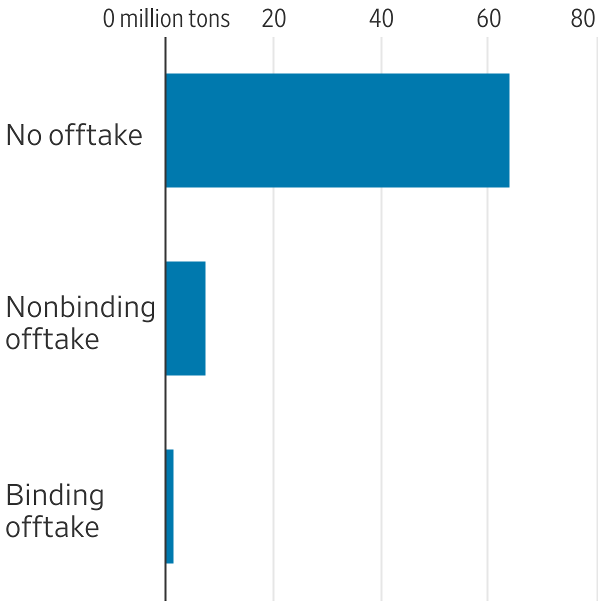
Air Products has announced just one: TotalEnergies, which plans to use green hydrogen in European refineries. Eduardo Menezes, who became Air Products' chief executive in February, said he is talking to other potential buyers.

Anglers at Lake Maurepas near an I-55 overpass.

Saudi Arabia has the abundant sunshine, wind, space and labor needed to make relatively low-cost green hydrogen, but "it's still a premium product," Menezes said.

The plant is on course to start production in 2027, but Air Products now plans to delay its investment in facilities in Europe designed to handle hydrogen from Neom.

Buyers haven't been lined up for most of the clean hydrogen capacity coming online by 2030.



Source: BloombergNEF

More than 2,000 miles away, uncertain demand is slowing down a plan to turn the Dutch port of Rotterdam into Europe's hydrogen hub.

Three years ago, Air Products and the trading group Gunvor said they would build a terminal to import ammonia and convert it back into hydrogen. It was one of several planned at the port, which also set aside space for green-hydrogen factories.

Most of those projects, including Air Products', still await investors' go-ahead. A hydrogen pipeline network has been delayed. Shell is building a green-hydrogen factory, but BP recently pulled out of a similar effort, according to a spokesman for a former partner, HyCC. BP has been scaling back its low-carbon spending.

"We have to be realistic about the time frame," said Boudewijn Siemons, the chief executive of the Port of Rotterdam Authority. "A couple of years ago, there was no steel in the ground, and there is now."

Progress is being slowed by Europe's high electricity prices, which increase the cost of producing green hydrogen, and regulatory uncertainty.

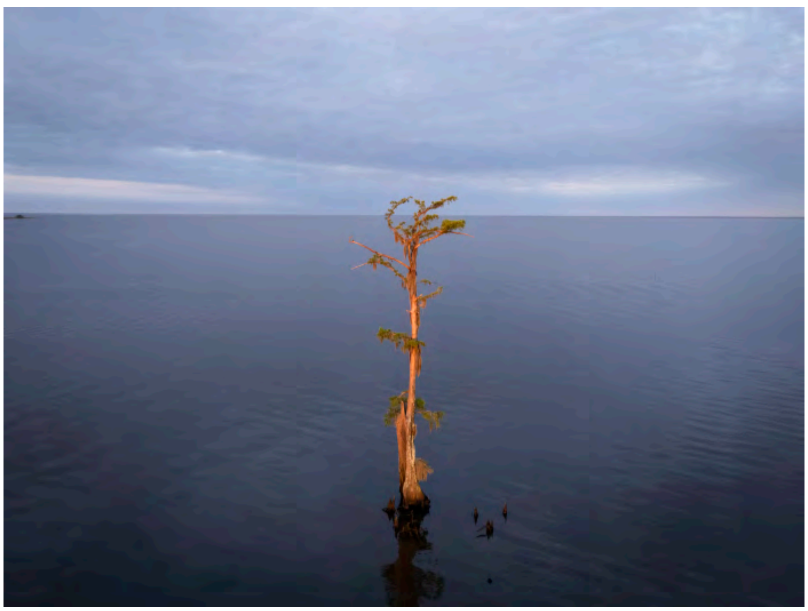
Crab traps on a dock at the edge of Lake Maurepas. A residential street near Air Products' property.

The European Union has set mandates that will require the use of green hydrogen in refining and other sectors. But Tengler at BloombergNEF said they aren't nearly stringent enough to fulfill the bloc's target of consuming 20 million tons of green hydrogen a year by 2030.

Some hydrogen applications are losing to other fossil-fuel alternatives. Hydrogen buses have been left behind by electric vehicles. Other applications, such as hydrogen-based steelmaking and shipping fuel, are moving forward, but slowly.

"If it was easy it would be done a long time ago," Menezes said.

Menezes pulled out of a plan to produce hydrogen-based jet fuel in Paramount, Calif., and a proposed green-hydrogen plant in Massena, N.Y. The company wrote off $2.9 billion for those projects and other cost cutting.



A cypress tree along the shoreline of Lake Maurepas.

In Louisiana, Air Products is trying to limit its exposure. Its risky strategy was criticized by activist investors who began calling for a change of course last year.

The company is now seeking buyers for the ammonia-production and carbon-sequestration parts of the project, which could reduce its share of the cost by as much as $3 billion, Menezes said. Work won't continue until customers are found.

Van Dalen, the environmental lawyer, would be pleased if Air Products' vision for the bayou crumbles. The hydrogen-production site is near a school, and the 40-mile carbon-dioxide pipeline would pass through rare wetland occupied by ospreys, largemouth bass and migratory birds.

At Lake Maurepas, the plan to sequester carbon dioxide is troubling to some nature lovers and crabbers. Air Products says it consulted with government agencies on its project and is funding environmental-monitoring efforts.

While Menezes looks for customers, Ghasemi's legacy in Louisiana can be seen in projects funded through Air Products' $1 million-a-year plan to secure communities' support, such as $200,000 for Lake Maurepas field trips and $50,000 for neutering feral cats.

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