News Release

Air Products and Chemicals, Inc.
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Air Products Reports Fiscal 2023 Second Quarter GAAP EPS of $1.97 and Adjusted EPS of $2.74

Q2 FY23 (comparisons versus prior year):

- GAAP EPS# of $1.97, down 17 percent; GAAP net income of $450 million, down 16 percent; and GAAP net income margin of 14.1 percent, down 410 basis points
- Adjusted EPS* of $2.74, up 17 percent; adjusted EBITDA* of $1,151 million, up 13 percent; and adjusted EBITDA margin* of 36.0 percent, up 140 basis points
- Higher pricing and volume drove improved results in all regional segments

Recent Highlights

- Completed Jazan Phase II in January 2023, which began contributing to equity affiliates' income during the second quarter
- Issued inaugural green bonds in $600 million and €700 million debt offerings, making Air Products the first U.S. chemical company to qualify green and blue hydrogen projects as an eligible expenditure category
- Continued to drive the Company's hydrogen leadership through first-mover low-carbon intensity and zero-carbon energy transition mega projects globally; brought over 30 new assets on-stream in Asia
- Signed four LNG process technology and equipment agreements during the quarter, including with Bechtel Energy, Inc. for Sempra Infrastructure’s Port Arthur LNG Phase 1 Project in Jefferson County, Texas and with Technip Energies for the Xi'An LNG Emergency Reserve & Peak Regulation Project with Shaanxi LNG Reserves & Logistics Company Ltd. in ShaanXi Province, China
- Announced two new world-scale carbon monoxide projects in Texas with secured, long-term off-take contracts from Eastman and LyondellBasell

Guidance

- Increased fiscal 2023 full-year adjusted EPS guidance* to $11.30 to $11.50, up 10 to 12 percent over prior year adjusted EPS* calculated on the same basis; fiscal 2023 third quarter adjusted EPS guidance* of $2.85 to $2.95, up 10 to 14 percent over prior year third quarter adjusted EPS* calculated on the same basis
- Continue to expect fiscal year 2023 capital expenditures* of $5.0 - $5.5 billion

#Earnings per share is calculated and presented on a diluted basis from continuing operations attributable to Air Products.

**Certain results in this release, including in the highlights above, include references to non-GAAP financial measures on a consolidated, continuing operations basis and a segment basis. Additional information regarding these measures and reconciliations of GAAP to non-GAAP historical results can be found below. In addition, as discussed below, it is not possible, without unreasonable efforts, to identify the timing or occurrence of future events, transactions, and/or investment activity that could have a significant effect on the Company's future GAAP EPS or cash flow used for investing activities if any of these events were to occur.*

LEHIGH VALLEY, Pa. (May 9, 2023) - Air Products (NYSE:APD) today reported second quarter fiscal 2023 results, including GAAP EPS from continuing operations of $1.97, down 17 percent from prior year. This includes an unfavorable $0.77 per share impact, primarily from business and asset actions related to the Company's withdrawal from projects in Indonesia and Ukraine. GAAP net income of $450 million was down 16 percent and GAAP net income margin of 14.1 percent decreased 410 basis points from the prior year as higher costs, including the charge for business and asset actions, were only partially offset by higher pricing and higher volumes, as well as higher equity affiliates' income from the Jazan project.

For the quarter, on a non-GAAP basis, adjusted EPS from continuing operations of $2.74 increased 17 percent over the prior year. Adjusted EBITDA of $1,151 million was up 13 percent and adjusted EBITDA margin of 36.0 percent increased 140 basis points over the prior year, as higher pricing, higher volumes, and higher equity affiliates' income more than offset higher costs.

Second quarter sales of $3.2 billion increased nine percent over the prior year on eight percent higher pricing and six percent higher volumes, partially offset by four percent unfavorable currency and one percent lower energy cost pass-through. Higher pricing across the regions and higher on-site volumes drove the results.

Commenting on the results, Air Products' Chairman, President and Chief Executive Officer Seifi Ghasemi said, "Our team successfully drove pricing and volumes in our base business, delivering critical productivity, efficiency and sustainability benefits for our customers. The team also continued to advance our first-mover clean hydrogen mega projects that will decarbonize heavy transportation and industrial sectors globally. I am proud of the continued achievements of our team who delivered outstanding results despite the ongoing economic and geopolitical challenges in the world."

Fiscal 2023 Second Quarter Results by Business Segment

- **Americas** sales of $1,373 million were up 16 percent over the prior year on nine percent higher volumes and eight percent higher pricing, partially offset by one percent unfavorable currency. Operating income of $324 million increased 18 percent and adjusted EBITDA of $514 million increased 14 percent, in each case due to higher pricing and higher volumes, partially offset by higher costs. Operating margin of 23.6 percent increased 40 basis points primarily due to higher pricing, while adjusted EBITDA margin of 37.4 percent decreased 50 basis points.

- **Asia** sales of $814 million increased eight percent over the prior year, as seven percent higher volumes, five percent higher pricing and three percent higher energy cost pass-through more than offset seven percent unfavorable currency. Operating income of $233 million increased 14 percent and adjusted EBITDA of $350 million increased nine percent, in each case due to the favorable volumes and pricing, partially offset by higher costs and unfavorable currency. Operating margin of 28.6 percent increased 150 basis points and adjusted EBITDA margin of 43.0 percent increased 20 basis points.

- **Europe** sales of $753 million increased two percent over the prior year, driven by 11 percent higher pricing and three percent higher volumes, partially offset by six percent lower energy cost pass-through and six percent unfavorable currency. Operating income of $173 million increased 49 percent and adjusted EBITDA of $251 million increased 32 percent, in each case primarily driven by higher pricing. Operating margin of 23.0 percent increased 720 basis points and adjusted EBITDA margin of 33.3 percent increased 760 basis points.

- **Middle East and India** equity affiliates' income of $99 million increased 39 percent compared to the prior year, primarily due to the completion of the second phase of the Jazan project.

- **Corporate and other** sales of $215 million decreased 10 percent compared to the prior year, driven by lower sale of equipment activity.

Outlook

Air Products provides adjusted EPS guidance on a continuing operations basis, excluding the impact of certain items that management believes are not representative of the Company's underlying business performance, such as the incurrence of costs for cost reduction actions and impairment charges, or the recognition of gains or losses on disclosed items. It is not possible, without unreasonable efforts, to predict the timing or occurrence of these events or the potential for other transactions that may impact future GAAP EPS. Similarly, it is not possible, without unreasonable efforts, to reconcile the forecasted capital expenditures to future cash used for investing activities because management is not able to identify the timing or occurrence of future investment activity, which is driven by management's assessment of competing opportunities at the time the Company enters into transactions. Furthermore, it is not possible to identify the potential significance of these events in advance, but any of these events, if they were to occur, could have a significant effect on the Company's future GAAP results. Management therefore is unable to reconcile, without unreasonable effort, the Company’s forecasted range of adjusted EPS or the capital expenditures to a comparable GAAP range.

Air Products expects full-year fiscal 2023 adjusted EPS guidance of $11.30 to $11.50, up 10 to 12 percent over prior year adjusted EPS. For the fiscal 2023 third quarter, Air Products' adjusted EPS guidance is $2.85 to $2.95, up 10 to 14 percent over fiscal 2022 third quarter adjusted EPS.

Effective beginning in the first quarter of fiscal year 2023, management reviews adjusted EPS excluding the impact of non-service related components of the net periodic benefit/cost for the Company's defined benefit pension plans. The projected percentage increase in adjusted EPS for full year fiscal 2023 and fiscal 2023 third quarter is calculated using fiscal 2022 results recast on a consistent basis. Refer to the reconciliations of GAAP to non-GAAP historical results below for additional information.

Air Products continues to expect capital expenditures of $5.0 - $5.5 billion for full-year fiscal 2023.

Earnings Teleconference

Access the fiscal 2023 second quarter earnings teleconference scheduled for 8:30 a.m. Eastern Time on May 9, 2023 by calling 323-701-0225 and entering passcode 4444766 or by accessing the Event Details page on Air Products’ Investor Relations website.

About Air Products

Air Products (NYSE:APD) is a world-leading industrial gases company in operation for over 80 years focused on serving energy, environmental, and emerging markets. The Company has two growth pillars driven by sustainability. Air Products’ base business provides essential industrial gases, related equipment and applications expertise to customers in dozens of industries, including refining, chemicals, metals, electronics, manufacturing, and food. The Company also develops, engineers, builds, owns and operates some of the world's largest industrial gas and carbon-capture projects, supplying world-scale clean hydrogen for global transportation, industrial markets, and the broader energy transition. Additionally, Air Products is the world leader in the supply of liquefied natural gas process technology and equipment, and globally provides turbomachinery, membrane systems and cryogenic containers.

The Company had fiscal 2022 sales of $12.7 billion from operations in over 50 countries and has a current market capitalization of about $65 billion. More than 21,000 passionate, talented and committed employees from diverse backgrounds are driven by Air Products’ higher purpose to create innovative solutions that benefit the environment, enhance sustainability and reimagine what's possible to address the challenges facing customers, communities, and the world. For more information, visit www.airproducts.com or follow us on LinkedIn, Twitter, Facebook or Instagram.

Cautionary Note Regarding Forward-Looking Statements

This release contains “forward-looking statements” within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements about earnings and capital expenditure guidance, business outlook and investment opportunities. Forward-looking statements are based on management’s expectations and assumptions as of the date of this release and are not guarantees of future performance. While forward-looking statements are made in good faith and based on assumptions, expectations and projections that management believes are reasonable based on currently available information, actual performance and financial results may differ materially from projections and estimates expressed in the forward-looking statements because of many factors, including, without limitation: the duration and impacts of the ongoing COVID-19 global pandemic and efforts to contain its transmission, including the effect of these factors on our business, our customers, economic conditions and markets generally; changes in global or regional economic conditions, inflation and supply and demand dynamics in the market segments we serve, including demand for technologies and projects to limit the impact of global climate change; changes in the financial markets that may affect the availability and terms on which we may obtain financing; the ability to implement price increases to offset cost increases; disruptions to our supply chain and related distribution delays and cost increases; risks associated with having extensive international operations, including political risks, risks associated with unanticipated government actions and risks of investing in developing markets; project delays, contract terminations, customer cancellations, or postponement of projects and sales; our ability to safely develop, operate, and manage costs of large-scale and technically complex projects; the future financial and operating performance of major customers, joint ventures, and equity affiliates; our ability to develop, implement, and operate new technologies and to market products produced utilizing new technologies; our ability to execute the projects in our backlog and refresh our pipeline of new projects; tariffs, economic sanctions and regulatory activities in jurisdictions in which we and our affiliates and joint ventures operate; the impact of environmental, tax, safety, or other legislation, as well as regulations and other public policy initiatives affecting our business and the business of our affiliates and related compliance requirements, including legislation, regulations, or policies intended to address global climate change; changes in tax rates and other changes in tax law; safety incidents relating to our operations; the timing, impact, and other uncertainties relating to acquisitions and divestitures, including our ability to integrate acquisitions and separate divested businesses, respectively; risks relating to cybersecurity incidents, including risks from the interruption, failure or compromise of our information systems; catastrophic events, such as natural disasters and extreme weather events, public health crises, acts of war, including Russia’s invasion of Ukraine and the ongoing civil war in Yemen, or terrorism; the impact on our business and customers of price fluctuations in oil and natural gas and disruptions in markets and the economy due to oil and natural gas price volatility; costs and outcomes of legal or regulatory proceedings and investigations; asset impairments due to economic conditions or specific events; significant fluctuations in inflation, interest rates, and foreign currency exchange rates from those currently anticipated; damage to facilities, pipelines or delivery systems, including those we own or operate for third parties; availability and cost of electric power, natural gas, and other raw materials; the success of productivity and operational improvement programs; and other risks described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 and subsequent filings we have made with the U.S. Securities and Exchange Commission. You are cautioned not to place undue reliance on our forward-looking statements. Except as required by law, we disclaim any obligation or undertaking to update or revise any forward-looking statements contained herein to reflect any change in assumptions, beliefs, or expectations or any change in events, conditions, or circumstances upon which any such forward-looking statements are based.

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Air Products and Chemicals, Inc. and Subsidiaries
CONSOLIDATED INCOME STATEMENTS
(Unaudited)

	Three Months Ended 31 March		Six Months Ended 31 March	
(Millions of U.S. Dollars, except for share and per share data)	2023	2022	2023	2022
Sales	$3,200.1	$2,945.1	$6,374.8	$5,939.3
Cost of sales	2,282.8	2,151.6	4,555.1	4,375.2
Selling and administrative expense	251.2	227.0	485.6	459.8
Research and development expense	27.2	23.7	51.6	47.0
Business and asset actions	185.6	—	185.6	—
Other income (expense), net	6.5	19.1	14.9	27.6
Operating Income	459.8	561.9	1,111.8	1,084.9
Equity affiliates' income	165.9	120.8	275.9	268.6
Interest expense	40.9	32.3	82.1	62.8
Other non-operating income (expense), net	(13.9)	9.1	(14.5)	31.7
Income Before Taxes	570.9	659.5	1,291.1	1,322.4
Income tax provision	121.0	122.7	257.4	236.0
Net Income	449.9	536.8	1,033.7	1,086.4
Net income (loss) attributable to noncontrolling interests	10.1	6.3	21.7	(4.5)
Net Income Attributable to Air Products	$439.8	$530.5	$1,012.0	$1,090.9
Per Share Data *(U.S. Dollars per share)*				
Basic earnings per share attributable to Air Products	$1.98	$2.39	$4.55	$4.91
Diluted earnings per share attributable to Air Products	$1.97	$2.38	$4.54	$4.90
Weighted Average Common Shares *(in millions)*				
Basic	222.3	222.0	222.3	222.0
Diluted	222.7	222.5	222.7	222.5

Air Products and Chemicals, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Millions of U.S. Dollars)	31 March 2023	30 September 2022
Assets		
Current Assets		
Cash and cash items	$2,242.4	$2,711.0
Short-term investments	271.3	590.7
Trade receivables, net	1,714.7	1,794.4
Inventories	645.6	514.2
Prepaid expenses	224.7	156.8
Other receivables and current assets	622.9	515.8
Total Current Assets	5,721.6	6,282.9
Investment in net assets of and advances to equity affiliates	4,420.2	3,353.8
Plant and equipment, at cost	30,751.8	28,160.1
Less: accumulated depreciation	15,053.4	13,999.6
Plant and equipment, net	15,698.4	14,160.5
Goodwill, net	883.9	823.0
Intangible assets, net	367.2	347.5
Operating lease right-of-use assets, net	766.9	694.8
Noncurrent lease receivables	561.7	583.1
Other noncurrent assets	1,015.5	947.0
Total Noncurrent Assets	23,713.8	20,909.7
Total Assets	$29,435.4	$27,192.6
Liabilities and Equity		
Current Liabilities		
Payables and accrued liabilities	$2,489.3	$2,771.6
Accrued income taxes	128.2	135.2
Short-term borrowings	7.0	10.7
Current portion of long-term debt	173.4	548.3
Total Current Liabilities	2,797.9	3,465.8
Long-term debt	8,271.9	6,433.8
Long-term debt – related party	688.6	652.0
Noncurrent operating lease liabilities	632.3	592.1
Other noncurrent liabilities	1,096.3	1,099.1
Deferred income taxes	1,258.2	1,247.4
Total Noncurrent Liabilities	11,947.3	10,024.4
Total Liabilities	14,745.2	13,490.2
Air Products Shareholders' Equity	14,058.3	13,144.0
Noncontrolling Interests	631.9	558.4
Total Equity	14,690.2	13,702.4
Total Liabilities and Equity	$29,435.4	$27,192.6

Air Products and Chemicals, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Millions of U.S. Dollars)	Six Months Ended 31 March 2023	Six Months Ended 31 March 2022
Operating Activities		
Net income	$1,033.7	$1,086.4
Less: Net income (loss) attributable to noncontrolling interests	21.7	(4.5)
Net income attributable to Air Products	1,012.0	1,090.9
Adjustments to reconcile income to cash provided by operating activities:		
Depreciation and amortization	661.1	668.2
Deferred income taxes	29.0	51.3
Business and asset actions	185.6	—
Undistributed earnings of equity method investments	(78.1)	(200.8)
Gain on sale of assets and investments	(3.9)	(11.8)
Share-based compensation	31.2	26.5
Noncurrent lease receivables	39.5	43.9
Other adjustments	70.9	(101.0)
Working capital changes that provided (used) cash, excluding effects of acquisitions:		
Trade receivables	162.0	(203.1)
Inventories	(112.3)	(57.3)
Other receivables	(63.0)	13.8
Payables and accrued liabilities	(451.3)	123.1
Other working capital	(124.7)	(138.7)
Cash Provided by Operating Activities	1,358.0	1,305.0
Investing Activities		
Additions to plant and equipment, including long-term deposits	(1,841.1)	(1,433.6)
Acquisitions, less cash acquired	—	(65.1)
Investment in and advances to unconsolidated affiliates	(912.0)	(1,650.9)
Proceeds from sale of assets and investments	7.2	25.3
Purchases of investments	(290.5)	(909.4)
Proceeds from investments	611.6	1,391.4
Other investing activities	(51.2)	6.5
Cash Used for Investing Activities	(2,476.0)	(2,635.8)
Financing Activities		
Long-term debt proceeds	1,891.6	87.5
Payments on long-term debt	(596.0)	(400.0)
Net (decrease) increase in commercial paper and short-term borrowings	(16.3)	210.9
Dividends paid to shareholders	(719.2)	(664.7)
Proceeds from stock option exercises	17.1	14.4
Investments by noncontrolling interests	72.8	3.6
Other financing activities	(46.6)	(37.3)
Cash Provided by (Used for) Financing Activities	603.4	(785.6)
Effect of Exchange Rate Changes on Cash	46.0	(3.8)
Decrease in cash and cash items	(468.6)	(2,120.2)
Cash and cash items – Beginning of year	2,711.0	4,468.9
Cash and Cash Items – End of Period	$2,242.4	$2,348.7
Supplemental Cash Flow Information		
Cash paid for taxes, net of refunds	$327.0	$236.9

Air Products and Chemicals, Inc. and Subsidiaries
BUSINESS SEGMENT INFORMATION
(Unaudited)

(Millions of U.S. Dollars)	Americas	Asia	Europe	Middle East and India	Corporate and other	Total	
Three Months Ended 31 March 2023							
Sales	$1,373.1	$813.9	$752.9	$44.8	$215.4	$3,200.1	
Operating income (loss)	324.2	233.0	173.2	1.3	(86.3)	645.4	(A)
Depreciation and amortization	161.7	110.0	48.3	6.6	13.0	339.6	
Equity affiliates' income	28.1	7.3	29.5	98.9	2.1	165.9	
Three Months Ended 31 March 2022							
Sales	$1,186.6	$751.2	$738.6	$28.9	$239.8	$2,945.1	
Operating income (loss)	275.5	203.6	116.4	4.8	(38.4)	561.9	(A)
Depreciation and amortization	153.7	111.8	50.3	6.9	13.2	335.9	
Equity affiliates' income	20.1	6.2	23.3	71.1	0.1	120.8	
Six Months Ended 31 March 2023							
Sales	$2,757.3	$1,591.7	$1,544.8	$86.2	$394.8	$6,374.8	
Operating income (loss)	667.2	468.9	319.0	8.0	(165.7)	1,297.4	(A)
Depreciation and amortization	317.7	211.9	92.6	13.2	25.7	661.1	
Equity affiliates' income	44.5	14.7	47.2	163.0	6.5	275.9	
Six Months Ended 31 March 2022							
Sales	$2,410.7	$1,531.6	$1,482.8	$52.6	$461.6	$5,939.3	
Operating income (loss)	542.7	424.7	215.6	9.6	(107.7)	1,084.9	(A)
Depreciation and amortization	309.0	222.6	100.1	13.0	23.5	668.2	
Equity affiliates' income	54.3	12.8	37.2	163.4	0.9	268.6	
Total Assets							
31 March 2023	$8,859.0	$7,422.7	$3,914.4	$4,451.8	$4,787.5	$29,435.4	
30 September 2022	8,237.7	6,968.7	3,645.1	2,980.7	5,360.4	27,192.6	

(A) Refer to "Reconciliations to Consolidated Results" below.

Reconciliations to Consolidated Results

The table below reconciles total operating income disclosed in the tables above to consolidated operating income as reflected on our consolidated income statements:

	Three Months Ended 31 March		Six Months Ended 31 March	
Operating Income	2023	2022	2023	2022
Total	$645.4	$561.9	$1,297.4	$1,084.9
Business and asset actions	(185.6)	—	(185.6)	—
Consolidated Operating Income	$459.8	$561.9	$1,111.8	$1,084.9

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES
(Millions of U.S. Dollars unless otherwise indicated, except for per share data)

We present certain financial measures, other than in accordance with U.S. generally accepted accounting principles ("GAAP"), on an "adjusted" or "non-GAAP" basis. On a consolidated basis, these measures include adjusted diluted earnings per share ("EPS"), adjusted EBITDA, adjusted EBITDA margin, and capital expenditures. On a segment basis, these measures include adjusted EBITDA and adjusted EBITDA margin. In addition to these measures, we also present certain supplemental non-GAAP financial measures to help the reader understand the impact that certain disclosed items, or "non-GAAP adjustments," have on the calculation of our adjusted diluted EPS. For each non-GAAP financial measure, we present a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP.

In many cases, non-GAAP financial measures are determined by adjusting the most directly comparable GAAP measure to exclude non-GAAP adjustments that we believe are not representative of our underlying business performance. For example, we exclude the impact of the non-service components of net periodic benefit/cost for our defined benefit pension plans as further discussed below. Additionally, we may exclude certain expenses associated with cost reduction actions, impairment charges, and gains on disclosed transactions. The reader should be aware that we may recognize similar losses or gains in the future.

When applicable, the tax impact of our pre-tax non-GAAP adjustments reflects the expected current and deferred income tax impact of our non-GAAP adjustments. These tax impacts are primarily driven by the statutory tax rate of the various relevant jurisdictions and the taxability of the adjustments in those jurisdictions.

We provide these non-GAAP financial measures to allow investors, potential investors, securities analysts, and others to evaluate the performance of our business in the same manner as our management. We believe these measures, when viewed together with financial results computed in accordance with GAAP, provide a more complete understanding of the factors and trends affecting our historical financial performance and projected future results. However, we caution readers not to consider these measures in isolation or as a substitute for the most directly comparable measures calculated in accordance with GAAP. Readers should also consider the limitations associated with these non-GAAP financial measures, including the potential lack of comparability of these measures from one company to another.

NON-GAAP ADJUSTMENTS

Business and Asset Actions

During the second quarter of fiscal year 2023, we recognized a noncash charge of $185.6 ($153.7 attributable to Air Products after tax, or $0.69 per share) to write-off assets associated with our withdrawal from coal gasification in Indonesia as well as a plant in Ukraine for which construction was permanently suspended due to ongoing uncertainty related to Russia's invasion of the country. The charge is reflected within “Business and asset actions” on our consolidated income statements and was not recorded in segment results.

Non-service Pension Cost (Benefit), Net

Effective beginning in fiscal year 2023, our adjusted EPS excludes the impact of non-service related components of net periodic benefit/cost for our defined benefit pension plans. The prior year non-GAAP financial measures presented below have been recast accordingly to conform to the fiscal year 2023 presentation. Non-service related components are recurring, non-operating items that include interest cost, expected returns on plan assets, prior service cost amortization, actuarial loss amortization, as well as special termination benefits, curtailments, and settlements. The net impact of non-service related components is reflected within “Other non-operating income (expense), net” on our consolidated income statements. Adjusting for the impact of non-service pension components provides management and users of our financial statements with a more accurate representation of our underlying business performance because these components are driven by factors that are unrelated to our operations, such as recent changes to the allocation of our pension plan assets associated with de-risking as well as volatility in equity and debt markets. Further, non-service related components are not indicative of our defined benefit plans’ future contribution needs due to the funded status of the plans.

ADJUSTED DILUTED EPS

The table below provides a reconciliation to the most directly comparable GAAP measure for each of the major components used to calculate adjusted diluted EPS from continuing operations, which we view as a key performance metric. In periods that we have non-GAAP adjustments, we believe it is important for the reader to understand the per share impact of each such adjustment because management does not consider these impacts when evaluating underlying business performance. Per share impacts are calculated independently and may not sum to total diluted EPS and total adjusted diluted EPS due to rounding.

	Three Months Ended 31 March					
Q2 2023 vs. Q2 2022	Operating Income	Equity Affiliates' Income	Other Non-Operating Income/Expense, Net	Income Tax Provision	Net Income Attributable to Air Products	Diluted EPS
Q2 2023 GAAP	$459.8	$165.9	($13.9)	$121.0	$439.8	$1.97
Q2 2022 GAAP	561.9	120.8	9.1	122.7	530.5	2.38
$ Change GAAP						($0.41)
% Change GAAP						(17%)
Q2 2023 GAAP	$459.8	$165.9	($13.9)	$121.0	$439.8	$1.97
Business and asset actions(A)	185.6	—	—	26.9	153.7	0.69
Non-service pension cost, net	—	—	22.9	5.7	17.2	0.08
Q2 2023 Non-GAAP ("Adjusted")	$645.4	$165.9	$9.0	$153.6	$610.7	$2.74
Q2 2022 GAAP	$561.9	$120.8	$9.1	$122.7	$530.5	$2.38
Non-service pension benefit, net	—	—	(11.9)	(2.9)	(9.0)	(0.04)
Q2 2022 Non-GAAP ("Adjusted")	$561.9	$120.8	($2.8)	$119.8	$521.5	$2.34
$ Change Non-GAAP ("Adjusted")						$0.40
% Change Non-GAAP ("Adjusted")						17%

(A) Charge includes $5.0 attributable to noncontrolling interests.

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

We define adjusted EBITDA as net income less income 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. Adjusted EBITDA and adjusted EBITDA margin provide useful metrics for management to assess operating performance. Margins are calculated independently for each period by dividing each line item by consolidated sales for the respective period and may not sum to total margin due to rounding.

The tables below present 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:

	Q1		Q2		Q3		Q4		Q2 YTD Total	
2023	$	Margin	$	Margin	$	Margin	$	Margin	$	Margin
Sales	$3,174.7		$3,200.1						$6,374.8	
Net income and net income margin	$583.8	18.4%	$449.9	14.1%					$1,033.7	16.2%
Less: Income from discontinued operations, net of tax	—	—%	—	—%					—	—%
Add: Interest expense	41.2	1.3%	40.9	1.3%					82.1	1.3%
Less: Other non-operating income (expense), net	(0.6)	—%	(13.9)	(0.4%)					(14.5)	(0.2%)
Add: Income tax provision	136.4	4.3%	121.0	3.8%					257.4	4.0%
Add: Depreciation and amortization	321.5	10.1%	339.6	10.6%					661.1	10.4%
Add: Business and asset actions	—	—%	185.6	5.8%					185.6	2.9%
Adjusted EBITDA and adjusted EBITDA margin	$1,083.5	34.1%	$1,150.9	36.0%					$2,234.4	35.1%

	Q1		Q2		Q3		Q4		Q2 YTD Total	
2022	$	Margin	$	Margin	$	Margin	$	Margin	$	Margin
Sales	$2,994.2		$2,945.1		$3,189.3		$3,570.0		$5,939.3	
Net income and net income margin	$549.6	18.4%	$536.8	18.2%	$587.1	18.4%	$593.0	16.6%	$1,086.4	18.3%
Less: Income from discontinued operations, net of tax	—	—%	—	—%	—	—%	12.6	0.4%	—	—%
Add: Interest expense	30.5	1.0%	32.3	1.1%	32.7	1.0%	32.5	0.9%	62.8	1.1%
Less: Other non-operating income (expense), net	22.6	0.8%	9.1	0.3%	10.5	0.3%	20.2	0.6%	31.7	0.5%
Add: Income tax provision	113.3	3.8%	122.7	4.2%	134.2	4.2%	130.6	3.7%	236.0	4.0%
Add: Depreciation and amortization	332.3	11.1%	335.9	11.4%	337.2	10.6%	332.8	9.3%	668.2	11.3%
Add: Business and asset actions	—	— %	—	— %	—	— %	73.7	2.1%	—	—%
Add: Equity method investment impairment charge	—	— %	—	— %	—	— %	14.8	0.4%	—	—%
Adjusted EBITDA and adjusted EBITDA margin	$1,003.1	33.5%	$1,018.6	34.6%	$1,080.7	33.9%	$1,144.6	32.1%	$2,021.7	34.0%

2023 vs. 2022	Q1	Q2	Q2 YTD Total
Change GAAP			
Net income $ change	$34.2	($86.9)	($52.7)
Net income % change	6%	(16%)	(5%)
Net income margin change	— bp	(410) bp	(210) bp
Change Non-GAAP			
Adjusted EBITDA $ change	$80.4	$132.3	$212.7
Adjusted EBITDA % change	8%	13%	11%
Adjusted EBITDA margin change	60 bp	140 bp	110 bp

The tables below present sales and a reconciliation of operating income and operating margin to adjusted EBITDA and adjusted EBITDA margin for the Company's three largest regional segments for the three months ended 31 March 2023 and 2022:

Americas	Q2 FY23	Q2 FY22	$ Change	Change
Sales	$1,373.1	$1,186.6	$186.5	16%
Operating income	$324.2	$275.5	$48.7	18%
Operating margin	23.6%	23.2%		40 bp
Reconciliation of GAAP to Non-GAAP:				
Operating income	$324.2	$275.5		
Add: Depreciation and amortization	161.7	153.7		
Add: Equity affiliates' income	28.1	20.1		
Adjusted EBITDA	$514.0	$449.3	$64.7	14%
Adjusted EBITDA margin	37.4%	37.9%		(50) bp

Asia	Q2 FY23	Q2 FY22	$ Change	Change
Sales	$813.9	$751.2	$62.7	8%
Operating income	$233.0	$203.6	$29.4	14%
Operating margin	28.6%	27.1%		150 bp
Reconciliation of GAAP to Non-GAAP:				
Operating income	$233.0	$203.6		
Add: Depreciation and amortization	110.0	111.8		
Add: Equity affiliates' income	7.3	6.2		
Adjusted EBITDA	$350.3	$321.6	$28.7	9%
Adjusted EBITDA margin	43.0%	42.8%		20 bp

Europe	Q2 FY23	Q2 FY22	$ Change	Change
Sales	$752.9	$738.6	$14.3	2%
Operating income	$173.2	$116.4	$56.8	49%
Operating margin	23.0%	15.8%		720 bp
Reconciliation of GAAP to Non-GAAP:				
Operating income	$173.2	$116.4		
Add: Depreciation and amortization	48.3	50.3		
Add: Equity affiliates' income	29.5	23.3		
Adjusted EBITDA	$251.0	$190.0	$61.0	32%
Adjusted EBITDA margin	33.3%	25.7%		760 bp

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 on our consolidated statement of cash flows. Beginning in the second quarter of fiscal year 2023, we also adjust capital expenditures to exclude NEOM Green Hydrogen Company ("NGHC") spending reflected in "Additions to plant and equipment, including long-term deposits" that is ultimately funded through our partners' equity contributions to NGHC as well as non-recourse project financing incurred by NGHC. We believe adjusting for NGHC expenditures not funded by Air Products' equity to arrive at capital expenditures provides users of our financial statements with a better understanding of the investment on which we expect to make a return.

A reconciliation of cash used for investing activities to our reported capital expenditures is provided below:

	Six Months Ended 31 March	
	2023	2022
Cash used for investing activities	$2,476.0	$2,635.8
Proceeds from sale of assets and investments	7.2	25.3
Purchases of investments	(290.5)	(909.4)
Proceeds from investments	611.6	1,391.4
Other investing activities	(51.2)	6.5
NGHC expenditures not funded by Air Products' equity	(335.3)	—
Capital expenditures	$2,417.8	$3,149.6

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

	Six Months Ended 31 March	
	2023	2022
Additions to plant and equipment, including long-term deposits	$1,841.1	$1,433.6
Acquisitions, less cash acquired	—	65.1
Investment in and advances to unconsolidated affiliates	912.0	1,650.9
NGHC expenditures not funded by Air Products' equity	(335.3)	—
Capital expenditures	$2,417.8	$3,149.6

Outlook for Investing Activities

It is not possible, without unreasonable efforts, to reconcile our forecasted capital expenditures to future cash used for investing activities because we are unable to identify the timing or occurrence of our future investment activity, which is driven by our assessment of competing opportunities at the time we enter into transactions. These decisions, either individually or in the aggregate, could have a significant effect on our cash used for investing activities.

We expect capital expenditures for fiscal year 2023 to be $5.0 to $5.5 billion.

OUTLOOK

The guidance provided below is on an adjusted continuing operations basis and is compared to adjusted historical diluted EPS attributable to Air Products. These adjusted measures exclude the impact of certain items that we believe are not representative of our underlying business performance, such as the non-service components of net periodic benefit/cost for our defined benefit pension plans, the incurrence of costs for business, asset, and cost reduction actions and impairment charges, or the recognition of gains or losses on disclosed items. The per share impact for each of our non-GAAP adjustments is calculated independently and may not sum to total adjusted diluted EPS due to rounding.

It is not possible, without unreasonable efforts, to identify the timing or occurrence of similar future events or the potential for other transactions that may impact future GAAP EPS. Furthermore, it is not possible to identify the potential significance of these events in advance; however, any of these events, if they were to occur, could have a significant effect on our future GAAP EPS. Accordingly, management is unable to fully reconcile, without unreasonable efforts, our forecasted range of adjusted EPS on a continuing operations basis to a comparable GAAP range.

	Diluted EPS	
	Q3	Full Year
2022 Diluted EPS	$2.62	$10.08
Business and asset actions	—	0.27
Equity method investment impairment charge	—	0.05
2022 Adjusted Diluted EPS	$2.62	$10.41
Per share impact of non-service pension benefit, net(A)	(0.03)	(0.15)
2022 Adjusted Diluted EPS, excluding per share impact of non-service pension benefit, net(A)	$2.58	$10.25
2023 Adjusted Diluted EPS Outlook(A)	$2.85–$2.95	$11.30–$11.50
$ Change(A)	0.27–0.37	1.05–1.25
% Change(A)	10%–14%	10%–12%

(A) Fiscal year 2022 diluted EPS has been adjusted as illustrated and as discussed in the *Adjusted Diluted EPS Reflecting Adjustments for Non-Service Pension Impacts* section below in order to present fiscal year 2022 results and fiscal year 2023 guidance on a consistent basis. Actual non-service pension impacts depend in part on external factors that are impossible to predict, such as volatility in equity and debt markets. Accordingly, management is unable to fully reconcile the earnings per share impact of our projection to GAAP EPS.

ADJUSTED DILUTED EPS REFLECTING ADJUSTMENTS FOR NON-SERVICE PENSION IMPACTS

Effective beginning in the first quarter of fiscal year 2023, management reviews adjusted earnings per share excluding the impact of non-service related components of net periodic benefit/cost for our defined benefit pension plans. Non-GAAP financial measures for the third quarter and full year fiscal year 2022 have been recast accordingly in the table below to allow readers to compare fiscal year 2022 results and fiscal year 2023 guidance on a consistent basis. The per share impacts reflected in this table are calculated independently and may not sum to total adjusted diluted EPS due to rounding. For additional time periods, please refer to our Investor Relations website.

	Fiscal Year 2022	
	Q3	Full Year
Non-service pension benefit, net – before tax	$9.5	$44.7
Tax impact	(2.3)	(10.8)
Non-service pension benefit, net – after tax	$7.2	$33.9
Weighted Average Common Shares — Diluted *(in millions)*	222.5	222.5
Non-GAAP Measures Reflecting Adjustments for Non-Service Pension Impacts:		
Adjusted diluted EPS as reported	$2.62	$10.41
Per share impact of non-service pension benefit, net(A)	(0.03)	(0.15)
Adjusted diluted EPS, excluding per share impact of non-service pension benefit, net	$2.58	$10.25

(A) Calculated as "Non-service pension benefit, net – after tax" divided by "Weighted average common shares – diluted."