

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended 31 December 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-4534

**AIR PRODUCTS AND CHEMICALS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction of Incorporation or Organization)

23-1274455  
(I.R.S. Employer Identification No.)

7201 Hamilton Boulevard, Allentown, Pennsylvania  
(Address of Principal Executive Offices)

18195-1501  
(Zip Code)

610-481-4911  
(Registrant's Telephone Number, Including Area Code)

Not Applicable  
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at 31 December 2013
Common Stock, \$1 par value	211,672,884

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries**  
**CONSOLIDATED INCOME STATEMENTS**  
(Unaudited)

(Millions of dollars, except for share data)	Three Months Ended 31 December	
	2013	2012
<b>Sales</b>	\$2,545.5	\$2,562.4
Cost of sales	1,865.9	1,900.1
Selling and administrative	280.9	268.2
Research and development	33.5	33.3
Other income (expense), net	20.4	11.6
<b>Operating Income</b>	385.6	372.4
Equity affiliates' income	38.2	41.4
Interest expense	33.3	35.8
<b>Income from Continuing Operations before Taxes</b>	390.5	378.0
Income tax provision	94.5	92.2
<b>Income from Continuing Operations</b>	296.0	285.8
<b>Income from Discontinued Operations, net of tax</b>	3.1	1.4
<b>Net Income</b>	299.1	287.2
<b>Less: Net Income Attributable to Noncontrolling Interests</b>	8.9	8.9
<b>Net Income Attributable to Air Products</b>	\$ 290.2	\$ 278.3
<b>Net Income Attributable to Air Products</b>		
Income from continuing operations	\$ 287.1	\$ 276.9
Income from discontinued operations	3.1	1.4
<b>Net Income Attributable to Air Products</b>	\$ 290.2	\$ 278.3
<b>Basic Earnings Per Common Share Attributable to Air Products</b>		
Income from continuing operations	\$ 1.36	\$ 1.32
Income from discontinued operations	.01	.01
<b>Net Income Attributable to Air Products</b>	\$ 1.37	\$ 1.33
<b>Diluted Earnings Per Common Share Attributable to Air Products</b>		
Income from continuing operations	\$ 1.34	\$ 1.30
Income from discontinued operations	.01	.01
<b>Net Income Attributable to Air Products</b>	\$ 1.35	\$ 1.31
<b>Weighted Average Common Shares – Basic (in millions)</b>	211.8	210.0
<b>Weighted Average Common Shares – Diluted (in millions)</b>	214.3	212.6
<b>Dividends Declared Per Common Share – Cash</b>	\$ .71	\$ .64

The accompanying notes are an integral part of these statements.

**AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries**  
**CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS**  
**(Unaudited)**

(Millions of dollars)	Three Months Ended 31 December	
	2013	2012
<b>Net Income</b>	<b>\$299.1</b>	<b>\$287.2</b>
<b>Other Comprehensive Income, net of tax:</b>		
Translation adjustments, net of tax of (\$13.6) and (\$13.6)	31.4	78.4
Net gain on derivatives, net of tax of \$4.8 and \$5.8	13.1	16.0
Reclassification adjustments:		
Derivatives, net of tax of (\$4.4) and (\$4.5)	(11.9)	(14.3)
Pension and postretirement benefits, net of tax of \$9.6 and \$12.9	20.0	24.4
<b>Total Other Comprehensive Income</b>	<b>52.6</b>	<b>104.5</b>
<b>Comprehensive Income</b>	<b>351.7</b>	<b>391.7</b>
<b>Net Income Attributable to Noncontrolling Interests</b>	<b>8.9</b>	<b>8.9</b>
<b>Other Comprehensive Income (Loss) Attributable to Noncontrolling Interests</b>	<b>(1.1)</b>	<b>1.1</b>
<b>Comprehensive Income Attributable to Air Products</b>	<b>\$343.9</b>	<b>\$381.7</b>

The accompanying notes are an integral part of these statements.

**AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

(Millions of dollars, except for share data)	31 December 2013	30 September 2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash items	\$ 387.6	\$ 450.4
Trade receivables, net	1,561.2	1,544.3
Inventories	693.4	706.1
Contracts in progress, less progress billings	152.0	182.3
Prepaid expenses	119.7	121.1
Other receivables and current assets	416.2	432.4
Current assets of discontinued operations	—	2.5
<b>Total Current Assets</b>	<b>3,330.1</b>	<b>3,439.1</b>
Investment in net assets of and advances to equity affiliates	1,212.7	1,195.5
Plant and equipment, at cost	19,864.8	19,529.9
Less: accumulated depreciation	10,712.8	10,555.9
Plant and equipment, net	9,152.0	8,974.0
Goodwill	1,642.9	1,653.8
Intangible assets, net	700.5	717.3
Noncurrent capital lease receivables	1,478.1	1,476.9
Other noncurrent assets	398.9	393.5
<b>Total Noncurrent Assets</b>	<b>14,585.1</b>	<b>14,411.0</b>
<b>Total Assets</b>	<b>\$17,915.2</b>	<b>\$17,850.1</b>
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Payables and accrued liabilities	\$ 1,921.4	\$ 1,944.9
Accrued income taxes	76.3	63.0
Short-term borrowings	1,030.5	709.9
Current portion of long-term debt	117.0	507.4
Current liabilities of discontinued operations	—	2.4
<b>Total Current Liabilities</b>	<b>3,145.2</b>	<b>3,227.6</b>
Long-term debt	5,020.8	5,056.3
Other noncurrent liabilities	1,136.2	1,164.3
Deferred income taxes	831.6	827.2
<b>Total Noncurrent Liabilities</b>	<b>6,988.6</b>	<b>7,047.8</b>
<b>Total Liabilities</b>	<b>10,133.8</b>	<b>10,275.4</b>
<b>Commitments and Contingencies – See Note 10</b>		
<b>Redeemable Noncontrolling Interest</b>	<b>358.7</b>	<b>375.8</b>
<b>Air Products Shareholders' Equity</b>		
Common stock (par value \$1 per share; issued 2014 and 2013 – 249,455,584 shares)	249.4	249.4
Capital in excess of par value	805.0	799.2
Retained earnings	9,785.4	9,646.4
Accumulated other comprehensive loss	(966.9)	(1,020.6)
Treasury stock, at cost (2014 – 37,782,700 shares; 2013 – 38,276,327 shares)	(2,608.9)	(2,632.3)
<b>Total Air Products Shareholders' Equity</b>	<b>7,264.0</b>	<b>7,042.1</b>
<b>Noncontrolling Interests</b>	<b>158.7</b>	<b>156.8</b>
<b>Total Equity</b>	<b>7,422.7</b>	<b>7,198.9</b>
<b>Total Liabilities and Equity</b>	<b>\$17,915.2</b>	<b>\$17,850.1</b>

The accompanying notes are an integral part of these statements.

**AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

(Millions of dollars)	Three Months Ended 31 December	
	2013	2012
<b>Operating Activities</b>		
Net Income	\$ 299.1	\$ 287.2
Less: Net income attributable to noncontrolling interests	8.9	8.9
Net income attributable to Air Products	290.2	278.3
Income from discontinued operations	(3.1)	(1.4)
Income from continuing operations attributable to Air Products	287.1	276.9
Adjustments to reconcile income to cash provided by operating activities:		
Depreciation and amortization	234.2	218.5
Deferred income taxes	33.0	37.4
Share-based compensation	11.8	10.1
Noncurrent capital lease receivables	(10.0)	(93.4)
Other adjustments	14.2	(169.2)
Working capital changes that provided (used) cash, excluding effects of acquisitions and divestitures:		
Trade receivables	(17.7)	51.0
Inventories	11.9	42.5
Contracts in progress, less progress billings	32.6	(22.3)
Other receivables	(.9)	(64.4)
Payables and accrued liabilities	(65.2)	7.3
Other working capital	15.2	(16.0)
<b>Cash Provided by Operating Activities</b>	<b>546.2</b>	<b>278.4</b>
<b>Investing Activities</b>		
Additions to plant and equipment	(391.1)	(357.0)
Proceeds from sale of assets and investments	5.5	2.8
Other investing activities	—	(1.6)
<b>Cash Used for Investing Activities</b>	<b>(385.6)</b>	<b>(355.8)</b>
<b>Financing Activities</b>		
Long-term debt proceeds	1.4	77.3
Payments on long-term debt	(434.0)	(65.0)
Net increase in commercial paper and short-term borrowings	339.1	709.1
Dividends paid to shareholders	(149.9)	(136.0)
Purchase of treasury shares	—	(461.6)
Proceeds from stock option exercises	19.9	27.0
Excess tax benefit from share-based compensation	4.1	8.1
Other financing activities	(18.8)	(1.8)
<b>Cash (Used for) Provided by Financing Activities</b>	<b>(238.2)</b>	<b>157.1</b>
<b>Discontinued Operations</b>		
Cash provided by operating activities	.7	5.2
Cash provided by (used for) investing activities	9.8	(.8)
Cash provided by financing activities	—	—
<b>Cash Provided by Discontinued Operations</b>	<b>10.5</b>	<b>4.4</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>4.3</b>	<b>7.1</b>
(Decrease) Increase in Cash and Cash Items	(62.8)	91.2
Cash and Cash Items – Beginning of Year	450.4	454.4
<b>Cash and Cash Items – End of Period</b>	<b>\$ 387.6</b>	<b>\$ 545.6</b>

The accompanying notes are an integral part of these statements.

**AIR PRODUCTS AND CHEMICALS, INC. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Millions of dollars unless otherwise indicated, except for share data)

**1. BASIS OF PRESENTATION AND MAJOR ACCOUNTING POLICIES**

Refer to our 2013 Form 10-K for a description of major accounting policies. There have been no material changes to these accounting policies during the first three months of fiscal year 2014.

The consolidated financial statements of Air Products and Chemicals, Inc. and its subsidiaries (“we”, “our”, “us”, the “Company”, “Air Products”, or “registrant”) included herein have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In our opinion, the accompanying statements reflect adjustments necessary to present fairly the financial position, results of operations, and cash flows for those periods indicated, and contain adequate disclosure to make the information presented not misleading. Adjustments included herein are of a normal, recurring nature unless otherwise disclosed in the Notes. The interim results for the periods indicated herein, however, do not reflect certain adjustments, such as the valuation of inventories on the last-in, first-out (LIFO) cost basis, which are only finally determined on an annual basis. The consolidated financial statements and related Notes included herein should be read in conjunction with the financial statements and Notes thereto included in our latest Form 10-K in order to fully understand the basis of presentation. Results of operations for interim periods are not necessarily indicative of the results of operations for a full year.

**2. NEW ACCOUNTING GUIDANCE**

*Accounting Guidance Implemented in 2014*

**Amounts Reclassified out of Accumulated Other Comprehensive Income**

In February 2013, the Financial Accounting Standards Board (FASB) issued disclosure guidance to improve the transparency of items reclassified out of accumulated other comprehensive income to net income. The guidance requires an entity to present, in a single location, information about the amounts reclassified out of accumulated other comprehensive income, by component, including the income statement line items affected by the reclassification. This disclosure guidance was effective for us beginning in the first quarter of fiscal year 2014 and did not have a material impact on our consolidated financial statements. Refer to Note 13, Accumulated Other Comprehensive Loss, for the required disclosures.

**Cumulative Translation Adjustment**

In March 2013, the FASB issued an update to clarify existing guidance for the release of cumulative translation adjustments into net income when a parent sells all or a part of its investment in a foreign entity or achieves a business combination of a foreign entity in stages. We adopted this guidance, which is to be applied prospectively, at the beginning of fiscal year 2014. This guidance did not have an impact on our consolidated financial statements.

*New Accounting Guidance to be Implemented*

**Unrecognized Tax Benefits**

In July 2013, the FASB issued guidance to require standard presentation of an unrecognized tax benefit when a carryforward related to net operating losses or tax credits exist. This guidance will be applied prospectively and is effective for us beginning in the first quarter of our fiscal year 2015, with early adoption permitted. We do not expect this guidance to have a material impact on our consolidated financial statements.

### 3. DISCONTINUED OPERATIONS

During the second quarter of 2012, the Board of Directors authorized the sale of our Homecare business, which had previously been reported as part of the Merchant Gases operating segment.

In the third quarter of 2012, we sold the majority of our Homecare business to The Linde Group for total sale proceeds of €590 million (\$777). This amount included contingent proceeds of €110 million (\$144) related to the outcome of certain retender arrangements. As of 31 December 2013, this liability is reflected in payables and accrued liabilities on our consolidated balance sheet, with payment expected in the fourth quarter of fiscal 2014.

In the first quarter of 2014, we sold the remaining portion of the Homecare business, which was primarily in the United Kingdom and Ireland, for £6.1 million (\$9.8) and recorded a gain on sale of \$2.4. We have entered into an operations guarantee related to the obligations under certain homecare contracts assigned in connection with the transaction. Our maximum potential payment under the guarantee is £20 million (approximately \$33 at 31 December 2013) and our exposure will be extinguished by 2020. The fair value of the guarantee is not material.

The results of operations and cash flows of this business have been reclassified from the results of continuing operations for all periods presented. The assets and liabilities of discontinued operations have been reclassified and are segregated in the consolidated balance sheets.

The results of discontinued operations are summarized below:

	Three Months Ended 31 December	
	2013	2012
<b>Sales</b>	\$ 8.5	\$13.8
Income before taxes	\$ .7	\$ 1.4
Income tax provision	—	—
<b>Income from operations of discontinued operations</b>	.7	1.4
Gain on sale of business, net of tax	2.4	—
<b>Income from Discontinued Operations, net of tax</b>	\$ 3.1	\$ 1.4

The assets and liabilities classified as discontinued operations for the Homecare business at 30 September 2013 consisted of \$2.5 in trade receivables, net, and \$2.4 in payables and accrued liabilities. As of 31 December 2013, no assets or liabilities were classified as discontinued operations.



**4. BUSINESS RESTRUCTURING AND COST REDUCTION PLANS****2013 Plan**

During the fourth quarter of 2013, we recorded an expense of \$231.6 (\$157.9 after-tax, or \$.74 per share) reflecting actions to better align our cost structure with current market conditions. The asset and contract actions primarily impacted the Electronics business due to continued weakness in the photovoltaic (PV) and light-emitting diode (LED) markets. The severance and other contractual benefits primarily impacted our Merchant Gases business and corporate functions in response to weaker than expected business conditions in Europe and Asia, reorganization of our operations and functional areas, and previously announced senior executive changes. The planned actions are expected to be completed by the end of fiscal year 2014.

The following table summarizes the carrying amount of the accrual for the 2013 plan at 31 December 2013:

	Severance and Other Benefits	Asset Actions	Contract Actions/Other	Total
2013 Charge	\$71.9	\$ 100.4	\$ 59.3	\$ 231.6
Amount reflected in pension liability	(6.9)	—	—	(6.9)
Noncash expenses	—	(100.4)	—	(100.4)
Cash expenditures	(3.0)	—	(58.5)	(61.5)
Currency translation adjustment	.4	—	—	.4
<b>30 September 2013</b>	<b>\$62.4</b>	<b>\$ —</b>	<b>\$ .8</b>	<b>\$ 63.2</b>
Cash expenditures	(4.9)	—	—	(4.9)
Currency translation adjustment	.3	—	—	.3
<b>Accrued balance</b>	<b>\$57.8</b>	<b>\$ —</b>	<b>\$ .8</b>	<b>\$ 58.6</b>

**2012 Plans**

In 2012, we recorded an expense of \$327.4 (\$222.4 after-tax, or \$1.03 per share) for business restructuring and cost reduction plans in our Polyurethane Intermediates, Electronics, and European Merchant businesses. As of 30 September 2013, the planned actions were substantially completed.

## 5. INVENTORIES

The components of inventories are as follows:

	31 December 2013	30 September 2013
Finished goods	\$517.2	\$527.3
Work in process	37.7	38.7
Raw materials, supplies and other	234.9	234.9
	\$789.8	\$800.9
Less: Excess of FIFO cost over LIFO cost	(96.4)	(94.8)
	\$693.4	\$706.1

First-in, first-out (FIFO) cost approximates replacement cost. Our inventories have a high turnover, and as a result, there is little difference between the original cost of an item and its current replacement cost.

## 6. GOODWILL

Changes to the carrying amount of consolidated goodwill by segment for the three months ended 31 December 2013 are as follows:

	Merchant Gases	Tonnage Gases	Electronics and Performance Materials	Total
Balance at 30 September 2013	\$1,192.0	\$15.2	\$446.6	\$1,653.8
Acquisitions and adjustments	—	—	—	—
Currency translation and other	(12.6)	.5	1.2	(10.9)
<b>Balance at 31 December 2013</b>	<b>\$1,179.4</b>	<b>\$15.7</b>	<b>\$447.8</b>	<b>\$1,642.9</b>

Goodwill is subject to impairment testing at least annually. In addition, goodwill is tested more frequently if a change in circumstances or the occurrence of events indicates that potential impairment exists.

## 7. FINANCIAL INSTRUMENTS

### Currency Price Risk Management

Our earnings, cash flows, and financial position are exposed to foreign currency risk from foreign currency denominated transactions and net investments in foreign operations. It is our policy to minimize our cash flow volatility from changes in currency exchange rates. This is accomplished by identifying and evaluating the risk that our cash flows will change in value due to changes in exchange rates and by executing the appropriate strategies necessary to manage such exposures. Our objective is to maintain economically balanced currency risk management strategies that provide adequate downside protection.

### Forward Exchange Contracts

We enter into forward exchange contracts to reduce the cash flow exposure to foreign currency fluctuations associated with highly anticipated cash flows and certain firm commitments such as the purchase of plant and equipment. We also enter into forward exchange contracts to hedge the cash flow exposure on intercompany loans. This portfolio of forward exchange contracts consists primarily of Euros and British Pound Sterling as well as Euros and U.S. dollars. The maximum remaining term of any forward exchange contract currently outstanding and designated as a cash flow hedge at 31 December 2013 is 3.0 years.

Forward exchange contracts are also used to hedge the value of investments in certain foreign subsidiaries and affiliates by creating a liability in a currency in which we have a net equity position. The primary currency pair in this portfolio of forward exchange contracts is the Euro and U.S. dollar.

In addition to the forward exchange contracts that are designated as hedges, we utilize forward exchange contracts that are not designated as hedges. These contracts are used to economically hedge foreign currency-denominated monetary assets and liabilities, primarily working capital. The primary objective of these forward exchange contracts is to protect the value of foreign currency-denominated monetary assets and liabilities from the effects of volatility in foreign exchange rates that might occur prior to their receipt or settlement. This portfolio of forward exchange contracts comprises many different foreign currency pairs, with a profile that changes from time to time depending on business activity and sourcing decisions.

The table below summarizes our outstanding currency price risk management instruments:

	31 December 2013		30 September 2013	
	US\$ Notional	Years Average Maturity	US\$ Notional	Years Average Maturity
<b>Forward exchange contracts:</b>				
Cash flow hedges	\$2,619.0	.5	\$2,653.4	.6
Net investment hedges	752.2	3.6	1,231.8	2.4
Not designated	309.5	.1	751.9	.1
<b>Total Forward Exchange Contracts</b>	<b>\$3,680.7</b>	<b>1.1</b>	<b>\$4,637.1</b>	<b>1.0</b>

In addition to the above, we use foreign currency-denominated debt to hedge the foreign currency exposures of our net investment in certain foreign subsidiaries. The designated foreign currency denominated debt included €892.9 million (\$1,228.2) and RMB475.0 million (\$78.5) at 31 December 2013 and €908.3 million (\$1,228.4) at 30 September 2013.

### Debt Portfolio Management

It is our policy to identify on a continuing basis the need for debt capital and evaluate the financial risks inherent in funding the Company with debt capital. Reflecting the result of this ongoing review, the debt portfolio and hedging program are managed with the objectives and intent to (1) reduce funding risk with respect to borrowings made by us to preserve our access to debt capital and provide debt capital as required for funding and liquidity purposes, and (2) manage the aggregate interest rate risk and the debt portfolio in accordance with certain debt management parameters.

### Interest Rate Management Contracts

We enter into interest rate swaps to change the fixed/variable interest rate mix of our debt portfolio in order to maintain the percentage of fixed- and variable-rate debt within the parameters set by management. In accordance with these parameters, the agreements are used to manage interest rate risks and costs inherent in our debt portfolio. Our interest rate management portfolio generally consists of fixed to floating interest rate swaps (which are designated as fair value hedges), pre-issuance

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interest rate swaps and treasury locks (which hedge the interest rate risk associated with anticipated fixed-rate debt issuances and are designated as cash flow hedges), and floating to fixed interest rate swaps (which are designated as cash flow hedges). At 31 December 2013, the outstanding interest rate swaps were denominated in U.S. dollars and Chilean Pesos. The maximum remaining term of any interest rate swap designated as a cash flow hedge is 1.1 years. The notional amount of the interest rate swap agreements is equal to or less than the designated debt being hedged. When interest rate swaps are used to hedge variable-rate debt, the indices of the swaps and the debt to which they are designated are the same. It is our policy not to enter into any interest rate management contracts which lever a move in interest rates on a greater than one-to-one basis.

### Cross Currency Interest Rate Swap Contracts

We enter into cross currency interest rate swap contracts when our risk management function deems necessary. These contracts may entail both the exchange of fixed- and floating-rate interest payments periodically over the life of the agreement and the exchange of one currency for another currency at inception and at a specified future date. These contracts effectively convert the currency denomination of a debt instrument into another currency in which we have a net equity position while changing the interest rate characteristics of the instrument. The contracts are used to hedge either certain net investments in foreign operations or non-functional currency cash flows related to intercompany loans. The current cross currency interest rate swap portfolio consists of fixed-to-fixed swaps between U.S. dollars and Chilean Pesos, U.S. dollars and offshore Chinese Renminbi, as well as U.S. dollars and British Pound Sterling.

The following table summarizes our outstanding interest rate management contracts and cross currency interest rate swaps:

	31 December 2013				30 September 2013			
	US\$ Notional	Average Pay %	Average Receive %	Years Average Maturity	US\$ Notional	Average Pay %	Average Receive %	Years Average Maturity
Interest rate swaps (fair value hedge)	\$300.0	LIBOR	3.61%	5.6	\$300.0	LIBOR	3.61%	5.9
Cross currency interest rate swaps (net investment hedge)	\$310.8	3.87%	.72%	2.1	\$310.8	3.87%	.72%	2.4
Interest rate swaps (cash flow hedge)	\$ 52.8	6.84%	5.64%	1.1	\$ 52.8	6.84%	5.64%	1.4
Cross currency interest rate swaps (cash flow hedge)	\$202.2	3.60%	2.51%	4.8	\$169.3	3.48%	2.53%	4.8

The table below summarizes the fair value and balance sheet location of our outstanding derivatives:

	Balance Sheet Location	31 December 2013	30 September 2013	Balance Sheet Location	31 December 2013	30 September 2013
<b>Derivatives Designated as Hedging Instruments:</b>						
Forward exchange contracts	Other receivables	\$ 53.6	\$ 52.2	Accrued liabilities	\$26.7	\$22.5
Interest rate management contracts	Other receivables	—	—	Accrued liabilities	4.3	3.5
Forward exchange contracts	Other noncurrent assets	22.3	28.7	Other noncurrent liabilities	16.6	7.7
Interest rate management contracts	Other noncurrent assets	40.7	35.4	Other noncurrent liabilities	5.4	6.1
<b>Total Derivatives Designated as Hedging Instruments</b>		\$116.6	\$116.3		\$53.0	\$39.8
<b>Derivatives Not Designated as Hedging Instruments:</b>						
Forward exchange contracts	Other receivables	\$ .7	\$ 9.6	Accrued liabilities	\$ .8	\$ 1.5
<b>Total Derivatives</b>		\$117.3	\$125.9		\$53.8	\$41.3

Refer to Note 8, Fair Value Measurements, which defines fair value, describes the method for measuring fair value, and provides additional disclosures regarding fair value measurements.

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The table below summarizes the gain or loss related to our cash flow hedges, fair value hedges, net investment hedges, and derivatives not designated as hedging instruments:

	Three Months Ended 31 December							
	Forward		Foreign Currency		Other <sup>(A)</sup>		Total	
	Exchange Contracts		Debt					
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Cash Flow Hedges, net of tax:</b>								
Net gain (loss) recognized in OCI (effective portion)	\$ 14.3	\$ 14.9	\$ —	\$ —	\$(1.2)	\$ 1.1	\$ 13.1	\$ 16.0
Net (gain) loss reclassified from OCI to sales/cost of sales (effective portion)	.2	.7	—	—	—	—	.2	.7
Net (gain) loss reclassified from OCI to other income, net (effective portion)	(12.7)	(15.1)	—	—	1.4	—	(11.3)	(15.1)
Net (gain) loss reclassified from OCI to interest expense (effective portion)	—	(.4)	—	—	(.2)	.4	(.2)	—
Net (gain) loss reclassified from OCI to other income, net (ineffective portion)	(.6)	.1	—	—	—	—	(.6)	.1
<b>Fair Value Hedges:</b>								
Net gain (loss) recognized in interest expense <sup>(B)</sup>	\$ —	\$ —	\$ —	\$ —	\$(4.4)	\$(3.7)	\$ (4.4)	\$ (3.7)
<b>Net Investment Hedges, net of tax:</b>								
Net gain (loss) recognized in OCI	\$ (9.9)	\$(13.3)	\$(13.6)	\$(18.8)	\$ 5.1	\$ .3	\$(18.4)	\$(31.8)
<b>Derivatives Not Designated as Hedging Instruments:</b>								
Net gain (loss) recognized in other income, net <sup>(C)</sup>	\$ .1	\$ (.1)	\$ —	\$ —	\$—	\$—	\$ .1	\$ (.1)

<sup>(A)</sup> Other includes the impact on other comprehensive income (OCI) and earnings primarily related to interest rate and cross currency interest rate swaps.

<sup>(B)</sup> The impact of fair value hedges noted above was largely offset by gains and losses resulting from the impact of changes in related interest rates on recognized outstanding debt.

<sup>(C)</sup> The impact of the non-designated hedges noted above was largely offset by gains and losses, respectively, resulting from the impact of changes in exchange rates on recognized assets and liabilities denominated in nonfunctional currencies.

The amount of cash flow hedges' unrealized gains and losses at 31 December 2013 that are expected to be reclassified to earnings in the next twelve months is not material.

The cash flows related to all derivative contracts are reported in the operating activities section of the consolidated statements of cash flows.

### Credit Risk-Related Contingent Features

Certain derivative instruments are executed under agreements that require us to maintain a minimum credit rating with both Standard & Poor's and Moody's. If our credit rating falls below this threshold, the counterparty to the derivative instruments has the right to request full collateralization on the derivatives' net liability position. The net liability position of derivatives with credit risk-related contingent features was \$14.2 as of 31 December 2013 and \$10.0 as of 30 September 2013. Because our current credit rating is above the various pre-established thresholds, no collateral has been posted on these liability positions.

### Counterparty Credit Risk Management

We execute all financial derivative transactions with counterparties that are highly rated financial institutions, all of which are investment grade at this time. Some of our underlying derivative agreements give us the right to require the institution to post collateral if its credit rating falls below the pre-established thresholds with Standard & Poor's or Moody's. These are the same agreements referenced in Credit Risk-Related Contingent Features above. The collateral that the counterparties would be required to post was \$55.8 as of 31 December 2013 and \$80.6 as of 30 September 2013. No financial institution is required to post collateral at this time, as all have credit ratings at or above the threshold.

## 8. FAIR VALUE MEASUREMENTS

Fair value is defined as an exit price, i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the asset or liability.

Level 3 — Inputs that are unobservable for the asset or liability based on our own assumptions (about the assumptions market participants would use in pricing the asset or liability).

The methods and assumptions used to measure the fair value of financial instruments are as follows:

### Derivatives

The fair value of our interest rate management contracts and forward exchange contracts are quantified using the income approach and are based on estimates using standard pricing models. These models take into account the value of future cash flows as of the balance sheet date, discounted to a present value using discount factors that match both the time to maturity and currency of the underlying instruments. The computation of the fair values of these instruments is generally performed by the Company. These standard pricing models utilize inputs which are derived from or corroborated by observable market data such as interest rate yield curves and currency spot and forward rates. In addition, on an ongoing basis, we randomly test a subset of our valuations against valuations received from the transaction's counterparty to validate the accuracy of our standard pricing models. Counterparties to these derivative contracts are highly rated financial institutions.

Refer to Note 7, Financial Instruments, for a description of derivative instruments, including details on the balance sheet line classifications.

### Long-term Debt

The fair value of our debt is based on estimates using standard pricing models that take into account the value of future cash flows as of the balance sheet date, discounted to a present value using discount factors that match both the time to maturity and currency of the underlying instruments. These standard valuation models utilize observable market data such as interest rate yield curves and currency spot rates. Therefore, the fair value of our debt is classified as a level 2 measurement. We generally perform the computation of the fair value of these instruments.

The carrying values and fair values of financial instruments were as follows:

	31 December 2013		30 September 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Derivatives				
Forward exchange contracts	\$ 76.6	\$ 76.6	\$ 90.5	\$ 90.5
Interest rate management contracts	40.7	40.7	35.4	35.4
<b>Liabilities</b>				
Derivatives				
Forward exchange contracts	\$ 44.1	\$ 44.1	\$ 31.7	\$ 31.7
Interest rate management contracts	9.7	9.7	9.6	9.6
Long-term debt, including current portion	5,137.8	5,343.9	5,563.7	5,804.1

The carrying amounts reported in the balance sheet for cash and cash items, trade receivables, payables and accrued liabilities, accrued income taxes, and short-term borrowings approximate fair value due to the short-term nature of these instruments. Accordingly, these items have been excluded from the above table.

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The following table summarizes assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheets:

	31 December 2013				30 September 2013			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>Assets at Fair Value</b>								
Derivatives								
Forward exchange contracts	\$ 76.6	\$—	\$ 76.6	\$—	\$ 90.5	\$—	\$ 90.5	\$—
Interest rate management contracts	40.7	—	40.7	—	35.4	—	35.4	—
<b>Total Assets at Fair Value</b>	<b>\$117.3</b>	<b>\$—</b>	<b>\$117.3</b>	<b>\$—</b>	<b>\$125.9</b>	<b>\$—</b>	<b>\$125.9</b>	<b>\$—</b>
<b>Liabilities at Fair Value</b>								
Derivatives								
Forward exchange contracts	\$ 44.1	\$—	\$ 44.1	\$—	\$ 31.7	\$—	\$ 31.7	\$—
Interest rate management contracts	9.7	—	9.7	—	9.6	—	9.6	—
<b>Total Liabilities at Fair Value</b>	<b>\$ 53.8</b>	<b>\$—</b>	<b>\$ 53.8</b>	<b>\$—</b>	<b>\$ 41.3</b>	<b>\$—</b>	<b>\$ 41.3</b>	<b>\$—</b>

## 9. RETIREMENT BENEFITS

The components of net periodic benefit cost for the defined benefit pension and other postretirement benefit plans for the three months ended 31 December 2013 and 2012 were as follows:

Three Months Ended 31 December	Pension Benefits				Other Benefits	
	2013		2012		2013	2012
	U.S.	International	U.S.	International		
Service cost	\$ 10.7	\$ 8.8	\$ 13.0	\$ 8.3	\$ .8	\$ 1.0
Interest cost	32.7	16.6	29.2	14.7	.6	.5
Expected return on plan assets	(47.0)	(19.2)	(44.9)	(18.3)	—	—
Prior service cost amortization	.7	.1	.7	.1	—	—
Actuarial loss amortization	19.6	8.8	29.1	6.8	.4	.6
Special termination benefits	.2	—	—	—	—	—
Other	—	.5	—	.6	—	—
<b>Net periodic benefit cost</b>	<b>\$ 16.9</b>	<b>\$ 15.6</b>	<b>\$ 27.1</b>	<b>\$ 12.2</b>	<b>\$ 1.8</b>	<b>\$ 2.1</b>

Net periodic benefit cost is primarily included in cost of sales and selling and administrative expense on our consolidated income statements. The amount of net periodic benefit cost capitalized in 2014 and 2013 was not material.

For the three months ended 31 December 2013 and 2012, our cash contributions to funded pension plans and benefit payments under unfunded pension plans were \$31.4 and \$230.0, respectively. Total contributions for fiscal 2014 are expected to be approximately \$80 to \$100. During fiscal 2013, total contributions were \$300.8.

## 10. COMMITMENTS AND CONTINGENCIES

### Litigation

We are involved in various legal proceedings, including competition, environmental, health, safety, product liability, and insurance matters. In September 2010, the Brazilian Administrative Council for Economic Defense (CADE) issued a decision against our Brazilian subsidiary, Air Products Brasil Ltda., and several other Brazilian industrial gas companies for alleged anticompetitive activities. CADE imposed a civil fine of R\$179.2 million (approximately \$76 at 31 December 2013) on Air Products Brasil Ltda. This fine was based on a recommendation by a unit of the Brazilian Ministry of Justice whose investigation began in 2003, alleging violation of competition laws with respect to the sale of industrial and medical gases. The fines are based on a percentage of our total revenue in Brazil in 2003.

We have denied the allegations made by the authorities and filed an appeal in October 2010 with the Brazilian courts. Certain of our defenses, if successful, could result in the matter being dismissed with no fine against us. We, with advice of our outside legal counsel, have assessed the status of this matter and have concluded that, although an adverse final judgment after exhausting all appeals is reasonably possible, such a judgment is not probable. As a result, no provision has been made in the consolidated financial statements. We estimate the maximum possible loss to be the full amount of the fine of R\$179.2 million (approximately \$76 at 31 December 2013) plus interest accrued thereon until final disposition of the proceedings.

We are required to provide security for the payment of the fine (and interest) in order to suspend execution of the judgment during the appeal process, during which time interest will accrue on the fine. The security is only collectible by the court in the event we are not successful in our appeal and do not timely pay the fine. The security could be in the form of a bank guarantee or in other forms which the courts deem acceptable. The form of security to be provided by us has not been finally determined.

While we do not expect that any sums we may have to pay in connection with this or any other legal proceeding would have a material adverse effect on our consolidated financial position or net cash flows, a future charge for regulatory fines or damage awards could have a significant impact on our net income in the period in which it is recorded.

### Environmental

In the normal course of business, we are involved in legal proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA: the federal Superfund law), Resource Conservation and Recovery Act (RCRA), and similar state and foreign environmental laws relating to the designation of certain sites for investigation or remediation. Presently, there are approximately 34 sites on which a final settlement has not been reached where we, along with others, have been designated a potentially responsible party by the Environmental Protection Agency or are otherwise engaged in investigation or remediation, including cleanup activity at certain of our current and former manufacturing sites. We continually monitor these sites for which we have environmental exposure.

Accruals for environmental loss contingencies are recorded when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated consistent with the policy set forth in Note 1, Major Accounting Policies, to the consolidated financial statements in our 2013 Form 10-K. The consolidated balance sheets at 31 December 2013 and 30 September 2013 included an accrual of \$85.2 and \$86.7, respectively, primarily as part of other noncurrent liabilities. The environmental liabilities will be paid over a period of up to 30 years. We estimate the exposure for environmental loss contingencies to range from \$85 to a reasonably possible upper exposure of \$99 as of 31 December 2013.

Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. Using reasonably possible alternative assumptions of the exposure level could result in an increase to the environmental accrual. Due to the inherent uncertainties related to environmental exposures, a significant increase to the reasonably possible upper exposure level could occur if a new site is designated, the scope of remediation is increased, a different remediation alternative is identified, or a significant increase in our proportionate share occurs. We do not expect that any sum we may have to pay in connection with environmental matters in excess of the amounts recorded or disclosed above would have a material adverse impact on our financial position or results of operations in any one year.

### PACE

At 31 December 2013, \$32.8 of the environmental accrual was related to the Pace facility.

In 2006, we sold our Amines business, which included operations at Pace, Florida and recognized a liability for retained environmental obligations associated with remediation activities at Pace. We are required by the Florida Department of Environmental Protection (FDEP) and the United States Environmental Protection Agency (USEPA) to continue our remediation efforts. We estimated that it would take about 20 years to complete the groundwater remediation, and the costs



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through completion were estimated to range from \$42 to \$52. As no amount within the range was a better estimate than another, we recognized a pretax expense in fiscal 2006 of \$42.0 as a component of income from discontinued operations and recorded an environmental accrual of \$42.0 in continuing operations on the consolidated balance sheets. There has been no change to the estimated exposure range related to the Pace facility.

We have implemented many of the remedial corrective measures at the Pace, Florida facility required under 1995 Consent Orders issued by the FDEP and the USEPA. Contaminated soils have been bioremediated, and the treated soils have been secured in a lined on-site disposal cell. Several groundwater recovery systems have been installed to contain and remove contamination from groundwater. We completed an extensive assessment of the site to determine how well existing measures are working, what additional corrective measures may be needed, and whether newer remediation technologies that were not available in the 1990s might be suitable to more quickly and effectively remove groundwater contaminants. Based on assessment results, we completed a focused feasibility study that appears to have identified new and alternative approaches that should more effectively remove contaminants and achieve the targeted remediation goals. We continue to review the new approaches with the FDEP.

### PIEDMONT

At 31 December 2013, \$19.4 of the environmental accrual was related to the Piedmont site.

On 30 June 2008, we sold our Elkton, Maryland and Piedmont, South Carolina production facilities and the related North American atmospheric emulsions and global pressure sensitive adhesives businesses. In connection with the sale, we recognized a liability for retained environmental obligations associated with remediation activities at the Piedmont site. This site is under active remediation for contamination caused by an insolvent prior owner. The sale of the site triggered expense recognition. Prior to the sale, remediation costs had been capitalized since they improved the property as compared to its condition when originally acquired. We are required by the South Carolina Department of Health and Environmental Control to address both contaminated soil and groundwater. Numerous areas of soil contamination have been addressed, and contaminated groundwater is being recovered and treated. We estimate that it will take until 2017 to complete source area remediation and another 15 years thereafter to complete groundwater recovery, with costs through completion estimated to be \$24. We recognized a pretax expense in 2008 of \$24.0 as a component of income from discontinued operations and recorded an environmental liability of \$24.0 in continuing operations on the consolidated balance sheets. There has been no change to the estimated exposure.

### PAULSBORO

At 31 December 2013, \$4.5 of the environmental accrual was related to the Paulsboro site.

During the first quarter of 2009, management committed to a plan to sell the production facility in Paulsboro, New Jersey and recognized a \$16.0 environmental liability associated with this site. The change in the liability balance since it was established is a result of spending and changes in the estimated exposure. In December 2009, we completed the sale of this facility. We are required by the New Jersey state law to investigate and, if contaminated, remediate a site upon its sale. We estimate that it will take several years to complete the investigation/remediation efforts at this site.

### PASADENA

At 31 December 2013, \$12.6 of the environmental accrual was related to the Pasadena site.

During the fourth quarter of 2012, management committed to permanently shutting down our PUI production facility in Pasadena, Texas. In shutting down and dismantling the facility, we will undertake certain remediation obligations related to soil and groundwater contaminants. We have been pumping and treating the groundwater to control off-site migration of contaminated groundwater in compliance with regulatory requirements and under the approval of the Texas Commission on Environmental Quality (TCEQ). We estimate that we will continue this program for 30 years subsequent to the shutdown of the PUI production facility. In addition, we will perform additional work to address other environmental obligations at the site. This additional work includes addressing the RCRA permitted hazardous waste management units, investigating other potential solid waste management units, performing post closure care for two closed RCRA surface impoundment units and establishing engineering controls. In 2012, we estimated the total exposure at this site to be \$13.0. There has been no change to the estimated exposure.

## 11. SHARE-BASED COMPENSATION

We have various share-based compensation programs, which include stock options, deferred stock units, and restricted stock. Under all programs, the terms of the awards are fixed at the grant date. We issue shares from treasury stock upon the exercise of stock options, the payout of deferred stock units, and the issuance of restricted stock awards. As of 31 December 2013, there were 5,618,492 shares available for future grant under our Long-Term Incentive Plan, which is shareholder approved.

During the three months ended 31 December 2013, we granted 778,928 stock options at a weighted-average exercise price of \$107.69 and an estimated fair value of \$28.72 per option. The fair value of these options was estimated using a Black Scholes option valuation model that used the following assumptions:

Expected volatility	29.8%–30.3%
Expected dividend yield	2.5%
Expected life (in years)	7.4–8.4
Risk-free interest rate	2.3%–2.7%

In addition, we granted 188,578 deferred stock units at a weighted-average grant-date fair value of \$107.75 and 12,649 restricted shares at a weighted-average grant-date fair value of \$107.69.

Share-based compensation cost recognized in the consolidated income statement is summarized below:

Three Months Ended 31 December	2013	2012
Before-Tax Share-Based Compensation Cost	\$ 11.8	\$ 10.1
Income tax benefit	(4.3)	(3.6)
<b>After-Tax Share-Based Compensation Cost</b>	<b>\$ 7.5</b>	<b>\$ 6.5</b>

Before-tax share-based compensation cost is primarily included in selling and administrative expense on our consolidated income statements. The amount of share-based compensation cost capitalized in 2014 and 2013 was not material.

## 12. EQUITY

The following is a summary of the changes in total equity for the three months ended 31 December:

	Three Months Ended 31 December					
	2013			2012		
	Air Products	Non- controlling Interests	Total Equity	Air Products	Non- controlling Interests	Total Equity
Balance at 30 September	\$7,042.1	\$156.8	\$7,198.9	\$6,477.2	\$146.1	\$6,623.3
Net Income <sup>(A)</sup>	290.2	7.6	297.8	278.3	6.8	285.1
Other comprehensive income (loss)	53.7	(1.1)	52.6	103.4	1.1	104.5
Dividends on common stock (per share \$.71, \$.64)	(150.3)	—	(150.3)	(132.9)	—	(132.9)
Dividends to noncontrolling interests	—	(4.6)	(4.6)	—	(2.1)	(2.1)
Share-based compensation expense	11.8	—	11.8	10.1	—	10.1
Purchase of treasury shares	—	—	—	(461.6)	—	(461.6)
Issuance of treasury shares for stock option and award plans	13.2	—	13.2	14.8	—	14.8
Tax benefit of stock option and award plans	4.8	—	4.8	10.2	—	10.2
Purchase of noncontrolling interests	(.5)	—	(.5)	—	—	—
Other equity transactions	(1.0)	—	(1.0)	(.2)	—	(.2)
<b>Balance at 31 December</b>	<b>\$7,264.0</b>	<b>\$158.7</b>	<b>\$7,422.7</b>	<b>\$6,299.3</b>	<b>\$151.9</b>	<b>\$6,451.2</b>

<sup>(A)</sup> Net income attributable to noncontrolling interests for the three months ended 31 December 2013 and 2012 excludes net income of \$1.3 and \$2.1, respectively, related to redeemable noncontrolling interests, which are not part of total equity. Refer to Note 14, Noncontrolling Interests, for additional information.

### 13. ACCUMULATED OTHER COMPREHENSIVE LOSS

The table below summarizes changes in accumulated other comprehensive loss, net of tax, attributable to Air Products for the three months ended 31 December 2013:

	Net loss on derivatives qualifying as hedges	Foreign currency translation adjustments	Pension and postretirement benefits	Total
<b>Balance at 30 September 2013</b>	<b>\$ (4.1)</b>	<b>\$(61.5)</b>	<b>\$(955.0)</b>	<b>\$(1,020.6)</b>
Other comprehensive income before reclassifications	13.1	32.5	—	45.6
Amounts reclassified from AOCL	(11.9)	—	20.0	8.1
Net current period other comprehensive income	\$ 1.2	\$ 32.5	\$ 20.0	\$ 53.7
<b>Balance at 31 December 2013</b>	<b>\$ (2.9)</b>	<b>\$(29.0)</b>	<b>\$(935.0)</b>	<b>\$( 966.9)</b>

The table below summarizes the reclassifications out of accumulated other comprehensive loss and the affected line item on the consolidated income statements:

	Three Months Ended 31 December	
	2013	2012
<b>(Gain) Loss on Cash Flow Hedges, net of tax</b>		
Sales/cost of sales	\$ .2	\$ .7
Other income/expense, net	(11.9)	(15.0)
Interest expense	(.2)	—
<b>Total Gain on Cash Flow Hedges, net of tax</b>	<b>\$(11.9)</b>	<b>\$(14.3)</b>
<b>Pension and Postretirement Benefits, net of tax<sup>(A)</sup></b>	<b>\$ 20.0</b>	<b>\$ 24.4</b>

<sup>(A)</sup> The components include prior service cost and actuarial loss amortization and are reflected in net periodic benefit cost. Refer to Note 9, Retirement Benefits.

## 14. NONCONTROLLING INTERESTS

### INDURA S.A.

#### Redeemable Noncontrolling Interest

In 2012, we purchased a controlling equity interest in the outstanding shares of Indura S.A. As part of the purchase agreement, the largest minority shareholder in Indura S.A. has the right to exercise a put option to require us to purchase up to a 30.5% equity interest during the two-year period beginning on 1 July 2015, at a redemption value equal to fair market value (subject to a minimum price based upon the acquisition date value escalated by an inflation factor). The put option is embedded within the minority interest shares that are subject to the put option. The redemption feature requires classification of the minority shareholder's interest in the consolidated balance sheet outside of equity under the caption "Redeemable Noncontrolling Interest."

Adjustments to the value of the redeemable noncontrolling interest due to the redemption feature, if any, will be recognized as they occur and recorded within capital in excess of par value.

The following is a summary of changes in redeemable noncontrolling interest for the three months ended 31 December:

	2013	2012
Balance at 30 September	\$375.8	\$392.5
Net income	1.3	2.1
Dividends	(3.5)	—
Currency translation adjustment	(14.9)	(3.9)
<b>Balance at 31 December</b>	<b>\$358.7</b>	<b>\$390.7</b>

As of 31 December 2013, we have a 67.3% controlling equity interest in Indura S.A.

## 15. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (EPS):

	Three Months Ended 31 December	
	2013	2012
<b>Numerator</b>		
Income from continuing operations	\$287.1	\$276.9
Income from discontinued operations	3.1	1.4
<b>Net Income Attributable to Air Products</b>	<b>\$290.2</b>	<b>\$278.3</b>
<b>Denominator (in millions)</b>		
Weighted average number of common shares – Basic	211.8	210.0
Effect of dilutive securities		
Employee stock option and other award plans	2.5	2.6
Weighted average number of common shares – Diluted	214.3	212.6
<b>Basic EPS Attributable to Air Products</b>		
Income from continuing operations	\$ 1.36	\$ 1.32
Income from discontinued operations	.01	.01
<b>Net Income Attributable to Air Products</b>	<b>\$ 1.37</b>	<b>\$ 1.33</b>
<b>Diluted EPS Attributable to Air Products</b>		
Income from continuing operations	\$ 1.34	\$ 1.30
Income from discontinued operations	.01	.01
<b>Net Income Attributable to Air Products</b>	<b>\$ 1.35</b>	<b>\$ 1.31</b>

Options on .8 million and 5.1 million shares were antidilutive and therefore excluded from the computation of diluted earnings per share for the three months ended 31 December 2013 and 2012, respectively.

## 16. SUPPLEMENTAL INFORMATION

### Debt

As of 31 December 2013, we have classified commercial paper of \$400.0 maturing in 2014 as long-term debt because we have the ability and intent to refinance the debt under our \$2,500.0 committed credit facility maturing 30 April 2018. Our current intent is to refinance this debt via the U.S. or European public or private placement markets.

### Share Repurchase Program

On 15 September 2011, the Board of Directors authorized the repurchase of up to \$1,000 of our outstanding common stock. We repurchase shares pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended, through repurchase agreements established with several brokers. During fiscal year 2013, we purchased 5.7 million of our outstanding shares at a cost of \$461.6. There were no purchases during the first quarter of fiscal year 2014. At 31 December 2013, \$485.3 in share repurchase authorization remains.

## 17. BUSINESS SEGMENT INFORMATION

Our segments are organized based on differences in product and/or type of customer. We have four business segments consisting of Merchant Gases, Tonnage Gases, Electronics and Performance Materials, and Equipment and Energy.

	Three Months Ended 31 December	
	2013	2012
<b>Sales to External Customers</b>		
Merchant Gases	\$ 1,047.7	\$ 1,009.1
Tonnage Gases	808.1	898.4
Electronics and Performance Materials	579.1	549.0
Equipment and Energy	110.6	105.9
<b>Segment and Consolidated Totals</b>	<b>\$ 2,545.5</b>	<b>\$ 2,562.4</b>
<b>Operating Income</b>		
Merchant Gases	\$ 169.2	\$ 171.0
Tonnage Gases	117.6	138.1
Electronics and Performance Materials	83.5	61.3
Equipment and Energy	20.5	8.4
<b>Segment total</b>	<b>\$ 390.8</b>	<b>\$ 378.8</b>
Other	(5.2)	(6.4)
<b>Consolidated Total</b>	<b>\$ 385.6</b>	<b>\$ 372.4</b>
	31 December 2013	30 September 2013
<b>Identifiable Assets <sup>(A)</sup></b>		
Merchant Gases	\$ 6,735.1	\$ 6,729.9
Tonnage Gases	5,460.3	5,397.0
Electronics and Performance Materials	2,868.9	2,859.4
Equipment and Energy	762.0	675.2
<b>Segment total</b>	<b>\$15,826.3</b>	<b>\$15,661.5</b>
Other	876.2	990.6
Discontinued operations	—	2.5
<b>Consolidated Total</b>	<b>\$16,702.5</b>	<b>\$16,654.6</b>

<sup>(A)</sup> Identifiable assets are equal to total assets less investment in net assets of and advances to equity affiliates.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**(Millions of dollars, except for share data)**

The disclosures in this quarterly report are complementary to those made in our 2013 Form 10-K. An analysis of results for the first quarter of 2014 is provided in the Management's Discussion and Analysis to follow.

All comparisons in the discussion are to the corresponding prior year unless otherwise stated. All amounts presented are in accordance with U.S. generally accepted accounting principles (GAAP), except as noted.

Captions such as income from continuing operations attributable to Air Products, net income attributable to Air Products from continuing operations and diluted earnings per share attributable to Air Products from continuing operations are simply referred to as "income from continuing operations," "net income," and "diluted earnings per share" throughout this Management's Discussion and Analysis, unless otherwise stated.

**FIRST QUARTER 2014 VS. FIRST QUARTER 2013**

**FIRST QUARTER 2014 IN SUMMARY**

- Sales of \$2,545.5 decreased 1%, or \$16.9. Underlying sales decreased 2%, primarily due to lower volumes in Tonnage Gases, including the exit from the Polyurethane Intermediates business. Higher energy and raw material contractual cost pass-through to customers increased sales 1%.
- Operating income of \$385.6 increased 4%, or \$13.2, and operating margin of 15.1% increased 60 basis points (bp) primarily from strong results in our Electronics and Performance Materials and Equipment businesses.
- Net income of \$287.1 increased 4%, or \$10.2, and diluted earnings per share of \$1.34 increased 3%, or \$.04. A summary table of changes in diluted earnings per share is presented below.

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**Changes in Diluted Earnings per Share Attributable to Air Products**

	Three Months Ended 31 December		Increase (Decrease)
	2013	2012	
<b>Diluted Earnings per Share</b>			
Net Income	\$1.35	\$1.31	\$ .04
Income from Discontinued Operations	.01	.01	—
<b>Income from Continuing Operations</b>	<b>\$1.34</b>	<b>\$1.30</b>	<b>\$ .04</b>
<b>Operating Income (after-tax)</b>			
Underlying business			
Volume			\$ .12
Price/raw materials			(.05)
Costs			(.01)
Currency			(.01)
<b>Operating Income</b>			<b>.05</b>
<b>Other (after-tax)</b>			
Equity affiliates' income			(.01)
Interest expense			.01
Weighted average diluted shares			(.01)
<b>Other</b>			<b>(.01)</b>
<b>Total Change in Diluted Earnings per Share from Continuing Operations</b>			<b>\$ .04</b>

**RESULTS OF OPERATIONS**

**Discussion of Consolidated Results**

	Three Months Ended 31 December		\$ Change	Change
	2013	2012		
Sales	\$2,545.5	\$2,562.4	\$(16.9)	(1)%
Operating income	385.6	372.4	13.2	4%
Operating margin	15.1%	14.5%		60bp
Equity affiliates' income	38.2	41.4	(3.2)	(8)%

**Sales**

	% Change from Prior Year
Underlying business	
Volume	(2)%
Price	— %
Currency	— %
Energy and raw material cost pass-through	1%
<b>Total Consolidated Change</b>	<b>(1)%</b>

Underlying sales decreased 2% with volumes down 2% and stable pricing. Sales decreased as lower Tonnage Gases volumes were partially offset by higher volumes in the rest of our business segments. Higher energy and raw material contractual cost pass-through to customers increased sales by 1%.



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### **Operating Income**

Operating income of \$385.6 increased 4%, or \$13.2, primarily due to higher volumes of \$31 across most businesses except Tonnage Gases, partially offset by lower recovery of raw material costs in pricing of \$13 and higher costs including maintenance in our Tonnage Gases segment.

### **Equity Affiliates' Income**

Income from equity affiliates of \$38.2 decreased \$3.2 primarily due to lower results in a Tonnage Gases affiliate and unfavorable currency impacts in South Africa and India.

### **Selling and Administrative Expense**

Selling and administrative expense of \$280.9 increased \$12.7, including the impacts of inflation. Selling and administrative expense, as a percent of sales, increased from 10.5% to 11.0%.

### **Research and Development**

Research and development expense of \$33.5 increased \$.2. Research and development expense, as a percent of sales, was 1.3% in 2014 and 2013.

### **Other Income (Expense), Net**

Other income (expense), net of \$20.4 increased \$8.8. The current year included a gain from the sale of emission credits. Otherwise, no individual items were significant in comparison to the prior year.

### **Interest Expense**

	Three Months Ended 31 December	
	2013	2012
Interest incurred	\$40.8	\$42.7
Less: capitalized interest	7.5	6.9
Interest expense	\$33.3	\$35.8

Interest incurred decreased \$1.9. The decrease was driven primarily by a lower average interest rate on the debt portfolio, partially offset by a higher average debt balance.

### **Effective Tax Rate**

The effective tax rate equals the income tax provision divided by income from continuing operations before taxes. The effective tax rate was 24.2% and 24.4% in the first quarter of 2014 and 2013, respectively.

### **Discontinued Operations**

In the third quarter of 2012, we sold the majority of our Homecare business to The Linde Group for total sale proceeds of €590 million (\$777) and recognized a gain of \$207.4 (\$150.3 after-tax, or \$.70 per share). In the third quarter of 2012, an impairment charge of \$33.5 (\$29.5 after-tax, or \$.14 per share) was recorded to write down the remaining business, which was primarily in the United Kingdom and Ireland, to its estimated net realizable value. In the fourth quarter of 2013, we recorded an additional charge of \$18.7 (\$13.6 after-tax, or \$.06 per share) to update our estimate of net realizable value. In the first quarter of 2014, we sold the remaining portion of the Homecare business for £6.1 million (\$9.8) and recorded a gain on the sale of \$2.4.

The Homecare business, which had been previously reported as part of the Merchant Gases business segment, has been accounted for as a discontinued operation. The results of operations and cash flows of this business have been reclassified from the results of continuing operations for all periods presented.

Refer to Note 3, Discontinued Operations, to the consolidated financial statements for additional details on this business.

[Table of Contents](#)**Segment Analysis****Merchant Gases**

	Three Months Ended 31 December		\$ Change	Change
	2013	2012		
Sales	\$1,047.7	\$1,009.1	\$38.6	4%
Operating income	169.2	171.0	(1.8)	(1)%
Operating margin	16.1%	16.9%		(80bp)
Equity affiliates' income	34.7	35.7	(1.0)	(3)%

**Merchant Gases Sales**

	% Change from Prior Year
Underlying business	
Volume	4%
Price	— %
Currency	— %
<b>Total Merchant Gases Sales Change</b>	<b>4%</b>

Underlying sales increased 4% from the impact of higher volumes of 4% as continued strength in liquid oxygen, nitrogen, and argon was partially offset by packaged gases demand weakness in Europe and supply limitations for helium globally.

In the U.S./Canada, sales increased 4%, with increased volumes of 2% and pricing up 2%. Higher liquid oxygen and nitrogen volumes to oilfield services, chemicals, food, and metals were partially offset by lower helium volumes due to supply limitations. Volumes also increased as a result of our EPCO Carbon dioxide Products, Inc. acquisition. Pricing was higher primarily due to higher pricing in liquid oxygen, liquid nitrogen, and helium.

In Europe, sales increased 3%, due to a favorable currency impact of 3%. Volumes were flat as higher liquid oxygen, nitrogen, and argon volumes were offset by lower helium volumes due to supply limitations and lower cylinder volumes as construction and fabrication markets remain weak. Pricing was flat as higher helium pricing was offset by lower pricing in liquid oxygen, nitrogen, and argon.

In Asia, sales increased 6%, with higher volumes of 8% and reduced pricing of 2%. Volumes were higher as higher liquid oxygen, nitrogen, and argon volumes and improved micro-bulk volumes were partially offset by lower helium volumes due to supply limitations. Pricing decreased in liquid oxygen, nitrogen and argon, particularly in China, driven in part by a higher mix of wholesale customers.

In South America, sales decreased 5%, with higher volumes of 1% and higher pricing of 1% more than offset by unfavorable currency impacts of 7%. Volumes were higher due to volumes from a new plant in Brazil, partially offset by lower cylinder volumes and delays in mining and power projects in Indura. Higher pricing in helium was partially offset by lower liquid oxygen and nitrogen pricing.

**Merchant Gases Operating Income and Margin**

Operating income was lower by \$1.8 as higher volumes of \$14 were more than offset by higher operating costs of \$9 and lower price recovery of costs of \$6 as higher liquid oxygen and nitrogen pricing did not fully recover higher power and fuel costs. Operating margin decreased 80 bp from prior year, primarily due to the impact of higher costs.

**Merchant Gases Equity Affiliates' Income**

Merchant Gases equity affiliates' income of \$34.7 decreased \$1.0 as stronger underlying results were more than offset by unfavorable currency impacts in South Africa and India.

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**Tonnage Gases**

	Three Months Ended 31 December		\$ Change	Change
	2013	2012		
Sales	\$808.1	\$898.4	\$(90.3)	(10)%
Operating income	117.6	138.1	(20.5)	(15)%
Operating margin	14.6%	15.4%		(80bp)

**Tonnage Gases Sales**

	% Change from Prior Year
Underlying business	
Volume	(13)%
Energy and raw material cost pass-through	2%
Currency	1%
<b>Total Tonnage Gases Sales Change</b>	<b>(10)%</b>

Sales decreased 10%, or \$90.3. Volumes decreased 13% as strong demand in the U.S. Gulf Coast hydrogen system was more than offset by reduced volumes due to plant outages and lower volumes in Latin America and our polyurethane intermediates (PUI) business. The lower PUI volumes decreased sales by 3%. As of the end of the first quarter of 2014, our exit from the PUI business is complete. Higher energy contractual cost pass-through to customers increased sales by 2% and favorable currency impacts increased sales by 1%.

**Tonnage Gases Operating Income and Margin**

Operating income was lower by 15% primarily from lower volumes of \$13 and higher operating costs, including maintenance costs, of \$8. Operating margin decreased 80 bp from the prior year, primarily due to the lower volumes and higher maintenance costs.

**Electronics and Performance Materials**

	Three Months Ended 31 December		\$ Change	Change
	2013	2012		
Sales	\$579.1	\$549.0	\$30.1	5%
Operating income	83.5	61.3	22.2	36%
Operating margin	14.4%	11.2%		320bp

**Electronics and Performance Materials Sales**

	% Change from Prior Year
Underlying business	
Volume	6%
Price	(1)%
Currency	— %
<b>Total Electronics and Performance Materials Sales Change</b>	<b>5%</b>

Sales increased 5% from higher volumes of 6% partially offset by lower pricing of 1%. Electronics sales were up 4% due to higher equipment and onsite sales and higher materials volumes partially offset by the impact of product exits. Performance Materials sales increased 8% from higher volumes across all product lines and all major regions. The volume growth was driven by strength in the automobile, coatings, and North America housing markets while we continued to see weakness in non-residential construction.

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### **Electronics and Performance Materials Operating Income and Margin**

Operating income increased 36%, or \$22.2, primarily due to higher volumes of \$19 and lower costs of \$12, partially offset by lower recovery of raw material costs in pricing of \$8. The lower costs included the benefits of our recent business restructuring and cost reduction actions. Operating margin of 14.4% increased 320 bp primarily due to the higher volumes and lower costs.

### **Equipment and Energy**

	Three Months Ended		\$ Change	Change
	31 December			
	2013	2012		
Sales	\$110.6	\$105.9	\$ 4.7	4%
Operating income	20.5	8.4	12.1	144%

### **Equipment and Energy Sales and Operating Income**

Sales of \$110.6 and operating income of \$20.5 increased primarily from higher LNG activity.

The sales backlog for the Equipment business at 31 December 2013 was \$343 compared to \$402 at 30 September 2013.

### **Other**

Other operating income (loss) primarily includes other expense and income that cannot be directly associated with the business segments, including foreign exchange gains and losses. Also included are LIFO inventory adjustments, as the business segments use FIFO, and the LIFO pool adjustments are not allocated to the business segments.

Other operating loss was \$(5.2) versus \$(6.4) in the prior year. The decrease in loss was primarily due to the year on year impact of the LIFO pool inventory adjustment. No other individual items were significant in comparison to the prior year.

### **PENSION BENEFITS**

Pension funding includes both contributions to funded plans and benefit payments for unfunded plans, which are primarily non-qualified plans. With respect to funded plans, our funding policy is that contributions, combined with appreciation and earnings, will be sufficient to pay benefits without creating unnecessary surpluses. In addition, we make contributions to satisfy all legal funding requirements while managing our capacity to benefit from tax deductions attributable to plan contributions. For the three months ended 31 December 2013, required contributions to funded pension plans and benefit payments under unfunded pension plans were \$31. For the three months ended 31 December 2012, cash contributions were \$230, which included voluntary contributions of \$220.

Refer to Note 9, Retirement Benefits, to the consolidated financial statements for details on pension cost and cash contributions.

## LIQUIDITY AND CAPITAL RESOURCES

We have maintained a strong financial position through the first three months of 2014. We continue to have consistent access to commercial paper markets and cash flows from operations and financing activities are expected to meet liquidity needs for the foreseeable future.

As of 31 December 2013, we had \$375.9 of foreign cash and cash items compared to total cash and cash items of \$387.6. If the foreign cash and cash items are needed for operations in the U.S. or we otherwise elect to repatriate the funds, we may be required to accrue and pay U.S. taxes on a significant portion of these amounts. However, since we have significant current investment plans outside the U.S., it is our intent to permanently reinvest the majority of our foreign cash and cash items outside the U.S. Current financing alternatives do not require the repatriation of foreign funds.

The narrative below refers to the consolidated statements of cash flows included on page 6.

### Operating Activities

For the first three months of 2014, cash provided by operating activities was \$546.2, including income from continuing operations of \$287.1. Income from continuing operations is adjusted for non-cash items that include depreciation and amortization, undistributed earnings of equity affiliates, share-based compensation expense, and noncurrent capital lease receivables. The working capital accounts were a use of cash of \$24.1, including an increase in trade receivables of \$17.7 and a decrease in accounts payable and accrued liabilities of \$65.2 which included payments related to the 2013 business restructuring and cost reduction plan of \$4.9.

We contributed \$31.4 to our pension plans, primarily for plans in the U.K. Management considers various factors when making pension funding decisions, including tax, cash flow, and regulatory implications.

For the first three months of 2013, cash provided by operating activities was \$278.4, primarily driven by income from continuing operations of \$276.9. We contributed \$230.0 to our pension plans, primarily for plans in the U.S.

### Investing Activities

For the first three months of 2014, cash used for investing activities was \$385.6, primarily driven by capital expenditures for plant and equipment of \$391.1.

For the first three months of 2013, cash used for investing activities was \$355.8, primarily driven by capital expenditures for plant and equipment of \$357.0.

Capital expenditures are detailed in the table below:

	Three Months Ended 31 December	
	2013	2012
Additions to plant and equipment	\$391.1	\$357.0
Capital expenditures on a GAAP basis	\$391.1	\$357.0
Capital lease expenditures <sup>(A)</sup>	48.1	71.4
Capital expenditures on a Non-GAAP basis	\$439.2	\$428.4

<sup>(A)</sup> We utilize a non-GAAP measure in the computation of capital expenditures and include spending associated with facilities accounted for as capital leases. Certain contracts associated with facilities that are built to provide product to a specific customer are required to be accounted for as leases, and such spending is reflected as a use of cash within cash provided by operating activities, if the arrangements qualifies as a capital lease. The presentation of this non-GAAP measure is intended to enhance the usefulness of information by providing a measure that our management uses internally to evaluate and manage our expenditures.

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### **Financing Activities**

For the first three months of 2014, cash used by financing activities was \$238.2. Our borrowings (short- and long-term proceeds, net of repayments) were a net use of cash of \$93.5, driven primarily by the repayment of a 3.75% Eurobond of €300 million (\$401.0) in November 2013, partially offset by an increase in commercial paper and short-term borrowings of \$339.1. The primary additional use of cash was to pay dividends of \$149.9.

For the first three months of 2013, cash provided by financing activities was \$157.1. Our borrowings (short- and long-term proceeds, net of repayments) were a net source of cash of \$721.4, driven primarily by an increase in commercial paper and short-term borrowings of \$709.1. Primary uses of cash were to purchase 5.7 million shares of treasury stock for \$461.6 and to pay dividends of \$136.0.

### **Discontinued Operations**

For the first three months of 2014, cash provided by discontinued operations was \$10.5. The sale of the remaining Homecare business, which was primarily in the United Kingdom and Ireland, generated proceeds of £6.1 million (\$9.8) and a \$2.4 gain which are included in discontinued operations in the consolidated statements of cash flows. Refer to Note 3, Discontinued Operations, to the consolidated financial statements for additional information.

### **Financing and Capital Structure**

Total debt at 31 December 2013 and 30 September 2013, expressed as a percentage of the sum of total debt and total capitalization (total debt plus total equity plus redeemable noncontrolling interest), was 44.2% and 45.3%, respectively. Total debt decreased from \$6,273.6 at 30 September 2013 to \$6,168.3 at 31 December 2013.

During fiscal 2013, we entered into a five-year \$2,500.0 revolving credit agreement with a syndicate of banks maturing 30 April 2018 (the “2013 Credit Agreement”), under which senior unsecured debt is available to both the Company and certain of its subsidiaries. The 2013 Credit Agreement provides a source of liquidity for the Company and supports its commercial paper program. The Company’s only financial covenant is a maximum ratio of total debt to total capitalization of 70%. No borrowings were outstanding under the 2013 Credit Agreement as of 31 December 2013.

Effective 11 June 2012, we entered into an offshore Chinese Renminbi (RMB) syndicated credit facility of RMB1,000.0 million (\$165.1), maturing in June 2015. There are RMB250.0 million (\$41.3) in outstanding borrowings under this commitment at 31 December 2013. Additional commitments totaling \$318.8 are maintained by our foreign subsidiaries, of which \$270.9 was borrowed and outstanding at 31 December 2013.

As of 31 December 2013, we are in compliance with all of the financial and other covenants under our debt agreements.

As of 31 December 2013, we classified \$400.0 of commercial paper as long-term debt because we have the ability to refinance the debt under the 2013 Credit Agreement. Our current intent is to refinance this debt via the U.S. or European public or private placement markets.

On 15 September 2011, the Board of Directors authorized the repurchase of up to \$1,000 of our outstanding common stock. During the first three months of fiscal year 2014, no shares were purchased. At 31 December 2013, \$485.3 in share repurchase authorization remains.

### **CONTRACTUAL OBLIGATIONS**

We are obligated to make future payments under various contracts such as debt agreements, lease agreements, unconditional purchase obligations, and other long-term obligations. Other than the repayment of a maturing 3.75% Eurobond of €300 million (\$401.0) in November 2013, there have been no material changes to contractual obligations since 30 September 2013.

### **COMMITMENTS AND CONTINGENCIES**

Other than the operations guarantee associated with the sale of the remaining portion of the Homecare business as discussed in Note 3, Discontinued Operations, to the consolidated financial statements, there have been no material changes to commitments and contingencies since 30 September 2013. For current updates on Litigation and Environmental matters, refer to Note 10, Commitments and Contingencies, in this quarterly filing.

## **OFF-BALANCE SHEET ARRANGEMENTS**

There have been no material changes to off-balance sheet arrangements since 30 September 2013. We are not a primary beneficiary in any material variable interest entity. Our off-balance sheet arrangements are not reasonably likely to have a material impact on financial condition, changes in financial condition, and results of operations or liquidity.

## **RELATED PARTY TRANSACTIONS**

Our principal related parties are equity affiliates operating in the industrial gas business. We did not engage in any material transactions involving related parties that included terms or other aspects that differ from those which would be negotiated at arm's length with clearly independent parties.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Management's Discussion and Analysis of our financial condition and results of operations is based on the consolidated financial statements and accompanying notes that have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Information concerning our implementation and impact of new accounting standards issued by the FASB is included in Note 2, New Accounting Guidance, to the consolidated financial statements. There have been no changes in accounting policy in the current period that had a material impact on our financial condition, change in financial condition, liquidity, or results of operations.

## **NEW ACCOUNTING GUIDANCE**

See Note 2, New Accounting Guidance, to the consolidated financial statements for information concerning our implementation and impact of new accounting guidance.

## **FORWARD-LOOKING STATEMENTS**

This report contains "forward-looking statements" within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements about management's expectations. These forward-looking statements are based on management's reasonable expectations and assumptions as of the date this report is filed. Actual performance and financial results may differ materially from projections and estimates expressed in the forward-looking statements because of many factors not anticipated by management, including, without limitation, weakening or reversal of global or regional economic recovery; future financial and operating performance of major customers; unanticipated contract terminations or customer cancellations or postponement of projects and sales; unanticipated asset impairments or losses; the impact of competitive products and pricing; interruption in ordinary sources of supply of raw materials; the impact of price fluctuations in natural gas; the ability to recover unanticipated increased energy and raw material costs from customers; costs and outcomes of litigation or regulatory investigations; the success of productivity programs; the timing, impact, and other uncertainties of future acquisitions or divestitures; significant fluctuations in interest rates and foreign currencies from that currently anticipated; political risks, including the risks of unanticipated government actions that may result in project delays, cancellations or expropriations; the impact of changes in environmental tax or other legislation and regulations in jurisdictions in which the Company and its affiliates operate; the impact on the effective tax rate of changes in the mix of earnings among our U.S. and international operations; and other risk factors described in the Company's Form 10-K for its fiscal year ended 30 September 2013. The Company disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Company's assumptions, beliefs or expectations or any change in events, conditions, or circumstances upon which any such forward-looking statements are based.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Information on our utilization of financial instruments and an analysis of the sensitivity of these instruments to selected changes in market rates and prices is included in our 2013 Form 10-K.

There were no material changes to the sensitivity analysis related to interest rate risk on the fixed portion of our debt portfolio since 30 September 2013.

There were no material changes to the sensitivity analysis related to the variable portion of our debt portfolio since 30 September 2013.

There were no material changes to market risk sensitivities for foreign exchange rate risk since 30 September 2013.

The net financial instrument position decreased from a liability of \$5,719.5 at 30 September 2013 to a liability of \$5,280.4 at 31 December 2013. The decrease is primarily due to the repayment of a 3.75% Eurobond of €300 million (\$401.0) in November 2013, which reduced the book value of long-term debt.

**Item 4. Controls and Procedures**

We maintain a comprehensive set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). As of 31 December 2013 (the Evaluation Date), an evaluation of the effectiveness of our disclosure controls and procedures was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report these disclosure controls and procedures were effective.

During the quarter ended on the Evaluation Date, there was no change in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



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### **Item 6. Exhibits.**

Exhibits required by Item 601 of Regulation S-K

10.1	Form of Award Agreement under the Long-Term Incentive Plan of the Company, used for the FY2014.
10.2	Air Products and Chemicals, Inc. Retirement Savings Plan as amended and restated effective 1 October 2013.
12.	Computation of Ratios of Earnings to Fixed Charges.
31.1.	Certification by the Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2.	Certification by the Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.	Certification by the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

† The certification attached as Exhibit 32 that accompanies this Quarterly Report on Form 10-Q, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Air Products and Chemicals, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Air Products and Chemicals, Inc.

\_\_\_\_\_  
(Registrant)

Date: 29 January 2014

By: \_\_\_\_\_ /s/ M. Scott Crocco

M. Scott Crocco  
Senior Vice President and Chief Financial Officer

**EXHIBIT INDEX**

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**IMPORTANT - ACTION REQUIRED:** In order for your FY14 stock awards to become effective, you must use the voting button at the top of this email, click on “I agree to the award terms & conditions” and reply by 28 February 2014. Failure to respond by this date will result in forfeiture of your award.

Company Confidential Communication to: «First\_name» «Last\_name»

I would like to take this opportunity to thank you for your commitment to the Company both in the past and most importantly looking forward. You play an important role in the future performance of our Company.

One of the priorities of our management compensation program is to provide you with the opportunity to share in the long-term success of Air Products. As a result, I am pleased to present your 2014 stock awards under the Company’s Long-Term Incentive Plan. These awards make up the long-term component of your total pay package and link your personal wealth to the performance of the Company.

Your 2014 awards are valued at \$ \_\_\_\_\_ and include:

- A Nonstatutory *Stock Option* to purchase \_\_\_\_\_ shares of Common Stock at a purchase price of \$107.69 per share, which is the 2 December 2013 closing sale price of a share of Common Stock, valued at \$ \_\_\_\_\_ ; and
- An award of \_\_\_\_\_ *4-Year Restricted Shares* of Company Common Stock issued to you as of 2 December 2013 valued at \$ \_\_\_\_\_ ; and
- \_\_\_\_\_ *Deferred Stock Units* with a three year performance period valued at \$ \_\_\_\_\_ , each Unit (a “*Performance Share*”) being equivalent in value to one share of Common Stock.

Thank you again for your dedication and on-going contributions to Air Products.

Your 2014 Awards are subject to and contingent upon your agreement to the attached conditions described in Exhibit A. Please read these conditions carefully, particularly the descriptions of “Prohibited Activities”. This letter, together with its Exhibit, constitutes the agreement governing your 2014 Awards (“Awards Agreement”). Your 2014 Awards are also at all times subject to the applicable provisions of the Long-Term Incentive Plan (the “Plan”) and to any determinations made by the Management Development and Compensation Committee of the Company’s Board of Directors (the “Committee”) or its delegate, with respect to your 2014 Awards as contemplated or permitted by the Plan or the Conditions. The Committee has established a one-year holding period for a portion of your Stock Options as further explained in Section 7 of Exhibit A.

Neither your 2014 Awards, this Award Agreement or the Plan constitute a contract of employment; nor do they guarantee your continued employment for any period required for all or any of your 2014 Awards to vest, become exercisable, be earned or be paid out. Except as otherwise indicated all capitalized words used in this Awards Agreement have the meanings described in the Plan.

WITNESSETH the due execution of this Awards Agreement at Allentown, Pennsylvania effective as of the 2<sup>nd</sup> day of December 2013 intending to be legally bound hereby.

AIR PRODUCTS AND CHEMICALS, INC.

By:

A handwritten signature in black ink, appearing to read "John E. McGlade". The signature is written in a cursive style with a large initial "J" and "M".

John E. McGlade

Exhibit

**EXHIBIT A**

**AIR PRODUCTS AND CHEMICALS, INC. (the "Company")  
LONG-TERM INCENTIVE PLAN  
FY2014 AWARD AGREEMENT**

1. As described in the foregoing grant letter, you are hereby granted FY2014 Awards consisting of Stock Options ("Options"), Restricted Shares of Company Common Stock ("Restricted Shares"), and Deferred Stock Units to be called "Performance Shares" under the Air Products and Chemicals, Inc. Long-Term Incentive Plan (the "Plan"). The Options are "Nonstatutory Stock Options" as described in Section 6 of the Plan. The Restricted Shares are described in Section 8 of the Plan. The Deferred Stock Units are described in Section 9 of the Plan. The Management Development and Compensation Committee of the Company's Board of Directors (the "Committee") has approved these Awards subject to the applicable provisions of the Plan and the terms of this Agreement, and contingent upon your acceptance of this Agreement. Except as noted herein, all capitalized terms used in this Agreement have the meaning ascribed to them in the Plan. A copy of the Plan is available from the Corporate Secretary's Office of the Company, 7201 Hamilton Boulevard, Allentown, PA 18195-1501.
2. Each Option entitles you to purchase one share of Company Common Stock ("Share") at a purchase price of \$107.69 (the "Grant Price") as described below. You can first purchase Shares as follows: (i) up to one-third of the Shares may be purchased on or after 2 December 2014 and (ii) up to an additional one-third of such Shares may be purchased on or after 2 December 2015 and 2016, respectively. The Options are granted as of 2 December 2013 and will continue for a period of ten (10) years from such grant date and will expire and no longer be exercisable after the close of the New York Stock Exchange on 2 December 2023. Any Option which is unexercised as of the close of the New York Stock Exchange on 2 December 2023 and which has not terminated in accordance with Paragraph 4 of this Agreement, will be settled by a Net Exercise whereby the Company will issue you shares of Common Stock equal to the number of shares covered by the Option, reduced by the number of whole shares that has a Fair Market Value equal to or in excess of the sum of the aggregate Grant Price of the Options and the minimum statutory withholding tax obligation arising from the Net Exercise of the Options, and shall remit any excess of the Fair Market Value of such shares to you.

3. You may purchase Shares covered by an Option by providing to the Company's agent, Fidelity Stock Plan Services, LLC or any successor thereto ("Fidelity"), notice of exercise of the Option in a form designated by Fidelity and the Grant Price of the Shares. Payment of the Grant Price and applicable taxes may be made in cash or by providing an irrevocable exercise notice coupled with irrevocable instructions to Fidelity to simultaneously sell all or portion of the Shares and deliver to the Company on the settlement date the portion of the proceeds representing the Grant Price and any taxes to be withheld. Payment of the Grant Price may also be made by delivery or attestation of ownership of other Shares of Common Stock owned by you with a Fair Market Value equal to the Grant Price, in which case the number of Shares acquired in the exercise will be reduced by an amount equal in value to the amount of any taxes required to be withheld and by the number of Shares as to which ownership was attested.
4. Except as provided below, your Options terminate as of the close of business on the last day of your employment with the Company and all its Subsidiaries. Upon your, death, Disability, or Retirement on or after 1 December 2014, your Options will not terminate and any unexercisable portion of the Options will be extended until its expiration (that is, will become and be exercisable) as if you have continued to be an active employee of the Company or a Subsidiary. If your employment with the Company or a Subsidiary is involuntarily terminated by the Company on or after 1 December 2014 due to action necessitated by business conditions, including, but not limited to, job eliminations, workforce reductions, divestitures of facilities, assets or businesses, sale by the Company of a Subsidiary, or plant closing, and you are not eligible for Retirement, your exercisable Options will not be immediately terminated but will continue to be exercisable in accordance with their terms for six months following your last day of employment with the Company or a Subsidiary, and shall terminate at the end of such six month period. If you voluntarily terminate your employment with the Company or a Subsidiary on or after 1 December 2014, other than a Retirement, your exercisable Options will not be immediately terminated but will continue to be exercisable in accordance with their terms for ninety days following your last day of employment with the Company or a Subsidiary, and shall terminate at the end of such ninety day period.
5. In the event of a Change in Control, the Options shall become exercisable on the later of the Change in Control or 2 June 2014. In the event of any other change in the outstanding shares of the Common Stock of the Company or the occurrence of certain other events described in Section 12 of the Plan, an equitable adjustment shall be made in the number or kind of Shares or the Grant Price for Shares covered by your Options.

6. Options are nonassignable and nontransferable except to your Designated Beneficiary or by gift to family members or to trusts of which only family members are beneficiaries. Such transfers by gift can be made only after the Option has become exercisable and subject to such administrative procedures and to such restrictions and conditions as the officers of the Company shall determine to be consistent with the purposes of the Plan and the interests of the Company and/or to be necessary or appropriate for compliance with all applicable tax and other legal requirements. Subject to the foregoing, you may transfer Options by gift only by delivering to the Company at its principal offices in Allentown, Pennsylvania, written notice of the intent to transfer the Options on forms to be provided by the Company.
7. In accepting the Options, you agree that, as long as you are actively employed by the Company or one of its Subsidiaries, you will retain, for at least one year, beneficial ownership of 50% of the net Shares (after payment of the exercise price, taxes, and commissions) that you receive upon an exercise of the Option.
8. The Restricted Shares shall be issued to you as of 2 December 2013. Upon issuance of the Restricted Shares, you will be the holder of record of such shares and shall have all the rights of a shareholder with respect to the Restricted Shares, including the right to vote such Restricted Shares and receive all dividends or other distributions paid with respect to the Restricted Shares, subject to the restrictions contained in Paragraph 9 below. In the event of any change in the outstanding shares of Common Stock of the Company or the occurrence of certain other events described in Section 12 of the Plan, an equitable adjustment of the number of Restricted Shares covered by this Agreement shall be made consistent with the impact of such change or event upon the rights of the Company's other shareholders, and any additional Shares of Common Stock issued to you as a result of such adjustment shall be Restricted Shares subject to this Agreement, including, without limitation, the restrictions contained in Paragraph 9.
9. The "Restriction Period" with respect to the Restricted Shares shall be the period beginning 2 December 2013 and ending on the earliest of 2 December 2017; your death, Disability, or Retirement on or after 1 December 2014, or a Change in Control of the Company. During the Restriction Period, neither the Restricted Shares nor any interest in the Restricted Shares may be sold, assigned, transferred, encumbered, or otherwise disposed of by you; provided however, that such Restricted Shares may be used to pay the exercise price by attestation upon your exercise of Stock Options, with the stipulation that the Restricted Shares attested will remain



subject to the restrictions of this Paragraph 9 and the terms of this Agreement. If your employment by the Company and all its Subsidiaries is terminated for any reason prior to 1 December 2014, or for any reason other than death, Disability, or Retirement after 1 December 2014 but prior to 1 December 2017, the Restricted Shares shall be forfeited in their entirety; provided that, in the event of a Change in Control of the Company, your rights to the Restricted Shares shall become immediately transferable and nonforfeitable. At the end of the Restriction Period, all nonforfeited Restricted Shares shall become transferable and otherwise be regular Shares.

10. At the end of the Restriction Period, and, if earlier, upon your election to include the value of the Restricted Shares in your federal taxable income pursuant to Internal Revenue Code Section 83(b), payment of taxes required to be withheld by the Company must be made. When taxation occurs at the end of the Restriction Period, applicable taxes will be withheld by reducing the number of the Restricted Shares issued to you without restriction by an amount equal in market value to the taxes required to be withheld. In the event you make a Section 83(b) election, applicable taxes must be paid in cash to the Company at the time the election is filed with the Internal Revenue Service.
11. In the event your employment is terminated due to your death on or after 1 December 2014, the Restricted Shares shall be transferred free of restriction, reduced by any applicable taxes, to your Designated Beneficiary or, if none, to your legal representative as soon as administratively practical after your death.
12. The Performance Shares granted to you will be earned in accordance with the formula indicated on the Earn Out Schedule (Attachment) corresponding to the level of average Earnings Per Share Growth and spread of Return on Capital Employed over the Company's cost of capital achieved for the three fiscal year performance period beginning 1 October 2013 and ending 30 September 2016 (the "Performance Period"). Subject to the forfeiture conditions contained in Paragraph 13 and to Paragraph 19, each earned Performance Share will entitle you to receive, at the end of the Deferral Period (as defined below), one Share.
13. The Deferral Period will begin on the date of this Agreement and will end on 1 December 2016. If your employment by the Company and all its affiliates is terminated for any reason prior to 1 December 2014, all your Performance Shares will be automatically forfeited in their entirety. If your employment by the

Company and all its affiliates terminates on or after 1 December 2014, but during the Deferral Period, other than due to death, Disability, or Retirement, you will forfeit all of your Performance Shares. If your employment by the Company and all its affiliates is terminated on or after 1 December 2014, but during the Deferral Period, due to death, Disability, or Retirement, you will not forfeit a pro-rata portion of your earned Performance Shares which portion in each case shall be based on the number of full months you worked during the Performance Period.

14. Performance Shares earned and not forfeited shall be paid in Shares, reduced by the number of Shares equal in market value to any taxes required to be withheld by the Company, as soon as administratively practical after the end of the Deferral Period. No cash dividends or other amounts shall be payable with respect to the Performance Shares during the Deferral Period. At the end of the Deferral Period, for each earned and nonforfeited Performance Share, the Company will also pay to you a cash payment equal to the dividends which would have been paid on a Share during the Deferral Period (“Dividend Equivalents”), net of taxes required to be withheld by the Company.
15. If your employment by the Company or a Subsidiary terminates during the Deferral Period due to death, payment in respect of earned Performance Shares that are not forfeited and of related Dividend Equivalents shall be made, as soon as practical after the Deferral Period, to your Designated Beneficiary or, if none, your legal representative, net of taxes required to be withheld by the Company.
16. In the event of any change in the outstanding Shares of Common Stock of the Company or the occurrence of certain other events as described in Section 12 of the Plan, an equitable adjustment of the number of Performance Shares covered by this Agreement shall be made as provided in the Plan.
17. Notwithstanding anything to the contrary above, if your employment by the Company and its affiliates is terminated and such termination constitutes a “Termination of Employment” within the meaning of the Air Products and Chemicals, Inc. Corporate Executive Committee Separation Program (the “Program”) and the Administrator of the Program determines you are entitled to the benefits of the Program, your outstanding Awards under this Agreement shall be treated in accordance with the Program.

18. (a) Notwithstanding anything to the contrary above, any Performance Shares earned or paid and any related Dividend Equivalents paid to you may be rescinded within three years of their payment in the event: the earning of such Performance Shares is predicated upon the achievement of financial results that are subsequently the subject of a restatement; the Committee determines in its sole discretion that you engaged in misconduct that caused or partially caused the need for the restatement; and the Performance Shares would not have been earned or a lesser amount of Performance Shares would have been earned based upon the restated financial results. In the event of any such rescission, you shall pay to the Company the amount of any gain realized or payment received as a result of any rescinded payment, in such manner and on such terms as may be required, and the Company shall be entitled to reduce the amount of any amount owed to you by the Company or any Subsidiary by such gain or payment.
- (b) Notwithstanding any other provisions of this Agreement, in the event the Company is required to prepare an accounting restatement due to its material noncompliance with any financial reporting requirement, the Company may recover from you any amounts or awards which it is required to recover under Section 10D of the Securities Exchange Act of 1934 or any other applicable law or securities exchange listing standard.
19. In the event the Company determines, in its sole discretion, that you have engaged in a “Prohibited Activity” (as defined below), at any time during your employment, or within one year after termination of your employment from the Company or any Subsidiary, the Company may forfeit, cancel, modify, rescind, suspend, withhold, or otherwise limit or restrict any unexpired, unpaid, unexercised, or deferred Awards outstanding under this Agreement, and any exercise, payment, or delivery of an Award or Shares pursuant to such an Award may be rescinded within six months after such exercise, payment, or delivery. In the event of any such rescission, you shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment, or delivery, in such manner and on such terms as may be required by the Company, and the Company shall be entitled to reduce the amount of any amount owed to you by the Company or any Subsidiary by such gain or payment.

The Prohibited Activities are:

- (a) Your making any statement, written or verbal, in any forum or media, or taking any action in disparagement of the Company or any Subsidiary or affiliate thereof (hereinafter, the “Company”), including but not limited to negative references to the Company or its products, services, corporate policies, current or former officers or employees, customers, suppliers, or business partners or associates;

- (b) Your publishing any opinion, fact, or material, delivering any lecture or address, participating in any film, radio broadcast, television transmission, internet posting, social media, and/or any other electronic media; or communicating with any representative of the media relating to, confidential matters regarding the business or affairs of the Company;
- (c) Your failure to hold in confidence all Trade Secrets of the Company that came into your knowledge during your employment by the Company, or disclosing, publishing, or making use of at any time such Trade Secrets, where the term "Trade Secret" means any technical or nontechnical data, formula, pattern, compilation, program, device, method, technique, drawing, process, financial data, financial plan, product plan, list of actual or potential customers or suppliers, or other information similar to any of the foregoing, which (i) derives economic value, actual or potential, from not being generally known to and not being readily ascertainable by proper means by, other persons who can derive economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy;
- (d) Your failure to hold in confidence all Confidential Information of the Company that came into your knowledge during your employment by the Company, or disclosing, publishing, or making use of such Confidential Information, where the term "Confidential Information" means any data or information, other than Trade Secrets, that is valuable to the Company and not generally known to the public or to competitors of the Company;
- (e) Your failure, in the event of your termination of employment for any reason, promptly to deliver to the Company all memoranda, notes, records, manuals, or other documents, including all electronic or other copies of such materials and all documentation prepared or produced in connection therewith, containing Trade Secrets or Confidential Information regarding the Company's business, whether made or compiled by you or furnished to you by virtue of your employment with the Company; or your failure promptly to deliver to the Company all vehicles, computers, credit cards, telephones, handheld electronic devices, office equipment, and other property furnished to you by virtue of your employment with the Company;
- (f) Your rendering of services for any organization as an employee, officer, director, consultant, advisor, agent, broker, independent contractor, principal, or partner, or engaging directly or indirectly in any business which, in the sole judgment of the Company, is or becomes competitive with the Company during the one (1) year period following the termination of your employment; or directly or

indirectly soliciting any customer, supplier, contractor, employee, agent, or consultant of the Company with whom you had contact during the last two years of your employment with the Company or became aware of through your employment with the Company, to cease doing business with, or to terminate their employment or business relationship with, the Company; or

(g) Your violation of any written policies of the Company applicable to you, including, without limitation, the Company's insider trading policy.

The provisions of this Paragraph 19 are in addition to, and shall not supersede, the terms of your Employee Patent and Confidential Information Agreement entered at the time you were employed by the Company.

You expressly acknowledge and affirm that the foregoing provisions of this Paragraph 19 are material and important terms of this Agreement and that your agreement to be bound by the terms of this Paragraph 19 is a condition precedent to your FY2014 Awards.

20. All determinations regarding the interpretation, construction, enforcement, waiver, or modification of this Agreement and/or the Plan shall be made in the Company's sole discretion or, in the case of Executive Officer Awards, by the Committee in its sole discretion and shall be final and binding on you and the Company. Determinations made under this Agreement and the Plan need not be uniform and may be made selectively among individuals, whether or not such individuals are similarly situated.
21. If any of the terms of this Agreement in the opinion of the Company conflict or are inconsistent with any applicable law or regulation of any governmental agency having jurisdiction, the Company reserves the right to modify this Agreement to be consistent with applicable laws or regulations.
22. You understand and acknowledge that the Company holds certain personal information about you, including but not limited to your name, home address, telephone number, date of birth, social security number, salary, nationality, job title, and details of all Shares awarded, cancelled, vested, unvested, or outstanding (the "personal data"). Certain personal data may also constitute "sensitive personal data" within the meaning of applicable local law. Such data include but are not limited to the information provided above and any changes thereto and other appropriate personal and financial data about you. You hereby provide explicit consent to the Company and any Subsidiary to process any such personal data and

sensitive personal data. You also hereby provide explicit consent to the Company and any Subsidiary to transfer any such personal data and sensitive personal data outside the country in which you are employed, and to the United States. The legal persons for whom such personal data are intended are the Company and any third party providing services to the Company in connection with the administration of the Plan.

23. By accepting this award, you acknowledge having received and read the Plan Prospectus, and you consent to receiving information and materials in connection with this Award or any subsequent awards under the Company's long-term performance plans, including without limitation any prospectuses and plan documents, by any means of electronic delivery available now and/or in the future (including without limitation by e-mail, by Website access, and/or by facsimile), such consent to remain in effect unless and until revoked in writing by you. This Agreement and the Plan, which is incorporated herein by reference, constitute the entire agreement between you and the Company regarding the terms and conditions of this Award.
24. You submit to the exclusive jurisdiction and venue of the federal or state courts of the Commonwealth of Pennsylvania to resolve all issues that may arise out of or relate to and all determinations made under this Agreement. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to conflicts or choice of law rules or principles.
25. If any court of competent jurisdiction finds any provision of this Agreement, or portion thereof, to be unenforceable, that provision shall be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement shall continue in full force and effect.

**Attachment**

**2014 Performance Share Earn Out Schedule**

$$\frac{(\text{PERFORMANCE SHARES AWARDED}) \times (\text{PAYOUT FACTOR})}{(\text{PERFORMANCE SHARES EARNED})}$$

The Payout Factor is determined as follows:

33%		67%		=	
EPS Growth Factor	+	ROCE Spread Factor			Payout Factor*

\* The Payout Factor will be increased by 15 percentage points to determine the maximum payout. The Committee, in its discretion, may decrease the actual Payout Factor by up to 30 percentage points from the maximum payout (15 percentage points from the calculated Payout Factor).

The EPS Growth and ROCE Spread Factors are determined from the following schedules:

<u>EPS Growth<sup>(1)</sup></u>	<u>EPS Growth Factor</u>	<u>ROCE Spread (ROCE over Cost of Capital)</u>	<u>ROCE Spread Factor<sup>(2)</sup></u>
-10%	0%	<0%	0%
0%	35%	0%	50%
4%	50%	+2.5%	100%
7%	80%	+4.5%	200%
9%	100%		
10%	120%		
11%	130%		
13%	160%		
15%	180%		
16%	200%		

<sup>(1)</sup> EPS growth is the average of annual growth in earnings per share over the prior year for each of fiscal years 2014, 2015, and 2016.

<sup>(2)</sup> ROCE spread is the average of the difference between the Company's Return on Capital Employed and cost of capital for each of fiscal years 2014, 2015, and 2016.

**AIR PRODUCTS AND CHEMICALS, INC.**

**RETIREMENT SAVINGS PLAN**

**AS AMENDED AND RESTATED**

**EFFECTIVE OCTOBER 1, 2013**



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**AIR PRODUCTS AND CHEMICALS, INC.  
RETIREMENT SAVINGS PLAN**

**ARTICLE I**

**PURPOSES**

1.01 **Purposes.** This Plan is established to facilitate the accumulation and investment of retirement and other savings for eligible employees and to provide such employees with an opportunity to acquire a stock interest in Air Products and Chemicals, Inc. (the "Company"), and is intended to be a profit-sharing plan described in Code Section 401(a) with a cash or deferred arrangement described in Code Section 401(k) and an employee stock ownership plan component as defined in Code Section 4975(e), all in accordance with the terms and conditions hereinafter set forth. Unless otherwise stated or required by applicable law, the effective date of the current amendment and restatement shall be October 1, 2013, and shall not be applicable to persons retiring or otherwise terminating employment with the Company and its Affiliated Companies prior to October 1, 2013, except as otherwise provided herein.

**ARTICLE II**

**DEFINITIONS**

As used in this Plan, the terms listed below shall have the meanings assigned below; provided, however, that special definitions for purposes of Sections 3.07, 3.14, and 3.15 are contained in Paragraphs 3.07(a), 3.14(a), and 3.15(a), respectively.

2.01 **Affiliated Company** means each trade or business (whether or not incorporated) while it, together with the Company, is treated as a controlled group of corporations (as defined in Code Section 414(b)), as under common control (as defined in Code Section 414(c)), or as an affiliated service group (as defined in Code Section 414(m)), or is required to be aggregated with the Company pursuant to the regulations under Code Section 414(o); provided, however, that for purposes of Section 3.15 of the Plan and where otherwise applicable, the modification provided for in Code Section 415(h) shall be taken into account.

2.02 **After-Tax Contributions** mean contributions made by a Participant under Paragraph 3.02(b).

2.03 **Annual Salary** means the total annual salary of a Participant, as determined by the Employer based solely on its records, including elective contributions made by an Employer on behalf of the Employee that are not includible in federal taxable income under Code Section 125 or Code Section 402(e) (3), excluding:

(a) Discretionary bonuses or grants, including, without limitation, income howsoever derived from any stock options or other equity-based awards, scholastic aid, payments and awards for suggestions and patentable inventions, other merit awards or variable compensation, expense allowances, and noncash compensation (including imputed income);

(b) Payments of Company Matching Contributions under Section 3.03 and Company Core Contributions under Section 3.04 of this Plan, accruals or distributions under this Plan, or payments, accruals, or distributions under any severance, incentive, or welfare plan or other retirement, pension, or profit-sharing plan of an Employer;

(c) Overtime, commissions, mileage, shift premiums, and payments in lieu of vacation; and

(d) All supplemental compensation for domestic and overseas assignments, including without limitation, premium pay, cost of living and relocation allowances, mortgage interest allowances and forgiveness, tax-equalization payments, and other emoluments for such service.

In the case of a Participant who is a full-time hourly or a weekly salaried production and maintenance employee, Annual Salary shall be determined by multiplying his base hourly pay rate by 2,080 hours. In the case of a Participant who is a part-time hourly employee or a part-time non exempt salaried employee, Annual Salary shall be determined by multiplying his base hourly pay by his scheduled annual hours. Notwithstanding the above, Annual Salary means 125% of the amount determined in accordance with the preceding two sentences for any Participant who is employed as an over-the-road truck driver by an Employer, is paid on a mileage and hourly basis or who receives trip pay, and whose employment is based at a liquid bulk distribution terminal designated from time to time by the Vice President - Human Resources as a "Designated Terminal" and identified as such on Exhibit I.

For Employees who are receiving compensation directly from the Employer during periods of short-term disability, Annual Salary for purposes of Core Contributions will be computed in the same manner as if in active employment but for purposes of Before-Tax Contributions, After-Tax Contributions, and Company Matching Contributions for non-union hourly Employees only, shall be considered zero.

Notwithstanding the above, "Annual Salary" shall not exceed the limitation provided under Code Section 401(a)(17) as adjusted pursuant to Code Section 401(a)(17)(B) for any Plan Year.

2.04 **Before-Tax Contributions** mean contributions made by the Employer on behalf of a Participant pursuant to the Participant's Deferral Election under Paragraph 3.02(a) or Deemed Election under Paragraph 3.02(d).

2.05 **Beneficiary** or **Beneficiaries** mean the person(s), trust(s), or other recipient(s) as determined under the provisions of Section 5.02, who or which shall receive all amounts credited to the Participant's Plan accounts following the death of the Participant.

2.06 **Board** means the board of directors of the Company or any Committee thereof acting on behalf of the Board pursuant to its charter or other delegation of power from the Board, or the Chairman of the Board acting pursuant to a delegation of authority from the Board.

2.07 **Business Day** means any day the New York Stock Exchange is open for business.

2.08 **Catch-up Contributions** mean contributions made by the Employer on behalf of a Participant pursuant to the Participant's Deferral Election under Paragraph 3.02(c).

2.09 **Claims Committee** means the committee appointed by the Vice President-Human Resources to review and determine appeals of claims arising under the Plan in accordance with Section 6.05.

2.10 **Code** means the Internal Revenue Code of 1986, as amended from time to time, and regulations thereunder.

2.11 **Company** means Air Products and Chemicals, Inc., or any successor in interest thereto.

2.12 **Company Core Contributions** mean contributions made by the Employer under Section 3.04.

2.13 **Company Matching Contributions** mean contributions made by the Employer under Section 3.03.

2.14 **Company Stock** means common stock of the Company.

2.15 **Core Contribution Participant** shall mean an Electing Employee or a salaried Employee whose Employment Commencement Date or Reemployment Commencement Date occurs after October 21, 2004, or who otherwise becomes a salaried Employee after such date, a non-union hourly Employee whose Employment Commencement Date or Reemployment Commencement date occurs after February 1, 2011, or an employee who otherwise becomes a non-union hourly Employee after February 1, 2011 provided such employee is not accruing benefits in the Hourly Pension Plan. With respect to Employees who were employed by EPCO Carbon Dioxide Products, Inc. on May 31, 2013 and who were hired by the Company on June 1, 2013, such Employees shall become a Core Contribution Participant effective July 1, 2013.



2.16 **Credited Service** means credited service as defined in the Salaried Pension Plan or Hourly Pension Plan, as applicable.

2.17 **Deemed Election** means a passive election to make Before-Tax Contributions to the Plan pursuant to Section 3.02(d).

2.18 **Deferral Election** means the election made by a Participant in accordance with Section 3.02.

2.19 **Defined Benefit Plan** means any Retirement Plan which does not meet the definition of a Defined Contribution Plan.

2.20 **Defined Contribution Plan** means a Retirement Plan which provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant's account and on any income, expenses, gains, and losses, and any forfeitures of accounts of other participants, which may be allocated to such participant's account. For this purpose, any Participant's contributions made pursuant to a Defined Benefit Plan maintained by the Company or an Affiliated Company shall be treated as a separate Defined Contribution Plan.

2.21 **Distribution Event** means: a Participant's severance from employment with the Company and all Affiliated Companies, death or disability, in each case as defined by Code Section 401(k)(2)(B)(i).

2.22 **Electing Employee** means an Employee who voluntarily elects to cease accruing years of Credited Service under the Salaried Pension Plan as of the Retirement Program Change Effective Date in order to receive Company Core Contributions and increased Company Matching Contributions.

2.23 **Employee** means (a) any salaried employee of an Employer or (b) any non-union hourly paid employee who is employed by an Employer at one of the locations from time to time designated by the Vice President - Human Resources and listed on Exhibit I attached hereto and made a part hereof, as said Exhibit I is updated from time to time; provided however, that no person shall be an Employee if such person is a leased employee (as defined below) of an Employer, a participant in the Supplemental Employment Program, a foreign national on a temporary assignment to an Employer, or an employee working under a Summer Internship Program, a Cooperative Education Program, or other temporary or supplemental employment program of an Employer. An employee of an Employer who is covered by a collective bargaining agreement shall not be an Employee unless the terms of such collective bargaining agreement provide for participation in the Plan. Notwithstanding the foregoing, if a leased employee or an employee of an Affiliated Company becomes an Employee, his service with the Company and Affiliated Companies prior to becoming an Employee shall be taken into account for eligibility and vesting purposes under the Plan. The term "employee" as used herein shall mean any common law employee of the Company or an Affiliated Company but shall exclude any person classified by the Company as an independent contractor even if such individual is subsequently reclassified as a common law employee by the Internal Revenue Service or any other agency, entity, or person.

For purposes of the preceding paragraph, a "leased employee" is any person (other than an employee of the Employer) who pursuant to an agreement between the Employer and any other person (leasing organization) has performed services for the Employer (or for the Employer and related persons determined in accordance with Code Section 414(n)(6)) on a substantially full-time basis for a period of at least one year, and such services are performed under primary direction or control by the Employer.

2.24 **Employer** means the Company and/or any Participating Employer, either collectively or separately as the context requires.

2.25 **Employment Commencement Date** means the date on which the Employee first performs an Hour of Service under Section 2.28 for an Employer or an Affiliated Company.

2.26 **ERISA** means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.27 **Fair Market Value**, as of any Business Day with respect to Company Stock, means the closing sale price for Company Stock for such date on the New York Stock Exchange, or, if no such sale occurred, the average of the closing bid and asked prices for such date on the New York Stock Exchange.

2.28 **Hour of Service** means:

(a) each hour for which an employee (whether or not as an Employee) is directly or indirectly paid, or entitled to payment, for the performance of duties for the Company or an Affiliated Company during the applicable computation period;

(b) each hour for which an employee (whether or not as an Employee) is directly or indirectly paid, or entitled to payment, by the Company or an Affiliated Company on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including short-term disability), layoff, jury duty, military duty, or leave of absence;

(c) each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Company or an Affiliated Company, with respect to an employee (whether or not an Employee), provided such hours have not previously been credited under either Paragraphs (a) or (b) above; and

(d) In the case of an employee who is reemployed by the Company or an Affiliated Company in accordance with the requirements of applicable federal law following an authorized leave of absence due to service in the Armed Forces of the United States, each hour during which such employee (whether or not as an Employee) is not performing duties for the Company or an Affiliated Company due to such military leave whether or not such employee is paid, or entitled to payment, by the Company or an Affiliated Company.

For purposes of this Section, a payment shall be deemed to be made by or due from the Company or an Affiliated Company whether such payment is directly made by or due from the Company or Affiliated Company, or indirectly made through, among other sources, a trust fund or insurer to which the Company or Affiliated Company contributes or pays premium (e.g., for group term life insurance).

For purposes of Paragraphs (b) and (c) above, the following rules shall apply:

(i) No more than five hundred and one (501) Hours of Service shall be credited on account of any single continuous period during which the employee performs no duties for the Company or an Affiliated Company (whether or not such period occurs in a single computation period) except for short term disability salary continuation;

(ii) No Hours of Service shall be credited for a payment made or due under a plan maintained solely for the purpose of complying with applicable workers' compensation, unemployment compensation, or disability insurance laws; and

(iii) No Hours of Service shall be credited for a payment which solely reimburses an employee for medical or medically related expenses incurred by the employee.

In the case of a payment which is made or due on account of a period during which an employee performs no duties for the Company or an Affiliated Company, and which results in the crediting of Hours of Service under Paragraphs (b) or (c) above, the number of hours and the period to which such hours are to be credited shall be determined in accordance with the rules promulgated by the United States Department of Labor in paragraphs (b), (c), and (d) of the regulations at 29 CFR § 2530.200b-2 or any future regulations which change, amend, or supersede such regulations, which regulations are incorporated by reference herein.

2.29 **Hourly Pension Plan** means the Pension Plan for Hourly Rated Employees of Air Products and Chemicals, Inc., as amended from time to time.

2.30 **IGS Savings Plan** means the Industrial Gas and Supply Company Retirement Savings Plan which was merged into the Plan effective as of March 31, 2000.

2.31 **Investment Committee** means the Pension Investment Committee of the Company, consisting of persons appointed by the Finance Committee of the Board and authorized, directed and empowered to supervise, monitor and review the management, custody, control and investment performance of the assets of the Plan.

2.32 **Investment Vehicle** means any security or other investment in which the Trustee is authorized to invest Participant Contributions transferred to a particular Participant Investment Fund, other than cash or interest-bearing investments of a short-term nature in which such Participant Contributions may be temporarily invested pending investment in such security or other investment.

2.33 **Matched Contributions** means Before-Tax Contributions and After-Tax Contributions that are matched by the Employer in accordance with Section 3.03.

2.34 **Normal Retirement Age** means age 65.

2.35 **Participant** means: (a) any Employee who is eligible to participate in the Plan in accordance with Section 3.01, or (b) any former Employee by whom or for whom contributions have been made under Sections 3.02, 3.03, 3.04, 3.12, or 3.13, and (c) any participant in the IGS Savings Plan on March 30, 2002, until such time as all such contributions and earnings thereon have been withdrawn by or distributed to such Employee, former Employee or IGS Savings Plan Participant.

2.36 **Participant Contributions** mean, collectively, funds held and invested by the Trustee under the Trust Agreement which were, when first transferred to the Trustee, Matched Contributions, Unmatched Contributions, rollover contributions as described in Section 3.12, or assets received in plan-to-plan transfers or mergers as described in Section 3.13, together with earnings thereon.

2.37 **Participant Investment Funds** mean the funds described in Appendix A, as amended from time to time, which other than the Company Stock Fund, are chosen by the Investment Committee, in which Participant Contributions and Company Core Contributions are held for investment.

2.38 **Participating Employer** means those Affiliated Companies listed as Participating Employers on Schedule I hereto, while such designation is in effect, and any Affiliated Company which is later designated by the Board or pursuant to authority delegated by the Board as a Participating Employer under the Plan, whose designation has not been revoked. An Affiliated Company's status as a Participating Employer shall be automatically revoked upon its ceasing to be an Affiliated Company. A Participating Employer or the Board or person acting pursuant to authority delegated by the Board may revoke such designation at any time, but until such acceptance has been revoked, all of the provisions of the Plan and amendments thereto shall apply to the Employees and former Employees of the Participating Employer. In the event the designation of a Participating Employer is revoked, the Plan shall be deemed discontinued only as to such Participating Employer.

2.39 **Party in Interest** has the meaning provided in ERISA Section 3(14), or regulations promulgated thereunder or any future regulations which change, amend, or supersede such regulations.

2.40 **Period of Severance** means a 12-consecutive-month period beginning on an individual's Severance from Service Date or any anniversary thereof and ending on the next succeeding anniversary of such date during which the individual is not credited with at least one Hour of Service.

2.41 **Plan** means the "Air Products and Chemicals, Inc. Retirement Savings Plan" as set forth herein and as amended from time to time.

2.42 **Plan Administrator** means the Vice President – Human Resources, or such other person or entity as he or she shall appoint to fill such role.

2.43 **Plan Year** means the annual period beginning on October 1 and ending on September 30 of the following calendar year. A Plan Year shall be designated according to the calendar year in which such Plan Year ends. The Plan Year shall also be the limitation year for purposes of applying the limitation of Code Section 415.

2.44 **Qualified Default Investment Alternative** means the Participant Investment Fund chosen by the Investment Committee, as designated in Appendix A, to meet the requirements of ERISA Section 404(c)(5) and the regulations thereunder.

2.45 **Qualified Domestic Relations Order** means: (a) any qualified domestic relations order as defined in Code Section 414(p) and ERISA Section 206(d), or (b) any other domestic relations order permitted to be treated as a qualified domestic relations order by the Plan Administrator under the provisions of the Retirement Equity Act of 1984 and which the Plan Administrator determines to treat as a qualified domestic relations order.

2.46 **Reemployment Commencement Date** means the first day on which an individual performs an Hour of Service under Section 2.28 after incurring a Period of Severance.

2.47 **Retirement Plan** means: (a) any profit-sharing, pension, or stock bonus plan described in Code Sections 401(a) and 501(a), (b) any annuity plan or annuity contract described in Code Sections 403(a) or 403(b) of the Code, or (c) any individual retirement account or individual retirement annuity described in Code Sections 408(a) or 408(b).

2.48 **Retirement Program Change Effective Date** means January 1, 2005, except that (a) for Employees at the South Brunswick, New Jersey facility who were hourly-rated instrument and electrical technicians, warehouse technicians, laboratory technicians, maintenance technicians, operation technicians, or production technicians as of January 1, 2005, the Retirement Program Change Effective Date shall be January 1, 2006, and (b) for salaried Employees who were on military leave on January 1, 2005, the Retirement Program Change Effective Date shall be the first of the month following 30 days after returning from military leave.

2.49 **Salaried Pension Plan** means the Air Products and Chemicals, Inc. Pension Plan for Salaried Employees, as amended from time to time.

2.50 **Severance from Service Date** occurs on the earlier of (i) the date on which an employee retires, voluntarily terminates, or is discharged from employment with an Employer and all Affiliated Companies or dies; or (ii) the first anniversary of the first date of a period in which an Employee remains absent from service (with or without pay) with the Employer and all Affiliated Companies for any reason other than voluntary termination, retirement, discharge, or death, such as vacation, holiday, sickness, disability, leave of absence, or layoff; provided that, in the case of an individual who is absent from work for maternity or paternity reasons, a Severance from Service Date shall not occur until the second anniversary of the date the individual begins such maternity or paternity leave. For purposes of the foregoing, an Employee's absence from work for maternity or paternity reasons means an absence (a) by reason of the pregnancy of the Employee, (b) by reason of the birth of a child of the Employee, (c) by reason of the placement of a child with the Employee in connection with the adoption of such child by such Employee, or (d) for purposes of caring for such child for a period beginning immediately following such birth or placement; provided that the Employee has provided to the Plan Administrator, in the form and manner prescribed by the Plan Administrator, information establishing (a) that the absence from work is for maternity or paternity reasons and (b) the number of days for which there was such an absence. Nothing in this Section shall be construed as expanding or amending any maternity or paternity leave policy of the Employer. Notwithstanding the above, an individual who is absent from work due to a leave of absence, whether or not for maternity or paternity reasons, who returns to work immediately following the leave of absence shall be deemed not to have a Severance from Service date.

2.51 **Trust Agreement** means the trust agreement referred to in Article IV, as the same may be amended from time to time.



2.52 **Trust Fund** means the assets held in trust for purposes of the Plan.

2.53 **Trustee** means such trustee or trustees as shall be appointed by the Investment Committee under the Trust Agreement.

2.54 **Unmatched Contributions** mean any After-Tax Contributions which are not Matched Contributions, Before-Tax Contributions which are not Matched Contributions or Catch-up Contributions.

2.55 **Vice President-Human Resources** shall mean the Senior Vice President, General Counsel and Chief Administrative Officer of the Company, or any successor to that position.

2.56 **Years of Service** mean the service credited to a Participant for purposes of determining the amount of Company Core Contributions allocated to the Participant's account under Section 3.04. The following rules shall apply in calculating Years of Service under this Plan:

(a) An Employee shall be credited with a Year of Service for each 12 consecutive month period during the period beginning on the Employee's Employment Commencement Date and ending on the Employee's Severance from Service Date.

(b) If an Employee has a Severance from Service Date and after January 1, 2005 is rehired by the Employer as a salaried Employee or after February 1, 2011 is rehired by the Employer as a non-union hourly Employee, Years of Service prior to the Employee's Severance from Service Date shall not be taken into account as Years of Service. The Employee's date of reemployment shall be the Employee's Employment Commencement Date for purposes of (a) above.

(c) Notwithstanding the foregoing, an hourly employee who is receiving credited service in the Hourly Pension Plan and becomes a salaried Employee after January 1, 2005, or a salaried employee who is receiving credited service in the Salaried Pension Plan and becomes a non-union hourly Employee after February 1, 2011 will be credited with Years of Service beginning with the date he or she first

earned Credited Service under the Salaried Pension Plan or the Hourly Pension Plan, as applicable, but excluding any period when he or she was not employed by the Company or an Affiliated Company, and any period of active employment with respect to which service is not taken into account in calculating his or her Accrued Benefit under such Plan.

(d) Notwithstanding the foregoing, for periods of service prior to January 1, 2005, an Employee who was a Core Contribution Participant as of January 1, 2005, will be credited with Years of Service beginning with the date he or she first earned Credited Service under the Salaried Pension Plan or the Hourly Pension Plan, but excluding any period when he or she was not employed by the Company or an Affiliated Company, and any period with respect to which service is not taken into account in calculating his or her Accrued Benefit under such Plan as of January 1, 2005.

(e) An Employee who was an employee of E. I. du Pont de Nemours and Company ("DuPont") and who was hired by the Company in connection with the purchase of DuPont Air Products NanoMaterials L.L.C. on April 2, 2012, shall be credited with a Year of Service for each 12 consecutive month period during the period beginning on the Employee's service date with DuPont and ending on the Employee's Severance from Service Date.

2.57 **Years of Vesting Service** means the service credited to an Employee for purposes of determining the Employee's vested interest in the portion of his account attributable to Company Core Contributions and related investment earnings and losses. The following rules shall apply in calculating Years of Vesting Service under this Plan:

(a) An Employee shall be credited with full and partial Years of Vesting Service for the period from the Employee's Employment Commencement Date to the Employee's Severance from Service Date and, if applicable, from the Employee's Reemployment Commencement Date to the Employee's subsequent Severance from Service Date; provided that, an Employee who is absent from work due to maternity or

paternity leave as defined in subsection 2.51 immediately prior to their Severance from Service Date shall not be credited with Vesting Service for any period of such maternity or paternity leave that extends beyond the one year anniversary of the date the individual begins such maternity or paternity leave. Years of Vesting Service shall be calculated on the basis that 12 consecutive months of employment equal one year. For this purpose, partial Years of Vesting Service shall be aggregated.

(b) If an Employee retires, voluntarily terminates, or is discharged from employment with the Employer and all Affiliated Companies and is subsequently reemployed, the period commencing on the Employee's Severance from Service Date and ending on the reemployment date shall be taken into account, if such period is 12 months or less in duration; provided that, if an Employee retires, voluntarily terminates, or is discharged from employment with the Employer and all Affiliated Companies during a period when the Employee was absent for another reason and is subsequently reemployed, the period commencing on the Employee's Severance from Service Date and ending on the reemployment date shall be taken into account, but only if the reemployment date occurs within 12 months of the first date of absence.

(c) If an Employee is reemployed after incurring five consecutive Periods of Severance, and the Employee had never previously earned any vested benefits under the Plan, including Company Matching Contributions, Years of Vesting Service after such Periods of Severance shall not be taken into account for purposes of determining the vested interest in the portion of his account attributable to Company Core Contributions made before such Periods of Severance, and Years of Vesting Service before such Periods of Severance shall not be taken into account for the purpose of determining the vested interest in the portion of his account attributable to Company Core Contributions made after such Periods of Severance.

(d) Years of Vesting Service shall include all periods described in paragraphs (a), and (b) above (including those periods during which the Employee was a leased employee within the meaning of section 414(n) or 414(o) of the Code) whether or not the Employee qualified as an Employee during those periods.

(e) An Employee who was an employee of DuPont and who was hired by the Company in connection with the purchase of DuPont Air Products NanoMaterials L.L.C. on April 2, 2012, shall be credited with full and partial Years of Vesting Service for the period from the Employee's service date with DuPont to the Employee's Severance from Service Date.

### ARTICLE III

#### ELIGIBILITY, CONTRIBUTIONS, WITHDRAWALS, DISTRIBUTIONS, ROLLOVERS, AND PLAN-TO-PLAN TRANSFERS

##### 3.01 Eligibility and Commencement of Participation.

(a) An Employee shall be eligible to participate in the Plan upon meeting the requirements of (i) or (ii) as follows:

(i) An Employee shall be eligible to participate in the Plan upon completion of thirty (30) days of service after the date as of which the Employee is first scheduled or expected to be credited with one thousand (1,000) Hours of Service as an Employee during the next twelve (12)-month period. Such Employee will begin his participation as of the first complete pay period following the completion of such thirty (30) days of service if such Employee shall make an affirmative election to participate in accordance with procedures adopted by the Plan Administrator under Paragraph 3.02(a), (b), or (c) , or a Deemed Election pursuant to Paragraph 3.02(d). Notwithstanding the foregoing, a Core Contribution Participant shall be eligible to participate in benefits under Section 3.04 of the Plan on the later of the Retirement Program Change Effective Date or the date he becomes a Core Contribution Participant, provided that he is scheduled or expected to be credited with one thousand (1,000) Hours of Service during the next twelve (12)-month period.

(ii) An Employee who has not satisfied the service requirements of the preceding paragraph shall be eligible to participate in the Plan, upon such Employee's completion of 1,000 Hours of Service during an eligibility computation

period. An eligibility computation period is the twelve (12) month period beginning on the Employee's Employment Commencement Date, or, in the event such Employee does not complete 1,000 Hours of Service in such twelve (12) month period, all Plan Years beginning after the first day of such twelve (12) month period. Such an Employee may begin his participation as of the first full pay period which includes the earlier of (i) the first day of the Plan Year which follows his satisfaction of the eligibility requirements in the preceding sentence, or (ii) the date which is six months after the date on which he satisfied such eligibility requirements, if such Employee makes an affirmative election to participate in accordance with Paragraph 3.01(a)(i). A Core Contribution Participant who has not satisfied the service requirements of the preceding paragraph shall be eligible to participate in benefits under Section 3.04 of the Plan upon such Participant's completion of 1,000 Hours of Service during an eligibility computation period.

(iii) Employees who were former participants of the IGS Savings Plan shall be eligible to participate upon their becoming an Employee provided they make an affirmative election to participate in accordance with the procedures adopted by the Plan Administrator under subsection 3.02(a), (b), or (c) or a Deemed Election pursuant to subsection 3.02(d).

(iv) An Employee who was an employee of DuPont and who was hired by the Company in connection with the purchase of DuPont Air Products NanoMaterials L.L.C. on April 2, 2012, shall be eligible to participate in the Plan as soon as administratively possible upon his becoming an Employee provided he makes an affirmative election to participate in the Plan in accordance with the procedures adopted by the Plan Administrator under subsection 3.02(a), (b), or (c) or a Deemed Election pursuant to subsection 3.02(d).

(b) An Employee eligible to participate in the Plan shall remain eligible to participate (subject to the applicable suspension provisions of Sections 3.02, 3.07, and 3.08) for so long as he is an Employee. An Employee who terminates his employment with the Company and all Affiliated Companies after becoming eligible to

participate in the Plan, or an Employee who otherwise ceases to be employed as an Employee, shall, upon reemployment by an Employer as an Employee, be eligible to participate in the Plan and may begin his participation as soon as administratively possible so long as an election is properly made as provided in Paragraph 3.02; except that such reemployed Core Contribution Participant shall be eligible to participate in Company Core Contributions as of the later of the Retirement Program Change Date or his Reemployment Commencement Date (or, if no Severance from Service has occurred, the later of the Retirement Program Change Date or the date he once again meets the definition of Employee). An Employee who becomes represented by a collective bargaining agent will remain eligible to participate in the Plan until a collective bargaining agreement is executed by the Employer by which the Employee is employed and the bargaining agent and, subsequent thereto, will only remain eligible to participate in the Plan if the collective bargaining agreement so provides. An Employee who terminates employment with the Company and all Affiliated Companies prior to becoming eligible to participate in the Plan shall be treated as a new Employee for purposes of this Section 3.01 upon reemployment by an Employer.

(c) Notwithstanding any other provision of this Plan, the availability of Before-Tax Contributions, After-Tax Contributions, Catch-up Contributions, Company Core Contributions and Company Matching Contributions shall not discriminate in favor of Highly Compensated Employees.

3.02 **Before-Tax, After-Tax and Catch-up Contributions.** Each Employee shall commence participation in the Plan by making an election to make contributions to the Plan as described in (a), (b), (c), or (d) below (the "Deferral Election").

(a) **Before-Tax Contributions.** An Employee may make an election to reduce periodic installments of his Annual Salary otherwise payable for each succeeding pay period and direct the Employer to make a contribution to the Plan on his behalf in an amount equal to a whole number from 3 to 50 percent of such periodic installment of his Annual Salary (subject to the provisions of Section 3.07).

(b) **After-Tax Contributions.** An Employee may make an election to contribute an amount equal to 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, or 16 percent of each such periodic installment of his Annual Salary (subject to the provisions of Section 3.07) to the Plan.

(c) **Catch-up Contributions.** Effective October 1, 2002, a Participant who attains age 50 by the end of the applicable calendar year and who has made Before-Tax Contributions for the calendar year or Plan Year, as applicable, up to the lesser of the statutory limit described in Section 3.07(c)(i), the Plan limit described in Section 3.02(a), or, if such Participant is a Highly Compensated Employee, the highest amount of Before Tax Contributions that can be retained in the Plan with respect to such Participant without violating the Average Deferral Percentage Test described in Section 3.07(b)(1), shall be eligible to make additional Before-Tax Contributions to the Plan in the amount of \$5,000, which amount shall be adjusted pursuant to cost of living adjustments described in Code Section 414(v)(2)(c).

(d) **Deemed Election.** (i) Each salaried Employee who becomes eligible to participate in the Plan on or after the Retirement Program Change Effective Date, and (ii) each hourly Employee who becomes eligible to participate in the Plan on and after October 1, 2007, shall be considered to have directed the Employer to reduce his salary in order to make a Before-Tax Contribution in an amount equal to six (6) percent of each periodic installment of his Annual Salary (subject to the provisions of Section 3.07) on his behalf to the trust for the Plan established under the Trust Agreement unless such Employee files (or has filed) a Deferral Election with the Employer. Such Deemed Election shall be effective in accordance with procedures established by the Plan Administrator after written notice has been provided to the Employee.

(e) **Limits on Contributions.** Notwithstanding the foregoing, the maximum combined total of After-Tax Contributions and Before-Tax Contributions being made by or on behalf of a Participant at any time may not exceed 50 percent of the Participant's installments of Annual Salary payable at the time, and After-Tax Contributions and Before-Tax Contributions may be made only to the extent that such Contributions to a Participant's account for any Plan Year do not cause the limitations on Annual Additions to a Participant's account as set forth in Section 3.14 to be exceeded.

(f) **Election Changes.** An Employee may, by giving notice to the Plan Administrator, change his Deferral Election, including a Deemed Election, and direct the Employer to reduce or contribute, as the case may be, different permitted percentages of his periodic installments of Annual Salary, effective as soon as administratively practicable thereafter. In the event of a change in Annual Salary, the Employee's then current contribution percentage shall automatically be applied to the new Annual Salary, as soon as administratively practicable thereafter.

(g) **Suspension of Elections.** An Employee may, by notice to the Plan Administrator, initiate a suspension of his Deferral Election beginning as soon as administratively practicable thereafter. In addition, suspension shall be automatic as of the first pay in which a Participant ceases to be an Employee. In the event the participant initiates the suspension, the Participant may elect to resume his Deferral Election in accordance with the provisions of Section 3.01 effective as soon as administratively practicable thereafter, provided that he is an Employee as of the date when the Deferral Election resumes.

(h) **Termination of Elections.** Subsequent to a Distribution Event, the Participant shall have no right to continue making contributions to the Plan, but shall have the right to redirect the investment of the amounts in his accounts in accordance with Section 4.03 and to change or revoke his written designation of Beneficiary in accordance with Section 5.02.

(i) **Administrative Rules.** The Plan Administrator may from time to time establish such rules and procedures for determining and adjusting the percentages of Annual Salary subject to Deferral Elections as the Plan Administrator shall in his sole discretion deem to be necessary or desirable for the administration of the Plan in accordance with the Code and ERISA, including, without limitation, rules and procedures establishing limitations on the frequency with which all or certain Participants may alter the percentage of their Annual Salary which are subject to



Deferral Elections and rules and procedures allowing for the contributions of a specified dollar amount of Before-Tax Contributions, After-Tax Contributions or Catch-Up Contributions in lieu of fixed whole percentage. Notwithstanding any provision in the Plan to the contrary, solely with respect to a Participant in the Air Products Deferred Compensation Plan, the Plan Administrator may from time to time adjust the percentage of Annual Salary Deferral Elections as the Plan Administrator shall in his sole discretion deem to be necessary or desirable for the administration of both the Plan and the Air Products Deferred Compensation Plan.

(j) **Vesting.** A Participant shall have a fully vested, nonforfeitable right to any benefits derived from Before-Tax Contributions, After-Tax Contributions and Catch-up Contributions made under this Section 3.02.

3.03 **Company Matching Contributions.** The Employer shall make Company Matching Contributions to the Plan on behalf of each Employee who participates in the Plan in accordance with the following provisions:

(a) **Enhanced Formula.** Effective as of the later of the Retirement Program Change Effective Date or the date he becomes a Core Contribution Participant, each Core Contribution Participant shall receive Company Matching Contributions as soon as administratively practicable after each pay date from the Employer equal to the sum of (i) and (ii) below:

(i) 75 percent of the first (4) percent of the Participant's Annual Salary that is deferred by the Participant each pay period to the Plan as Before-Tax Contributions provided that the Participant has elected to contribute at least three (3) percent as Before-Tax Contributions, excluding Catch-up Contributions, and

(ii) 50 percent of the next two (2) percent of the Participant's Annual Salary that is deferred by the Participant each pay period to the Plan as Before-Tax Contributions, excluding Catch-up Contributions.

(b) **Regular Formula.** Each Participant who is not eligible to receive Company Matching Contributions in accordance with (a) above, shall receive Company Matching Contributions as of the end of each pay period from the Employer equal to the sum of (i) and (ii) below:

(i) 75 percent of the first (3) percent of the Participant's Annual Salary that is deferred by the Participant each pay period to the Plan provided that the Participant has elected to contribute at least three (3) percent as Before-Tax Contributions, excluding Catch-up Contributions, and

(ii) 25 percent of the next three (3) percent of the Participant's Annual Salary that is deferred by the Participant each pay period to the Plan as Before-Tax Contributions , excluding Catch-up Contributions, or contributed to the Plan as After-Tax Contributions.

(c) **Form of Company Matching Contribution.** A Company Matching Contribution will be made to the Trustee at least annually, but (unless the Company determines otherwise) only out of the Employer's current or accumulated earnings and profits, and may be made in whole or in part in cash or Company Stock. Company Matching Contributions to be made in Company Stock shall be valued for such purpose at the Fair Market Value on the last Business Day of the period for which the Company Matching Contribution is made. If the Company shall not have taken action to discontinue the Plan in accordance with the provisions of Section 7.01 prior to the end of any Plan Year, the Employer's Company Matching Contribution for such Plan Year shall become a fixed obligation as of the end of such Plan Year to the extent of the Employer's current or accumulated earnings and profits.

(d) **Limits on Company Matching Contributions.** Notwithstanding the foregoing, no Company Matching Contribution shall be made for the account of any Participant to the extent that such Company Matching Contribution, after the adjustments provided for in the following sentence, would violate the Actual Contribution Percentage Test, as described in Section 3.07. Any corrective actions taken to avoid such violations shall be performed in accordance with Section 3.07.

(e) **Vesting.** A Participant shall have a fully vested, nonforfeitable right to any benefits derived from Company Matching Contributions, subject to the forfeiture provisions of Section 3.07 and Paragraph 3.14(c).

3.04 **Company Core Contributions.** Effective as of the Retirement Program Change Effective Date, each Core Contribution Participant shall receive Company Core Contributions from the Employer in accordance with the following provisions:

(a) **Formula.** The Employer shall allocate a Company Core Contribution at least annually to the account of each eligible Participant at any time during the Plan Year in accordance with the following schedule:

<u>Years of Service</u>	<u>Amount of Company Core Contributions</u>
Less than 10 Years of Service	4% of Annual Salary
10-19 Years of Service	5% of Annual Salary
20 or more Years of Service	6% of Annual Salary

(b) Notwithstanding the foregoing, Annual Salary for purposes of determining the amount of Company Core Contributions under (a), above, shall not include any Annual Salary earned by a Participant before the Participant became eligible to receive Company Core Contributions.

3.05 **Company Core Contribution Vesting Rules.** A Participant's Company Core Contributions and related investment earnings and losses shall be subject to the following vesting rules:

(a) **Vesting Schedule.** Effective on and after October 1, 2007, a Participant who is an Employee shall have a vested, nonforfeitable right to the portion of a Participant's account attributable to Company Core Contributions, including any related investment earnings and losses, according to the following vesting schedule, or, if earlier, after attaining Normal Retirement Age while employed by the Employer or an Affiliated Company:

<u>Years of Vesting Service</u>	<u>Percent Vested</u>
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5	100%

Prior to October 1, 2007, a Participant who is an Employee would have a fully vested, nonforfeitable right to the portion of a Participant's account attributable to Company Core Contributions, including any related investment earnings and losses, after completing at least 5 Years of Vesting Service, or, if earlier, after attaining Normal Retirement Age while employed by the Employer or an Affiliated Company.

**(b) Forfeitures.**

(i) If a Participant is not fully vested in Company Core Contributions as described in (a) above at the time he incurs a Severance from Service Date, the unvested portion of the Participant's account attributable to Company Core Contributions and related investment earnings and losses shall be forfeited as of the earlier of:

- (A) the date on which he receives a distribution of his entire vested interest in his account; or
- (B) the date on which he incurs five consecutive Periods of Severance.

(ii) A Participant who has no portion of his account attributable to Company Matching Contributions or Participant Before-Tax Contributions and whose vested interest in the portion of his account attributable to Company Core Contributions is zero shall be deemed to have received a distribution of his account as of his Severance from Service Date.

(iii) If a Participant is rehired by the Employer or an Affiliated Company before incurring five consecutive Periods of Severance, any amount forfeited under subsections (i) or (ii) shall be restored to his account as soon as administratively practicable. Such restoration shall be made from currently forfeited amounts in accordance with subsection (iv), or from additional contributions by the Employer and shall be invested in the Qualified Default Investment Alternative.

(iv) Amounts forfeited shall be used to first restore future amounts required to be restored in accordance with subsection (iii) with respect to the Plan Year. After such restoration, if any, is made, such amounts shall be used to reduce future Company Core Contributions and Company Matching Contributions made by the Employer by which the former Participant was employed, or to defray administrative costs of the Plan as determined by the Company.

3.06 **Timing of Contributions.** Before-Tax, After-Tax and Catch-up Contributions shall be transferred to the Trustee as soon as practicable following the date on which the Participant's pay is reduced by the amount of the contribution. Company Matching Contributions and Company Core Contributions shall be transferred to the Trustee at least annually, but in all cases no later than the last date on which amounts so paid may be deducted for federal income tax purposes for the taxable year of the Employer in which the Plan Year ends.

3.07 **Nondiscrimination Limitations and Corrective Measures.**

(a) For purposes of this Section 3.07, the following terms shall have the meanings indicated below:

(i) **Actual Contribution Percentage.** The Actual Contribution Percentages for a Plan Year for the group of all Highly Compensated Employees and for the group of all Nonhighly Compensated Employees respectively are the averages,

calculated to the nearest one-hundredth of a percentage point (.01%), of the ratios, calculated separately to the nearest one-hundredth of a percentage point (.01%) for each Employee in the respective group, of the amount of Company Matching Contributions and After-Tax Contributions (and any Qualified Non-Elective Contribution made under Paragraph 3.07(c)(x) for purposes of satisfying the Actual Contribution Percentage Test) made to the Plan on behalf of each such Employee for such Plan Year, to the Employee's Compensation for such Plan Year, whether or not the Employee was a Participant for the entire Plan Year. The Actual Contribution Percentage calculation may include Before-Tax Contributions, excluding Catch-up Contributions, so long as: (A) the Actual Deferral Percentage Test is met before such Before-Tax Contributions are used in the Actual Contribution Percentage Test, and continues to be met following the exclusion of those Before-Tax Contributions that are used to meet the Actual Contribution Percentage Test and (B) the requirements of Treasury Regulation §1.401(m)-1(b)(5) are satisfied. For purposes of determining the Actual Contribution Percentage, only those Employees who are eligible to elect After-Tax Contributions or to receive Company Matching Contributions for all or a portion of the applicable Plan Year, or who would be so eligible absent a suspension in accordance with the terms of the Plan, are taken into account; any such Employee who would be a Participant if such Employee made an After-Tax Contribution or had a Before-Tax Contribution made on his behalf shall be treated as an eligible Employee on behalf of whom no After-Tax Contributions or Company Matching Contributions are made.

For purposes of this Section, and except as otherwise provided in Treasury regulations, if the Plan and any other plan are aggregated for purposes of Code Section 410(b) (other than for purposes of the average benefit percentage test), such plans (including the Plan) shall be treated as one (1) plan for purposes of calculating the Actual Contribution Percentage. Except as otherwise provided in Treasury regulations, if any Highly Compensated Employee who is a Participant in this Plan also participates in any other plan of the Employer to which employee or matching contributions are made, all such plans (including the Plan) shall be treated as one (1) plan with respect to such Participant.

(ii) **Actual Contribution Percentage Test** means the test described in Paragraph 3.07(b)(ii).

(iii) **Actual Deferral Percentage.** The Actual Deferral Percentages for a Plan Year for the group of all Highly Compensated Employees and for the group of all Nonhighly Compensated Employees respectively are the averages, calculated to the nearest one-hundredth of a percentage point (.01%), of the ratios, calculated separately to the nearest one-hundredth of a percentage point (.01%) for each Employee in the respective group, of the amount of Before-Tax Contributions, excluding Catch-up Contributions (and Qualified Non-Elective Contributions made under Paragraph 3.07(c)(x) for purposes of satisfying the Actual Deferral Percentage Test), paid under the Plan on behalf of each such Employee for such Plan Year, including Excess Deferrals, to the Employee's Compensation for such Plan Year (whether or not the Employee was a Participant for the entire Plan Year) but excluding Before-Tax Contributions that are taken into account in the Actual Contribution Percentage Test. Only those Employees who are eligible to elect Before-Tax Contributions for all or a portion of the applicable Plan Year, or who would be so eligible absent a suspension in accordance with the terms of the Plan, are taken into account; any such Employee who would be a Participant but for the failure to have Before-Tax Contributions made on his behalf shall be treated as an eligible Employee on whose behalf no Before-Tax Contributions are made.

For purposes of this Section and except as otherwise provided in Treasury regulations, if the Plan and any other plan which includes a cash or deferred arrangement (within the meaning of Code Section 401(k)) are aggregated for purposes of Code Section 410(b) (other than for purposes of the average benefit percentage test), the cash or deferred arrangements in such plans (including the Plan) shall be treated as one (1) plan for purposes of calculating the Actual Deferral Percentage. Except as otherwise provided in Treasury regulations, if any Highly Compensated Employee who is a Participant in this Plan also participates in any other cash or deferred arrangement (within the meaning of Code Section 401(k)) of the Company or an Affiliated Company, all such cash or deferred arrangements (including under the Plan) shall be treated as one (1) cash or deferred arrangement with respect to such Participant.

(iv) **Actual Deferral Percentage Test** means the test described in Paragraph 3.07(b)(i).

(v) **Compensation** shall mean, except as otherwise provided in the definition of “Highly Compensated Employee”, a definition of compensation which satisfies Code Section 414(s) and regulations thereunder, and which is consistently used in any one Plan Year for purposes of this Section 3.07.

(vi) **Excess Aggregate Contributions** mean, with respect to any Highly Compensated Employee for a Plan Year, the excess of:

- (A) The total After-Tax Contributions and Company Matching Contributions (and, where applicable, Before-Tax Contributions, taken into account under the Actual Contribution Percentage Test) made on behalf of such Highly Compensated Employee taken into account in computing the Actual Contribution Percentage for such Plan Year, over
- (B) The maximum amount of After-Tax Contributions and Company Matching Contributions (and, where applicable, Before-Tax Contributions, taken into account under the Actual Contribution Percentage Test) on behalf of such Highly Compensated Employee which are permitted by the Actual Contribution Percentage Test.

(vii) **Excess Contributions** mean, with respect to any Highly Compensated Employee for a Plan Year, the excess of:

- (A) The total Before-Tax Contributions made on behalf of such Highly Compensated Employee taken into account in computing the Actual Deferral Percentage of Highly Compensated Employees for such Plan Year, over



- (B) The maximum amount of such Before-Tax Contributions, excluding Catch-up Contributions, on behalf of such Highly Compensated Employee which are permitted by the Actual Deferral Percentage Test.

(viii) **Excess Deferrals** mean the Before-Tax Contributions that are includible in a Participant's gross income because they have exceeded the dollar limitation contained in Code Section 402(g).

(ix) **Highly Compensated Employee** means any Employee who performs service for the Company or an Affiliated Company during the determination year (as defined below) and who was: (A) a Five-Percent Owner at any time during the current or preceding Plan Year, or (B) for the preceding Plan Year had Compensation from the Employer or an Affiliated Company in excess of \$115,000 (as adjusted pursuant to Code Section 414(q)). At the election of the Plan Administrator and, as provided for in Exhibit III, in a manner consistent with Code Section 414(q) and any regulations or other IRS pronouncements thereunder, clause (B) in the preceding sentence can be limited to those Employees who are in the top twenty percent (20%) of Employees ranked on the basis of compensation for such look-back year. At the election of the Plan Administrator, as provided for in Exhibit III, Compensation for the purpose of this Paragraph 3.07(a)(ix) may be determined on the basis of a calendar year, rather than the Plan Year.

(x) To the extent required by applicable law "Highly Compensated Employee" shall also include a highly compensated former employee, which is any employee who separated from service prior to the current Plan Year and who was either a Highly Compensated Employee in any determination year ending on or after the Employee's attainment of age fifty five (55).

For purposes of this definition, Compensation is as defined in Code Section 415(c)(3).

(xi) **Nonhighly Compensated Employee** means any employee who is not a Highly Compensated Employee.

(xii) **Qualified Non-Elective Contributions** mean contributions made by the Company described in Paragraph 3.07(c)(x).

(xiii) **Five Percent Owner** means an Employee who shall be considered to be a Five Percent Owner for any Plan Year if at any time during such year such Employee was a five percent owner of the Employer, determined in accordance with the rules of Code Section 416(i)(1).

(b) **Nondiscrimination Tests.**

(i) **Actual Deferral Percentage Test.** Notwithstanding any provision herein to the contrary, the Actual Deferral Percentage for the group of all eligible Highly Compensated Employees for each Plan Year must not exceed the greater of:

- (A) the Actual Deferral Percentage for the previous Plan Year for the group of all eligible Nonhighly Compensated Employees multiplied by 1.25; or
- (B) the Actual Deferral Percentage for the previous Plan Year of such group of Nonhighly Compensated Employees multiplied by 2.0, but in no event more than two (2) percentage points greater than the Actual Deferral Percentage for the previous Plan Year of such group of Nonhighly Compensated Employees.

The Vice President - Human Resources, by written notice to the Plan Administrator may elect to entirely exclude from the Actual Deferral Percentage test those Employees who could be excluded from participation under the minimum age and service requirements of Code Section 410(a)(1)(A) ("early participation employees"), other than those early participation employees who are Highly Compensated Employees, to the extent permitted under Code Section 401(k)(3)(F). Any such election shall be reflected in Exhibit III.

The Actual Deferral Percentage test set forth in this Paragraph 3.07(b)(i) shall be performed in accordance with Code Section 401(k), the regulations thereunder, and any related IRS pronouncements, including IRS Notice 98-1 to the extent applicable. The Actual Deferral Percentage test set forth in this Paragraph 3.07(b)(i) may be performed with current year Non-Highly Compensated Employee data, rather than prior year data, if so elected by the Employer. Any such election shall be made by the Vice-President - Human Resources and shall be reflected in Exhibit III.

(ii) **Actual Contribution Percentage Test.** Notwithstanding any provision herein to the contrary, the Actual Contribution Percentage for the group of all eligible Highly Compensated Employees for each Plan Year must not exceed the greater of:

- (A) The Actual Contribution Percentage for the previous Plan Year for the group of all eligible Nonhighly Compensated Employees multiplied by 1.25; or
- (B) The Actual Contribution Percentage for the previous Plan Year of such group of Nonhighly Compensated Employees multiplied by 2.0, but in no event more than two (2) percentage points greater than the Actual Contribution Percentage for the previous Plan Year of such group of Nonhighly Compensated Employees.

The Vice President - Human Resources, by written notice to the Plan Administrator may elect to entirely exclude from the Actual Contribution Percentage Test those Employees who could be excluded from participation under the minimum age and service requirements of Code Section 410(a)(1)(A) ("early participation employees"), other than those early participation employees who are Highly Compensated Employees, to the extent permitted under Code Section 401(m)(5)(C). Any such election shall be reflected in Exhibit III.

The Actual Contribution Percentage test set forth in this Paragraph 3.07(b)(ii) shall be performed in accordance with Code Section 401(m), the regulations thereunder, and any related IRS pronouncements, including IRS Notice 98-1 to the extent applicable. The Actual Contribution Percentage test set forth in this

Paragraph 3.07(b)(ii) may be performed with current year Non-Highly Compensated Employee data, rather than prior year data, if so elected by the Employer. Any such election shall be made by the Vice President - Human Resources and shall be reflected in Exhibit III.

(iii) For purposes of Paragraph 3.07(b), a Participant is a Highly Compensated Employee for a particular Plan Year if he or she satisfies the definition of a Highly Compensated Employee in effect for that Plan Year. Similarly, a Participant is a Nonhighly Compensated Employee for a particular Plan Year if he or she does not satisfy the definition of a Highly Compensated Employee in effect for that Plan Year.

(c) Notwithstanding any other provision of the Plan to the contrary, the percentages of Annual Salary specified by a Participant in his Deferral Election shall be subject to adjustment or other corrective measures by the Plan Administrator at any time and from time to time as follows:

(i) Before-Tax Contributions, excluding Catch-up Contributions, shall not be accepted with respect to any Participant for a calendar year to the extent such Before-Tax Contributions, together with any other elective contributions of the Participant to a plan maintained by the Company or an Affiliated Company, exceed \$9,500 (as adjusted in accordance with Code Section 402(g)); accordingly, the Plan Administrator shall adjust downward the percentage of Annual Salary specified by a Participant in his Deferral Election to be contributed to the Plan as Before-Tax Contributions, as may be necessary to prevent such Excess Deferrals.

(ii) Before-Tax Contributions, excluding Catch-up Contributions, for any Plan Year must satisfy the Actual Deferral Percentage Test; accordingly, the Plan Administrator shall adjust downward the percentage of Annual Salary specified by a Participant in his Deferral Election, to the extent which the Plan Administrator in his sole discretion determines is necessary to maintain the Plan's compliance with the Average Deferral Percentage Test.

(iii) After-Tax Contributions and Company Matching Contributions for any Plan Year must satisfy the Actual Contribution Percentage Test (after taking into account any Before-Tax Contributions included in such test pursuant to Paragraph 3.07(a)(i)); accordingly, the Plan Administrator shall adjust downward the percentage of Annual Salary specified by a Participant in his Deferral Election to be contributed under Paragraph 3.02(b), to the extent which the Plan Administrator in his sole discretion determines is necessary to maintain the Plan's compliance with the Actual Contribution Percentage Test.

(iv) When a downward adjustment has been made pursuant to Paragraph (i), (ii), or (iii) above, the Plan Administrator may thereafter adjust any such percentage upward to bring it up to or closer to the percentage specified in the Participant's most recent Deferral Election whenever the Plan Administrator determines that such an upward adjustment can be made without exceeding the limits described in Paragraph (i), (ii), or (iii). In the event of such upward adjustment, each affected Participant shall be given the opportunity to affirmatively elect to have such higher percentage apply to him.

(v) Any downward or upward adjustment in the percentage of Annual Salary specified by a Participant in his Deferral Election to be contributed to the Plan as Before-Tax Contributions other than Catch-up Contributions shall, with the Participant's consent and unless the Plan Administrator directs otherwise, result in a corresponding increase or decrease, respectively, in After-Tax Contributions to be contributed to the Plan to the extent permitted under Paragraph (iii) or, if the Participant is eligible, Catch-up Contributions.

(vi) If, after application of the above provisions of Paragraph 3.07(c), Excess Deferrals are made to the Plan, such Excess Deferrals shall be re-characterized as Catch-up Contributions to the extent that a Participant who is eligible to make Catch-up Contributions has not reached the applicable Catch-up Contribution limit for the calendar year described in Section 3.02(c). Any Excess Deferrals remaining after application of the preceding sentence shall be returned to the

Participant with earnings through the end of the calendar year in accordance with Treasury Regulation §1.402(g)-1, no later than April 15 following the close of the calendar year in which such contributions were made. Distributions shall first be made from Unmatched Contributions, excluding Catch-up Contributions, then from Matched Contributions. The return of any Matched Contributions shall be accompanied by a forfeiture of the related Company Matching Contributions and any income attributable thereto. Such forfeited amounts shall be held by the Trustee in a suspense account and applied towards subsequent Company Matching Contributions.

(vii) After the close of a calendar year, but no later than the last Business Day before April 15 (or such earlier date required by Treasury regulations) following such calendar year, a Participant who was also a participant in another plan to which the limitation on deferrals described in Code Section 402(g) applies may notify the Plan Administrator that the Participant has had deferrals contributed to the Plan and such other plan in excess of such limitation for such preceding calendar year and shall inform the Plan Administrator of the amount of such Excess Deferrals. Such Participant may request a distribution of such Excess Deferrals. Such Excess Deferrals shall first be re-characterized as Catch-up Contributions to the extent that a Participant who is eligible to make Catch-up Contributions has not reached the applicable Catch-up Contribution limit for the calendar year described in Section 3.02(c). Any Excess Deferrals remaining after application of the preceding sentence shall be distributed with the earnings attributable thereto through the end of the calendar year in accordance with Treasury Regulation §1.402(g)-1 no later than the April 15 following such notification. Distributions shall first be made from Unmatched Contributions, excluding Catch-up Contributions, and the return of any Matched Contributions shall be accompanied by a forfeiture of the related Company Matching Contributions and any income attributable thereto. Such forfeited amounts shall be held by the Trustee in a suspense account and applied towards subsequent Company Matching Contributions.

(viii) If, after application of the above provisions of Paragraph 3.07(c), Excess Contributions are made to the Plan, such Excess Contributions shall be re-characterized as Catch-up Contributions to the extent that a Participant who is eligible to make Catch-up Contributions has not reached the applicable Catch-up Contribution limit for the calendar year described in Section 3.02(c). Any Excess Contributions and the earnings attributable thereto through the end of the calendar year remaining after application of the preceding sentence shall be distributed to Highly Compensated Employees making such Excess Contributions no later than December 15 following the close of such Plan Year. The Highly Compensated Employee with the largest amounts of Before-Tax Contributions shall have his Before-Tax Contributions, excluding Catch-up Contributions, reduced to the greater of: (A) the highest dollar amount of Before-Tax Contributions, excluding Catch-up Contributions, that can be made without violating the limit of Paragraph 3.07(b)(i), or (B) the next highest dollar amount of Before-Tax Contributions, excluding Catch-up Contributions, of any other Highly Compensated Employee. Such process is repeated until Paragraph 3.07 (b)(i) is satisfied in accordance with Treasury Regulation §1.401(k)-1(f)(4)(ii). Distributions shall first be made from Unmatched Contributions, excluding Catch-up Contributions, then from Matched Contributions. The return of any Matched Contributions shall be accompanied by a forfeiture of the related Company Matching Contributions and any income attributable thereto. Such forfeited amounts shall be held by the Trustee in a suspense account and applied towards subsequent Company Matching Contributions.

(ix) If, after application of the above provisions of Paragraph 3.07(b)(ii), Excess Aggregate Contributions are made to the Plan, such Excess Aggregate Contributions shall be re-characterized as Catch-up Contributions to the extent that a Participant who is eligible to make Catch-up Contributions has not reached the applicable Catch-up Contribution limit for the calendar year described in Section 3.02(c). Any Excess Aggregate Contributions and the earnings attributable thereto through the end of the calendar year remaining after application of the preceding sentence shall be distributed to Highly Compensated Employees making such Excess Aggregate Contributions no later than December 15 following the close of the Plan Year. The Highly Compensated Employee with the largest amounts of contributions taken into account in computing the Actual Contribution Percentage Test (“ACP contributions”) shall have his ACP contributions reduced to the greater of: (A) the

highest dollar amount of ACP contributions that can be made without violating the limit of Paragraph 3.07(b)(ii), or (B) the next highest dollar amount of ACP contributions of any other Highly Compensated Employee. Such process is repeated until Paragraph 3.07(b)(ii) is satisfied in accordance with Treasury Regulation §1.401(m)-1(e)(3)(iv). To the extent permitted by such regulation, After-Tax Contributions and any Company Matching Contributions attributable thereto shall be distributed first.

(x) Notwithstanding any other provision of this Section 3.07 or of the Plan to the contrary, the Employer may, by action of the Company, determine to make a special Employer contribution (a "Qualified Non-Elective Contribution") to the Plan for the account of certain Participants who are Nonhighly Compensated Employees in order to maintain the Plan's compliance with the non-discrimination requirements of Code Sections 401(k) and 401(m) and in lieu of (or in combination with) making the adjustment in the percentage of Annual Salary specified by Participants in their Deferral Elections or returning Contributions as provided in this Section 3.07. Any such Qualified Non-Elective Contribution shall be in such amount as is determined by the Company and will be allocated as determined by the Company to the individual accounts of Participants who are Nonhighly Compensated Employees and who actively contributed to the Plan during, and are Employees at the end of, the Plan Year for which such contribution is made. Any such Qualified Non-Elective Contribution shall be nonforfeitable and shall be treated for all purposes as a Before-Tax Contribution under the Plan, including for purposes of the limitations on distribution described in this Article 3, except that such contribution shall not be applied against or counted for purposes of determining compliance with the percent limitation on Before-Tax Contributions in Section 3.02, the combined percent limitation on Before-Tax Contributions and After-Tax Contributions contained in Section 3.02, or the limitation on Before-Tax Contributions contained in this Section 3.07. Any such Qualified Non-Elective Contribution shall be made to the Trustee no later than the last day of the Plan Year next succeeding the Plan Year for which the contribution is made, and may be made in whole or in part in cash or in shares of Company Stock. Payment of any such Qualified Non-Elective Contribution (whether in the form of cash or Company Stock) for a Plan Year which is made by the Employer after the close of such Plan Year shall be treated by the Plan in the same manner as if it were received on or before the last day of such Plan Year.



**3.08 In- Service Withdrawals by Participants of After-Tax Contributions, Rollover Contributions, Company Matching Contributions, Before-Tax and Catch-up Contributions.** The following Section 3.08 shall apply with respect to a Participant who has not separated from service with the Employer.

(a) **Age 59 1/2 Withdrawal.** Upon attainment of age 59 1/2 and upon application to the Trustee, a Participant may withdraw all available amounts credited to any After-Tax Contributions account, to any Rollover Contributions Account, to any Company Matching Contributions Account or to any Before-Tax Contributions Account. The Plan Administrator shall withdraw the amount requested first from all available funds in any After-Tax Contributions account, second from all available funds in any Rollover Contributions Account, third from all available funds in any Company Matching Contributions Account, and finally from all available funds in any Before-Tax Contributions Account.

(i) An individual who attains age 59 1/2 may take such Age 59 1/2 Withdrawal once during each 12 month period. Any individual who attains age 59 1/2 and who takes such Age 59 1/2 Withdrawal during a twelve month period, if applicable, remains eligible to take an additional distribution pursuant to Section 3.08(b),(c),(d), and (e) during such 12 month period.

(ii) An individual who takes an Age 59 1/2 Withdrawal shall not have his election to make Before-Tax Contributions, including Catch-up Contributions, or After-Tax Contributions be affected by such withdrawal.

(b) **Hardship Withdrawal.** Upon application to the Trustee, a Participant who qualifies for a hardship withdrawal may withdraw all available amounts credited to any After-Tax Contributions account, to any Rollover Contributions Account, to any Company Matching Contributions Account or to any Before-Tax Contributions Account. The Plan Administrator shall withdraw the amount requested first from all available funds in any After-Tax Contributions account, second from all available funds in any Rollover Contributions Account, third from all available funds in any Company Matching Contributions Account, and finally from all available funds in any Before-Tax Contributions Account.

(i) A withdrawal will be deemed to constitute a hardship withdrawal if: (1) the Participant has an immediate and heavy financial need; and (2) a distribution from the Plan is necessary to meet that need. A Participant will be treated as having an immediate and heavy financial need only if the funds are required to cover one of the following:

- (A) Expenses for medical care described in Code Section 213(d) previously incurred by the Participant or the Participant's spouse or dependents (as defined in Code Section 152) or necessary for these persons to obtain such medical care, or, effective October 1, 2007, expenses for medical care previously incurred by a primary Beneficiary of the Participant or expenses necessary for a primary Beneficiary to obtain such medical care;
- (B) Costs directly related to the purchase (excluding mortgage payments) of a principal residence for the Participant;
- (C) Post-secondary education tuition, related educational fees, and room and board expenses for the Participant or the Participant's spouse, children, or other dependents (as defined in Code Section 152) for the next twelve (12) months, or, effective October 1, 2007, such fees and expenses for a primary Beneficiary of the Participant for the next twelve (12) months;
- (D) Payment of amounts necessary to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of the Participant's principal residence;
- (E) Effective October 1, 2006, payments for funeral or burial expenses for a deceased parent, spouse, child or dependent, and effective October 1, 2007, such payments for a primary Beneficiary of the Participant;
- (F) Effective October 1, 2006, repair to a principal residence for damage that would qualify for the casualty deduction under Code Section 165 (determined without regard to whether the loss exceeds 10 percent of adjusted gross income); or

(G) Any other purposes for which the Internal Revenue Service specifically determines, under the authority given to it under Treasury Regulation §1.401(k)-1(d)(3)(v), that such circumstances constitute an immediate and heavy financial need.

(ii) For the purposes of this section, a “primary Beneficiary” is an individual who is named as a Beneficiary under the Plan and has an unconditional right to all or a portion of the Participant’s account balance under the Plan upon the death of the Participant.

(iii) If an immediate and heavy financial need is deemed to exist, a distribution from the Plan will be deemed necessary to meet such need if, and only if, the following conditions are met:

- (A) the distribution is not in excess of the amount of the immediate and heavy financial need of the Participant, including amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution;
- (B) the Participant has obtained all distributions, other than hardship distributions, and has applied for all nontaxable (at the time of the loan) loans currently available under all plans maintained by the Company or an Affiliated Company; and
- (C) the Participant will be prohibited from making elective contributions (as defined in Treas. Reg. §1.401(k)-6) or receiving employer contributions (as defined in Treas. Reg. §1.401(m)-1(f)(6)) to any qualified or non-qualified deferred compensation plans maintained by the Company or an Affiliated Company (as determined in accordance with Treas. Reg. §1.401(k)-1(d)(3)(iv)(E)(2)) for six (6) months commencing as soon as administratively possible following the hardship withdrawal.

(iv) No hardship withdrawal of earnings on Before-Tax or Catch-up Contributions shall be permitted to the extent that such earnings are attributable to periods after December 31, 1988.

(c) **Qualified Reservist Distribution.** Upon application to the Trustee, a Participant who meets the requirements of Code Section 72(t)(2)(G)(iii) may withdraw all or a portion of the amounts available in any Before-Tax Contributions Account. Any individual who meets the requirements to receive a Qualified Reservist Distribution and who takes such Qualified Reservist Distribution during a twelve month period, if applicable, remains eligible to take an additional distribution pursuant to Section 3.08(a), (b), (c), (d), and (e) during such 12 month period. An individual who takes a Qualified Reservist Distribution shall not have his election to make Before-Tax Contributions, including Catch-up Contributions, or After-Tax Contributions be affected by such withdrawal.

(d) **Heroes Earnings Assistance and Relief Tax Act of 2008.** A Participant who meets the requirements of Section 3.16(d) shall have a distribution event pursuant to Section 3.10. A Participant who takes such distribution will be prohibited from making elective contributions (as defined in Treas. Reg. §1.401(k)-6) or receiving employer contributions (as defined in Treas. Reg. §1.401(m)-1(f)(6)) to any qualified or non-qualified deferred compensation plans maintained by the Company or an Affiliated Company (as determined in accordance with Treas. Reg. §1.401(k)-1(d)(3)(iv)(E)(2)) for six (6) months commencing as soon as administratively possible following such distribution.

(e) **Other In-Service Withdrawals.**

(i) **After-Tax Contributions.** Upon application to the Trustee at any time no sooner than twelve (12) months after any earlier withdrawal by such Participant of After-Tax Contributions under Section 3.08(e)(i), Rollover Contributions under Section 3.08(e)(ii), or Company Matching Contributions under Section 3.08(e)(iii), a Participant may withdraw amounts then credited to his After-Tax Contributions account but excluding earnings on these amounts and provided such amounts have been in the Plan for at least two years.

There shall be no suspension of the withdrawing Participant's right to make Before-Tax Contributions or After-Tax Contributions following a withdrawal under this Paragraph 3.08(e)(i).

(ii) **Rollover Contributions.** Upon application to the Trustee at any time no sooner than twelve (12) months after any earlier withdrawal by him under this Section 3.08(e)(ii), After-Tax Contributions under Section 3.08(e)(i), or Company Matching Contributions under Section 3.08(e)(iii), a Participant may withdraw all or a portion of the amounts then credited to his Rollover Contributions account; provided, however, that such Participant shall first have withdrawn, or shall have applied to make a concurrent withdrawal of all eligible amounts credited to his After-Tax Contributions account. There shall be no suspension of the withdrawing Participant's right to make Before-Tax Contributions or After-Tax Contributions following a withdrawal under this Paragraph 3.08(e)(ii)

(iii) **Company Matching Contributions.** Upon application to the Trustee at any time no sooner than twelve (12) months after any earlier withdrawal by him under this Section 3.08(e)(iii), After-Tax Contributions under Section 3.08(e)(i), or Rollover Contributions under Section 3.08(e)(ii), a Participant may withdraw amounts then credited to his Company Matching Contributions account but excluding earnings on these amounts and provided such amounts have been in the Plan for at least two years; provided, however, that such Participant shall first have withdrawn, or shall have applied to make a concurrent withdrawal of all his eligible After-Tax Contributions and his Rollover Contributions . There shall be no suspension of the withdrawing Participant's right to make Before-Tax Contributions or After-Tax Contributions following a withdrawal under this Paragraph 3.08(e)(iii)

(f) **Before-Tax Contributions.** A Participant cannot withdraw amounts credited to his Before-Tax Contribution accounts, except that a Participant may withdraw all or a portion of such amounts pursuant to Sections 3.08(a), 3.08(b), 3.08(c) and 3.16.

(g) **Withdrawal Procedures.** The Plan Administrator shall establish administrative procedures for obtaining withdrawals.

3.09 **Loans to Participants.** Upon application to the Trustee by a Participant or Beneficiary who is not a Party in Interest, the Plan Administrator may authorize the Trustee to make a loan or loans to such Participant or Beneficiary. Any such loans shall be subject to at least the following requirements:

(a) Loans shall be made available on a uniform and nondiscriminatory basis.

(b) Loans must bear a reasonable interest rate which will be determined by the Plan Administrator and which will be fixed for the term of the loan. All loans will be secured by up to fifty percent (50%) of the borrower's vested Plan accounts (determined as of the time of the loan).

(c) The minimum loan amount is \$1,000.

(d) No loan can be made to the extent that such loan, when added to the outstanding balance of all other loans to the borrower under this Plan and any other plan of the Company or an Affiliated Company, would exceed the lesser of: (i) fifty thousand dollars (\$50,000), reduced by the excess of (A) the highest outstanding balance of loans to the borrower from the Plan and such other plans during the one-year period ending on the day before the date the loan is made over (B) the outstanding loan balance on the date the loan is made, or (ii) one-half of the vested value of the borrower's accounts under this Plan and such other plan(s). In addition, no loan under this Plan, when added to any existing loans hereunder, shall exceed the value of the amounts credited to the borrower's After-Tax Contributions, Before-Tax Contributions, and Company Matching Contributions accounts, plus the borrower's vested Company Core Contribution account.

(e) Any loan shall, by its terms, require repayment within five (5) years unless such loan is used to acquire a dwelling unit which, within a reasonable time (determined at the time the loan is made), will be used as the principal residence, within the meaning of Code Section 121, of the borrower, in which case the loan shall be repaid within such period as may be established by the Vice President – Human Resources. Notwithstanding the above, all loans shall be immediately due and payable upon the Participant's severance from employment with the Company and all Affiliated Companies, unless, at the discretion of the Plan Administrator, such loan is directly rolled over to a qualified plan of a subsequent employer of the Participant pursuant to an agreement between the Company and the subsequent employer. The maximum number of loans which a borrower may have outstanding at one time is one residential and one non-residential loan.

(f) Certain fees apply when obtaining a loan through the Plan. Such fees, as they are in effect from time to time, will be set forth in the Summary Plan Description or in loan documentation provided to the borrower.

(g) Repayment of Participant loans shall be by payroll deduction or other method approved by the Plan Administrator on a level amortized basis with repayments made as specified in the loan documentation, but, in all cases, at least quarterly; except that a borrower may prepay in full the outstanding balance of his loan at any time in accordance with procedures established by the Plan Administrator. Loan repayments may be suspended for one year during a Participant's authorized unpaid leave of absence, or during such other period permitted by applicable law. Loan repayments may be suspended as permitted under Code Section 414(u)(4) for any period in which the Participant is on a qualified military leave.

(h) Loans must be evidenced by a written promissory note. In the event that a borrower fails to make a required payment when due, the loan shall be in default if the borrower fails to become current in his payments within ninety (90) days of such missed payment, or, if earlier, the default date as indicated in the loan documentation. Upon default, the outstanding principal balance of the loan and all accrued interest thereon will be immediately due and payable, and will be satisfied from the borrower's Plan accounts (at such time(s) as permitted by applicable law) upon the occurrence of a Distribution Event or upon the Participant's attainment of age fifty-nine and one-half (59<sup>1/2</sup>).

(i) Each loan shall be a separate investment of the borrower's Plan accounts. The amount of the loan will first reduce the borrower's Before-Tax and Catch-up Contributions accounts, then the borrower's After-Tax Contributions account, then the borrower's Rollover Contributions account, then the borrower's Company Matching Contributions account, and then the borrower's vested Company Core Contributions account. Amounts within the Plan accounts allocated to each Participant Investment Fund also shall be reduced ratably.

(j) Loan repayments, including both principal and interest, will be credited first to the borrower's Company Core Contributions account, if any. After repayments which are equal to the amount by which the borrower's Company Core Contributions account, if any, was reduced to make a loan are credited to the Participant's Company Core Contributions account, loan repayments will be credited to the borrower's Company Matching Contributions account, next to the borrower's Rollover Contributions account, next to the borrower's After-Tax Contributions account, next to the borrower's Catch-Up Contributions account and next to the borrower's Before-Tax Contributions account. All payments shall be allocated among the Participant Investment Funds in accordance with the borrower's most recent investment direction election for new contributions.

Notwithstanding the foregoing, loans made pursuant to this Section 3.09 may be subject to such additional uniform and nondiscriminatory rules as may from time to time be adopted by the Board, the Investment Committee or the Plan Administrator, which rules shall comply with the Code, ERISA, and other applicable law and may impose limitations on, or requirements for obtaining Plan loans which are in addition to or more restrictive than those limitations and requirements set forth above in this Section 3.09.



**3.10 Distributions Following Distribution Events.**

(a) Except as otherwise provided for in Paragraph 3.10(d) herein, after a Distribution Event other than death occurs as to the Participant, the following will apply:

(i) All amounts credited to such Participant's accounts shall be retained in the Plan until the earliest of the Participant's death, the Participant's consent to and application for the Trustee to distribute the aggregate amounts in all of Participant's Plan Accounts to him in a lump sum or the Participant's consent to and application for the Trustee to commence distribution of installment payments of his account to him in accordance with Section 5.01. Notwithstanding the preceding sentence, distributions of a Participant's Plan accounts shall commence no later than April 1 of the calendar year following his attainment of age 70 1/2. Participants who attain age 70 1/2 on or after January 1, 2003, and continue employment with the Employer beyond age 70 1/2 may defer commencement of distribution under this Section until no later than April 1<sup>st</sup> of the calendar year following the calendar year in which the Participant retires. Notwithstanding the above, any required distributions after age 70 1/2 that are due to be paid in calendar year 2009 shall be waived unless an affirmative election to receive the distribution has been made by the Participant.

(ii) In the event that the Participant consents to a lump sum distribution of the aggregate amounts in all of his Plan accounts, by filing an election with the Trustee effective on or after the date of (A) the Participant's termination of employment with the Company or an Affiliated Company, or (B) a Distribution Event as to the Participant, the Participant shall receive a distribution of all amounts credited to such Participant's Plan accounts, in the manner described in Section 5.01. In addition, a second distribution of any amount subsequently credited to a Participant's Company Matching Contributions account in accordance with Section 3.03 or to a Participant's Company Core Contributions account in accordance with Section 3.04 shall be made as soon as practicable after actual receipt by the Trustee of the Company Stock or cash contribution.

(b) In the event of the Participant's death, the Participant's Beneficiary shall receive a distribution of all amounts credited to the Participant's Plan accounts according to the distribution elections provided in Section 5.01. Subject to Paragraph 3.10(d), such distribution shall be made as soon as practicable after the Participant's death.

(c) Notwithstanding the previous paragraphs of this Section 3.10, if the aggregate vested amount credited to the Participant's Plan accounts does not exceed \$1,000, such amount will, subject to Paragraph (d) below, be distributed to the Participant (or, in the case of the Participant's death, the Participant's Beneficiary or Beneficiaries) in the manner provided in Section 5.01.

(d) At least thirty (30) days, but no more than one hundred eighty (180) days, before a distribution is made to a Participant, a Participant shall be given notice of: (1) his ability to delay distribution in accordance with Paragraph 3.10(a)(i) above (if applicable), (2) his ability to elect a direct rollover in accordance with Section 5.03, and (3) for former participants of the IGS Savings Plan, the ability to elect the optional forms of payment as provided in Exhibit II. At least thirty (30) days, but no more than one hundred eighty (180) days, before benefits begin to a Beneficiary (including an alternate payee under a Qualified Domestic Relations Order), such Beneficiary must be given notice of his ability to elect a direct rollover under Section 5.03. A distribution may be made less than thirty (30) days after receipt of the notice required by this Paragraph 3.10(d); provided that: (i) the notice clearly informs the Participant or Beneficiary of the right to consider the decision regarding distribution or direct rollover for a period of thirty (30) days after the notice is provided, and (ii) after receiving the notice, the Participant or Beneficiary waives the thirty (30) day period by electing a distribution.

**3.11 Distributions Pursuant to a Qualified Domestic Relations Order.** Notwithstanding any other provisions of the Plan, following the Plan Administrator's determination that a domestic relations order received by the Plan Administrator and applicable to a Participant and any of such Participant's Plan accounts is a Qualified Domestic Relations Order, such distribution or distributions shall be made from such Participant's Plan account or accounts, in accordance with such Qualified Domestic Relations Order and the Plan's Qualified Domestic Relations Order procedures, and in the manner described in Section 5.01, to the alternate payee or payees specified in such Qualified Domestic Relations Order. If so specified in a Qualified Domestic Relations Order, a distribution to an alternate payee may be made prior to the date on which the Participant attains his "earliest retirement age" (as defined in Code Section 414(p)(4) and ERISA Section 206(d)(3)(E)).

**3.12 Rollovers into the Plan.** Each Employee who is eligible pursuant to Paragraph 3.01(a) to participate in the Plan, and any other Employee who is expected to become eligible to participate in the Plan who has received an eligible rollover distribution described in Code Section 402(c)(4), may make a cash contribution to the Plan (a "Rollover Contribution") of all or a portion of any such rollover distribution, provided that: (a) the acceptance of such Rollover Contribution will not adversely affect the continued qualified status of the Plan, and (b) the Plan Administrator in due course receives all the documentation and other relevant information pertaining to such Rollover Contribution deemed necessary by the Plan Administrator for the proper administration of the Plan. Notwithstanding the above, the Plan does not accept After-Tax Contributions that are a part of an eligible rollover distribution. Any such Rollover Contribution shall not be taken into account for purposes of determining: (i) the limitations set forth in Sections 3.02, 3.07, and 3.14; (ii) whether the Plan is "top-heavy" (as such term is defined in Code Section 416(g), unless the Rollover Contribution originates from the plan of the Company or an Affiliated Company); or (iii) the Company Matching Contributions under Section 3.03. For the period during which an Employee is not otherwise a Participant, such Employee shall be treated as a Participant solely for the purpose of and with respect to such Rollover Contribution.

**3.13 Plan-to-Plan Transfers; Plan Mergers.** At the discretion of the Investment Committee, the Trustee may accept directly from a trustee or custodian any or all of the assets, including outstanding participant loans, held under another plan which is qualified under Code Section 401(a) for the benefit of Participants or any other Employees who are expected to become Participants, either as a part of a transfer of assets from the trust for such other plan or a merger of such other plan with the Plan, provided that: (a) the acceptance of such transferred assets will not adversely affect the continued qualified status of the Plan, (b) the Plan Administrator in due course receives all the documentation and other relevant information pertaining to such transferred assets deemed necessary by the Plan Administrator for the proper administration of the Plan, and (c) any other conditions or requirements which may be established by the Investment Committee or the Plan Administrator are satisfied. Any assets which were held by the transferor plan under a qualified cash or deferred arrangement, as such term is defined in Code Section 401(k), shall be treated as Before-Tax Contributions. Any assets which were held by the transferor plan pursuant to an election to make employee Catch-up Contributions shall be treated as Catch-up Contributions. Any assets which were held by the transferor plan pursuant to an election to make employee after-tax contributions shall be treated as After-Tax Contributions. Any other transferred assets shall be treated as Rollover Contributions for all purposes under the Plan, except that such transferred assets shall not be taken into account for purposes of determining: (i) the limitations set forth in Section 3.02, 3.07, and 3.14; (ii) whether the Plan is “top-heavy” (as such term is defined in Code Section 416(g), unless the transferor plan is a plan of the Company or an Affiliated Company); or (iii) the Company Matching Contributions under Section 3.03.

Notwithstanding any contrary provisions of Section 3.08, the withdrawal by a Participant of any or all of such transferred assets or any other assets derived from the investment thereof shall not result in a suspension of such Participant’s right to make contributions to the Plan or to have contributions made on his behalf under the Plan. Alternate forms of benefits, and other benefits, rights, and features under the transferor or merged plan (including those identified in Section 5.05) shall be continued to the extent required to comply with ERISA and the Code. For the period during which an Employee is not otherwise a Participant, such Employee shall be treated as a Participant solely for the purpose of and with respect to the portion of such transferred assets allocated to his Plan account.

### 3.14 Limitation on Annual Additions to Participants' Accounts.

(a) **Definitions.** For purposes of this Section 3.14, the following definitions shall apply:

(i) **Annual Additions** mean, in the case of this Plan and any other Defined Contribution Plan maintained by the Company or an Affiliated Company, the aggregate of: (A) the amount of Company and Affiliated Company contributions including, but not limited to, Before-Tax Contributions, excluding Catch-up Contributions, and Company Matching Contributions, Company Core Contributions, Qualified Non-Elective Contributions (as defined in Paragraph 3.07(a)(xiii)), and any forfeitures allocated to a Participant's account during the Plan Year but excluding any amounts returned to a Participant under Treasury Regulation §1.402(g)-1(e)(2) or (3), (B) the amount of a Participant's After-Tax Contributions and any other after-tax contributions to a plan of the Company or an Affiliated Company, (C) amounts described in Code Sections 415(l)(1) and 419A(d)(2).

(ii) **Participant's Compensation** means compensation which is paid to the Participant by the Company or an Affiliated Company for the Plan Year and which is required to be reported as wages for Federal income tax purposes on the Participant's Form W-2. Participant's Compensation shall also include any Before-Tax Contributions, and any amount which is contributed or deferred by the Employer at the election of the Participant and which is not includible in the gross income of the Participant under Code Sections 125 or 457. Notwithstanding the above, effective October 1, 2007, "Participant's Compensation" shall not exceed the limitation provided under Code Section 401(a)(17) as adjusted pursuant to Code Section 401(a)(17)(B) for any Plan Year.

(b) **Basic Limitation.** Notwithstanding anything to the contrary contained in this Plan, the Annual Additions allocated to a Participant under the Plan and any other Defined Contribution Plan maintained by the Company or an Affiliated Company in respect of any Plan Year (which shall be the limitation year) shall not exceed in the aggregate the lesser of \$40,000 (as adjusted by Code Section 415(d)) or 100% of the Participant's Compensation for such Plan Year.

(c) **Additional Rules.** Notwithstanding the foregoing, effective for plan years beginning before October 1, 2007, if the Participant's Annual Addition to this Plan for any Plan Year would exceed the limitations of this Section 3.14 because of the allocation of forfeitures, a reasonable error in estimating a Participant's Compensation, a reasonable error in estimating the amount of Before-Tax Contributions, or for other reasons as permitted by the Commissioner of Internal Revenue, the excess of such Annual Addition over the amount which is permissible under this Section 3.14 shall be disposed of as follows: After-Tax Contributions and, if necessary, Before-Tax Contributions (in that order), and gains or other earnings allocable thereto, to the extent they would reduce the excess amount, will be returned to the Participant, while any Company Matching Contributions attributable thereto and any earnings on such Company Matching Contributions shall be forfeited, placed in a suspense account, and applied towards subsequent Company Matching Contributions. For Plan Years beginning on and after October 1, 2007, any correction of excess contributions will be made pursuant to Section 7.04.

3.15 **Application of Top-Heavy Provisions.** The Plan will be a top-heavy plan if: (a) the Plan is not required to be aggregated with any other plan under Paragraph 3.15(b)(i), and if the sum of the accounts of Participants who are "Key Employees" exceeds 60 percent of the sum of the accounts of all employees (subject to adjustment below), or (b) if the Plan must be aggregated with one or more other plans under Paragraph 3.15(b)(ii), and if the Plan is part of a top-heavy group; provided, however, that the Plan will not be a top-heavy plan if it is a member of a group of plans described in Paragraph (b)(iii) below which is not a top-heavy group. In the event that the Plan becomes top-heavy, the minimum benefit requirement of Paragraph 3.15(e) shall become applicable.

The date for determining the applicability of this Section 3.15 for any Plan Year is the last day of the preceding Plan Year ("determination date").

The date for determining the value of the employees' accounts ("valuation date") shall be the determination date.

(a) **Key Employees.** For purposes of this Section 3.15, the term "Key Employee" means any employee or former employee (or a beneficiary of either in the event that such employee or former employee is deceased) who at any time during a Plan Year or any of the four preceding Plan Years is:

(i) An officer of the Company or an Affiliated Company having annual compensation greater than \$130,000 (as adjusted by Code Section 416(i)(1)(A)); provided, however, that no more than the lesser of (A) fifty (50) employees, or (B) the greater of three (3) employees or 10 percent of all employees are to be treated as officers;

(ii) A 5 percent owner of the Company or an Affiliated Company; or

(iii) A 1 percent owner of the Company or an Affiliated Company having an annual compensation of more than one hundred fifty thousand dollars (\$150,000).

For purposes of this Paragraph 3.15(a), an employee's compensation shall mean compensation as determined under Code Section 414(q)(4).

An employee shall be considered to own more than a 5 percent interest if the employee owns more than 5 percent of the Company's or an Affiliated Company's outstanding stock or stock possessing 5 percent of the total combined voting power of all of the stock of the Company or an Affiliated Company. An employee shall also be treated as owning stock owned by certain members of the employee's family as provided in Code Section 318, as modified by Code Section 416(i)(1)(B). The same rules shall apply to determine whether an employee is a 1 percent owner. If an employee ceases to be a Key Employee, such employee's account shall be disregarded as an account of a Participant who is a Key Employee under the top-heavy plan computation for any Plan Year following the last Plan Year for which such employee was treated as a Key Employee.

(b) **Top-Heavy Group.** For purposes of determining whether the Plan is part of a top-heavy group as referred to above in this Section 3.15, the following rules shall apply:

(i) All plans maintained by the Company or an Affiliated Company which cover a Key Employee and any other plan which enables a plan covering a Key Employee to meet the requirements of Code Sections 401(a)(4) or 410 shall be aggregated to determine whether the plans, as a group, constitute a top-heavy group.

(ii) An aggregation group shall be a top-heavy group if, as of the determination date, the sum of (A) the accounts of Key Employees under all defined contribution plans included in the group and (B) the present value of the accumulated accrued benefits for Key Employees under all defined benefit plans in the group, exceeds 60 percent of the sum of such accounts and present values for all employees under all such plans in the group. If the aggregation group is not a top-heavy group, no plan in the aggregation group shall be a top-heavy plan.

(iii) In any Plan Year, in testing for top-heaviness under this Paragraph 3.15(b), the Employer may in its discretion expand the aggregation group to take into account any other plan maintained by it or an Affiliated Company, so long as such expanded aggregation group continues to meet the requirements of Paragraphs 401(a)(4) and 410 of the Code. If the expanded aggregation group is not a top-heavy group (as determined in accordance with the preceding paragraph), no plan in such expanded aggregation group shall be a top-heavy plan.

(c) **Additional Rules.** In determining the present value of the accumulated accrued benefits under a Defined Benefit Plan and the sum of the account balances under a Defined Contribution Plan, both Company and Affiliated Company contributions and employee contributions shall be taken into account. The present



value of the accrued benefit in a Defined Benefit Plan or the account balance in a Defined Contribution Plan shall include any amount distributed to an employee within the one-year period ending on the determination date for the Plan Year, except for in-service withdrawals. The present value of the accrued benefit in a Defined Benefit Plan shall be calculated for any employee other than a Key Employee under (a) the method, if any, that uniformly applies for accrual purposes under all plans maintained by the Company or an Affiliated Company, or (b) if there is no such method, an accrual rule rate which is not more rapid than the slowest accrual rate allowed under the fractional accrual rate of Code Section 411(b)(1)(C). If there is more than one Defined Benefit Plan in an aggregation group, the actuarial assumptions used for such Defined Benefit Plans must be the same. If an employee has not performed services for the Company or an Affiliated Company during the one-year period ending on the determination date for the Plan Year, any accrued benefit or account balance for such individual shall not be taken into account.

(d) **Vesting Requirements.** If this Plan is determined to be top-heavy in any Plan Year under the provisions of this Section 3.15, account balances will be or become fully vested in accordance with the vesting schedules under Sections 3.02, 3.03, and 3.05, or, if earlier, after a Participant completes at least three (3) Years of Vesting Service.

(e) **Minimum Benefit.** If this Plan is determined to be top-heavy in any Plan Year under the provisions of this Section 3.15, then the Employer's contribution for such Plan Year to be allocated to each Participant who is not a Key Employee and is not covered by a collective bargaining agreement in such Plan Year shall not be less than three (3) percent of such Participant's compensation (as defined in Treasury Regulation §1.415(c)-2) or such lesser percentage (taking into account Before-Tax Contributions, excluding Catch-up Contributions, and Company Matching Contributions and Company Core Contributions) as may be made with respect to the Key Employee who had the highest such percentage in such Plan Year.

### 3.16 Heroes Earnings Assistance and Relief Tax Act of 2008

- (a) **Death Benefits.** In the case of a death occurring on or after January 1, 2007, if a Participant dies while performing qualified military service (as defined in Code Section 414(u)), the survivors of the Participant are entitled to any additional benefits (other than benefit accruals relating to the period of qualifying military service) provided under the Plan as if the Participant had resumed and then terminated employment on account of death.
- (b) **Differential Wage Payments.** For years beginning after December 31, 2008, (i) an individual receiving a differential wage payment, as defined by Code Section 3401(h)(2), shall be treated as an employee of the employer making the payment, (ii) differential wage payment shall be treated as Compensation, and (iii) the Plan shall not be treated as failing to meet the requirements of any provision described in Code Section 414(u)(1)(C) by reason of any contribution or benefit which is based on the differential wage payment. Notwithstanding anything in the Plan to the contrary, differential wage payments shall not be treated as Compensation for purposes of determining contributions under the Plan.
- (c) **Nondiscrimination Requirement.** Section 3.16(b)(iii) shall apply only if all employees of the employer performing service in the uniformed services described in Code Section 3401(h)(2)(A) are entitled to receive differential wage payments (as defined in Code Section 3401(h)(2)) on reasonably equivalent terms and, if eligible to participate in a retirement plan maintained by the employer, to make contributions based on the payments on reasonably equivalent terms (taking into account Code Section 410(b)(3),(4) and (5)).
- (d) For years beginning after December 31, 2008, an individual who is performing service in the uniformed services described in Code Section 3401(h)(2)(A) for a period of at least 30 days, for purposes of Code Section 401(k)(2)(B)(i)(I) shall be treated as severed from employment with the Company and shall have a Distribution Event under Plan Section 3.10. An individual receiving such distribution shall not be able to make an elective deferral to the Plan during the six month period beginning on the date of distribution.”

ARTICLE IV

TRUST FUND AND PARTICIPANT INVESTMENT FUNDS

4.01 **Trust Agreement.** The Company has entered into a Trust Agreement for the Plan establishing the Trust Fund and the Participant Investment Funds. The Trustee under such Trust Agreement shall hold, invest, distribute, and administer the Trust Fund in accordance with the terms of the Plan and the Trust Agreement and shall hold the contributions to each Participant Investment Fund, including income therefrom, as a unit. Any portion of a Participant Investment Fund may, pending its permanent investment in an Investment Vehicle or distribution, be invested in interest-bearing investments of a short-term nature, even though the same may not be legal investments for trust funds under the laws applicable thereto. Any portion of a Participant Investment Fund may be maintained in cash. The Trustee shall be responsible for making the final decision as to managing, acquiring, or disposing of that portion of any of the Participant Investment Funds described below, if any, not subject to the management of investment manager or managers or to directions of the Investment Committee given pursuant to Paragraphs 6.04(a)(ii) or 6.04(b) respectively.

(a) **Participant Investment Funds.** All Participant Contributions transferred to the Trustee pursuant to Sections 3.02, 3.12, or 3.13 and Company Core Contributions transferred to the Trustee pursuant to Section 3.04 shall be held and invested by the Trustee in the Participant Investment Funds in accordance with the directions of Participants given as hereinafter provided. The Company, by resolution of the Board or the Investment Committee, shall have the right, in its discretion, to amend the Plan to establish additional Participant Investment Funds in which Participant Contributions may be invested in accordance with the directions of Participants or to discontinue existing Participant Investment Funds.

(b) **Investment of Company Matching Contributions.** All Company Matching Contributions shall be invested in the Company Stock Fund, except as otherwise provided in Section 4.04.

**4.02 Investment of Contributions in the Participant Investment Funds.** Subject to the provisions of Section 4.03, each Participant in the Plan, in accordance with procedures established by the Plan Administrator, will direct that the Trustee hold and invest in one or more Participant Investment Funds all amounts credited to such Participant's Plan accounts in respect of that Participant's Matched Contributions and Unmatched Contributions thereafter deducted from his Annual Salary and in respect of any Company Core Contributions under Section 3.04, Rollover Contributions under Section 3.12, or plan-to-plan asset transfers or mergers under Section 3.13, credited to his Plan accounts. A Participant shall allocate his Participant Contributions and Company Core Contributions among the available Participant Investment Funds in multiples of one percent (1%); provided, however, that the total of such allocations must equal one hundred percent (100%). No Participant shall have the right to give separate investment directions for amounts in respect of his Matched Contributions and Unmatched Contributions or in respect of his Company Core Contributions, Before-Tax Contributions, Catch-up Contributions and After-Tax Contributions. Notwithstanding the above, if the Trustee does not receive direction from the Participant regarding amounts credited to such Participant's Plan accounts, such amounts shall be held and invested in the Qualified Default Investment Alternative. The Plan is intended to be a Participant-directed "Section 404(c) Plan" under ERISA Section 404(c) and the regulations thereunder, and the provisions of the Plan are to be interpreted so as to effectuate such intent.

Each of the Participant Investment Funds is currently invested in the particular Investment Vehicle specified in Appendix A, although the Investment Committee may from time to time replace, add to, or discontinue such Investment Vehicles, excluding the Company Stock Fund, without amending the Plan, upon notice to Participants.

(a) **Company Stock Fund.** All Participant Contributions to the Company Stock Fund and Company Matching Contributions made on or after October 1, 2002 and before October 1, 2007, shall be held in the Company Stock Fund – Current Year until the end of the Plan Year in which such Contributions are

made. Throughout this Plan, prior to October 1, 2007, "Company Stock Fund" will refer collectively to The Company Stock Fund – ESOP and Company Stock Fund – Current Year unless otherwise specified. On and after October 1, 2007, the Company Stock Fund will no longer be split into the two funds mentioned above, and "Company Stock Fund" will refer to a single fund. Contributions to the Company Stock Fund shall be invested by the Trustee primarily in Company Stock, although a cash position is maintained to provide a liquidity level necessary for daily transactions. All Participant Contributions and Company Matching Contributions shall both be invested in the Company Stock Fund by the Trustee as liquidity and investment manager; provided, however, that separate subaccounts shall be maintained for amounts attributable to Participant Contributions and Company Matching Contributions. For Plan Years prior to October 1, 2007, all Participant Contributions and Company Matching Contributions held in the Company Stock Fund – Current Year as of the close of the New York Stock Exchange on the last Business Day of each Plan Year will be transferred to the Company Stock Fund – ESOP prior to the start of business on the first Business Day of the following Plan Year.

4.03 **Redirection of Investments of Participant Contributions.** Each Participant may from time to time change his last prior investment direction pursuant to Section 4.02 or this Section 4.03 to any other investment direction then permitted pursuant to Section 4.02, in accordance with procedures established by the Plan Administrator. Each such change of investment direction pursuant to this Section 4.03 shall apply, at the Participant's election, to (a) all amounts then credited to the Participant's accounts (except as provided in Section 4.04 below) and/or (b) all contributions thereafter made by or on the Participant's behalf (except as provided in Section 4.04 below); provided, however, that the Plan Administrator may from time to time impose restrictions on the right to change prior investment directions as to Participant Contributions to one or more other particular Participant Investment Funds, if the Plan Administrator determines that such restrictions on redirections are necessary to comply with the terms of the Investment Vehicles held in any Participant Investment Fund in which any amounts then credited to Participants' accounts are held. Notwithstanding the above, prior to October 1, 2007, Participants may not redirect

Participant Contributions or Company Core Contributions from the Company Stock Fund – Current Year to the Company Stock Fund – ESOP and may not redirect Participant Contributions or Company Core Contributions from the Company Stock Fund ESOP to the Company Stock Fund – Current Year.

Any change in investment direction by a Participant for all or any portion of the Participant Contributions and Company Core Contributions, including related investment earnings or losses, then credited to the Participant's accounts will generally be effective as of the same Business Day on which notice is received, provided that notice is given prior to the close of the New York Stock Exchange on such day, and will be effective as of the following Business Day if such notice is given after the close of the New York Stock Exchange. Any change in investment direction for future contributions will be effective as soon as administratively possible. A Beneficiary shall have the right to change the investment direction for amounts in a Participant's account until such account has been distributed in accordance with Section 3.10(b).

**4.04 Investment of Company Matching Contributions.** All amounts in each Participant's Company Matching Contributions account shall be invested in the Company Stock Fund in accordance with Section 4.02(a); provided, however, that Participant Contributions, Company Core Contributions and Company Matching Contributions which are commingled in the Company Stock Fund shall be accounted for in separate subaccounts and shall remain subject to the separate Plan provisions which relate to each type of contribution.

A Participant shall be eligible to redirect the investment of all Company Matching Contributions from the Company Stock Fund to another Participant Investment Fund.

**4.05 Participants' Accounts.** The Plan Administrator shall cause to be established and maintained for each Participant an account for all amounts in respect of (a) Before-Tax Contributions made on his behalf, (b) his After-Tax Contributions, (c) Catch-up Contributions, (d) Rollover Contributions, (e) Company Core Contributions, and (f) Company Matching Contributions attributable to his Matched Contributions made

during each Plan Year. Effective October 1, 2006, for purposes of this Section 4.05, transferred assets described in Section 3.13 shall be credited to a Participant's Rollover Contributions account (except as otherwise provided in Section 3.13 in the case of certain assets which are treated as Before-Tax Contributions or Catch-up Contributions). Prior to October 1, 2006, transferred assets described in Section 3.13 were credited as earnings to a Participant's After-Tax Contributions account (except as otherwise provided in Section 3.13 in the case of certain assets which were treated as Before-Tax Contributions or Catch-Up Contributions). Credits to Participants' accounts for amounts invested pursuant to Section 4.02 in each of the Participant Investment Funds shall be allocated to the Participant's Before-Tax Contributions, After-Tax Contributions, Catch-up Contributions, Company Core Contributions and Company Matching Contributions accounts in proportion to the amounts credited to such accounts during the period for which such allocation is made.

Credits to Participants' accounts for amounts held and invested pursuant to Section 4.02 in the Participant Investment Funds, including the Company Stock Fund shall be expressed in terms of their dollar value. Shares of Company Stock which are purchased from time to time during any Plan Year out of cash funds held by the Trustee under the Trust Agreement shall be valued for purposes of the Plan at the average of the actual cost thereof, including transfer taxes, brokerage commissions, etc., if any, incident to the purchase thereof. Shares of Company Stock which are made available through Participant cash distributions, loans, or investment changes shall be valued for purposes of the Plan at the Fair Market Value thereof at the close of the Business Day that the Participant's application or direction to the Trustee is received for such transaction, provided such application or direction is received prior to the close of that Business Day, and at the Fair Market Value thereof at the close of the following Business Day if the application or direction is received after the close of the Business Day. Each Participant Investment Fund shall be valued daily by the Trustee.

Beginning with the last prior valuation made, amounts credited to each Participant's accounts maintained hereunder shall be adjusted to reflect the effect of income collected and accrued, realized and unrealized profits and losses, expenses, and all other transactions affecting the Participant Investment Funds since the prior valuation of the Participant Investment Funds. Such valuations and such adjustments of the amounts credited to Participants' accounts shall be made so as to preserve for each Participant that Participant's proportional beneficial interest in each Participant Investment Fund, based upon contributions made by or on his behalf and invested in each such Participant Investment Fund.

The fact that credits shall be made to a Participant's account in respect of Company Matching Contributions shall not vest in such Participant any right, title, or interest in the assets of the Company Stock Fund, except at the time or times and upon the terms and conditions provided in the Plan. Except as provided in Section 4.07, a Participant shall have no right of request, direction, or demand upon the Trustee to exercise in the Participant's behalf any rights to purchase or sell securities which may be granted to the Trustee. The Trustee, in its discretion, may exercise or sell any rights to purchase other securities appertaining to securities held by the Trustee, whether or not allocated to individual accounts. The accounts of Participants shall be appropriately credited.

No person shall have any right to, or interest in, any assets of the Participant Investment Funds upon termination of employment or otherwise, except as provided from time to time under this Plan, and then only to the extent of the benefits payable to such person under the Plan. All payments of benefits as provided for in this Plan shall be made solely out of the assets of the Participant Investment Funds and no fiduciary shall be liable therefore in any manner. No fiduciary or other person or entity guarantees the Participant Investment Funds in any manner against investment loss or depreciation in asset value.

4.06 **Account Statements; Investment Information.** At such times as required by law or as the Plan Administrator deems necessary or desirable for the purpose of administering the Plan, each Participant will be furnished with a statement showing the status of his or her Plan accounts as of such dates as are selected by the Plan Administrator. In addition, sufficient information shall be available to Participants to permit informed investment decisions as to the Participant Investment Funds and Investment Vehicles in which Participant Contributions and Company Core Contributions may be invested.



Information relating to Participants' purchase, holding, and sale of units of interest in Company Stock and exercise of voting, tender, and similar rights shall be maintained in accordance with procedures which shall be adopted and amended from time to time in writing by the Plan Administrator (the "Confidentiality Procedures") that are designed to safeguard the confidentiality of such information (except as necessary to comply with federal or applicable state law, such as securities law reporting rules for insiders). The Confidentiality Procedures shall incorporate at least the safeguards of confidentiality as to exercising voting, tendering, and similar rights as are set forth in Section 4.07; and name a fiduciary to be responsible for receiving and acting on investment directions and/or monitoring compliance with the Confidentiality Procedures and who shall be empowered to determine when an independent fiduciary should be designated to carry out such activities as to Company Stock relating to situations which such responsible fiduciary determines will have a potential for undue influence (such as tender offers, exchange offers, and contested Board elections) all as contemplated by ERISA Section 404(c).

**4.07 Voting, Tendering, and Similar Rights as to Company Stock.** Before each annual or special meeting of the stockholders of the Company, the Trustee or its agent shall furnish or cause to be furnished to each Participant for whom an account is established and maintained under the Plan and to which units of interest in Company Stock are allocated a copy of the proxy solicitation material for such meeting, which is provided to stockholders of the Company who are not Plan Participants, together with a request for the Participant's confidential directions to the Trustee as to how the full shares of Company Stock then represented by the units of interest allocated to such Participant's account should be voted. Upon timely receipt of such directions, the Trustee shall vote such full shares as directed. Any such shares held by the Trustee as to which it receives no voting directions and fractional shares shall be voted by the Trustee in the same proportions as shares to which voting directions have been received.

Each Participant shall have the right, to the extent of the number of shares of Company Stock represented by the units of interest allocated to his account, to confidentially direct the Trustee in writing as to the manner in which to respond to a tender or exchange offer with respect to shares of Company Stock. The Trustee shall use its best efforts to timely distribute or cause to be distributed to each Participant the information distributed to stockholders of the Company who are not Plan Participants in connection with any such tender or exchange offer. Upon timely receipt of such directions, the Trustee shall respond as directed with respect to such shares of Company Stock. If the Trustee shall not receive timely direction from a Participant as to the manner in which to respond to such a tender or exchange offer, the Trustee shall not tender or exchange any shares of Company Stock with respect to which such Participant has the right of direction. The Trustee shall respond as to fractional shares in the same proportions as the shares as to which Participant directions have been received.

Each Participant is, for purposes of this Section 4.07, hereby designated a “named fiduciary” within the meaning of ERISA Section 403(a)(1) with respect to voting and responding to tender and exchange offers with respect to full shares of Company Stock as to which units of interest are allocated to his account, except to the extent otherwise permitted by ERISA Section 404(c) because such Participant has exercised independent control over assets in his or her individual account in the manner described in Department of Labor Reg. §2550.404c-1 promulgated thereunder. “Participant” as used in this Section 4.07 shall include in the event of the death of a Participant, his Beneficiary, and in the event a Qualified Domestic Relations Order is applicable to an account, each alternate payee under such Qualified Domestic Relations Order. Directions received by the Trustee from individual Participants as provided in this Section 4.07 shall be held by the Trustee in confidence and shall not be divulged or released to any person, including directors, officers, or employees of the Company or any Affiliated Company, except as permitted by the Confidentiality Procedures.

The Trustee is hereby empowered to set such deadlines for Participant returns of proxy, tender, exchange, or similar directions as are necessary to assure the proper tally of such returns and timely action based on such response, consistent with the Confidentiality Procedures and the directions of any independent fiduciary appointed as contemplated by the Confidentiality Procedures.

#### **ARTICLE IV-A**

##### **ESTABLISHMENT OF AN EMPLOYEE STOCK OWNERSHIP PLAN**

4.01-A Effective May 15, 2002, the Company Stock Fund described in Section 4.02(a) is converted to an employee stock ownership plan ("ESOP") as defined in Section 4975(e) of the Code and the regulations thereunder. The ESOP is intended to form a portion of the Plan, the balance of which includes a qualified profit-sharing plan described in Section 401(a) of the Code which is not an ESOP. The ESOP shall hold Participant Contributions pursuant to Deferral Elections described in Section 3.02, Company Core Contributions described in Section 3.04, and Company Matching Contributions described in Section 3.03. Prior to October 1, 2007, the ESOP shall be the Participant Investment Fund described as the Air Products Company Stock Fund - ESOP. On and after October 1, 2007, the ESOP shall be the Participant Investment Fund described in Appendix A of the Plan as the Air Products Company Stock Fund.

4.02-A The ESOP shall be primarily invested in Company Stock as described in Section 4.02(a). Company Stock as defined herein is traded publicly on the New York Stock Exchange. A Participant may direct the Trustee to vote the Company Stock allocated to his account as described in Section 4.07. A Participant may elect a distribution of his account balance in the Company Stock Fund to be paid in Company Stock or in cash as described in Section 5.01. A Participant may elect to diversify his account in the Company Stock Fund to the extent described in Section 4.03 and 4.04. A Participant may begin receiving distributions of his accounts, including the Company Stock Fund, as provided in Section 3.08 or upon the occurrence of a Distribution Event as described in Section 2.21. Allocations of Participant Contributions and Company Matching Contributions to the ESOP are made in proportion to the compensation of each Participant based on his or her Deferral Elections as described in Section 3.02.

4.03-A Participants having all or a portion of their Participant accounts invested in Company Stock in the ESOP may elect to receive a distribution of dividends paid on Company Stock that are allocated to their Participant accounts or to reinvest such dividends in the ESOP pursuant to Section 404(k)(2)(A) of the Code, and the regulations thereunder. Dividends paid on the portion of a Participant's account attributable to Company Core Contributions, including any related investment earnings and losses, may only be reinvested to the extent Company Core Contributions and related earnings and losses are vested under Section 3.05(a) of the Plan. A participant who does not make an affirmative election under this Section 4.03-A shall be deemed to have elected to reinvest such dividends in the ESOP. The Plan Administrator shall determine the procedure for making such election available to eligible Participants.

4.04-A Participants who are employees of Affiliates of the Company that are subject to taxation as partnerships are permitted to participate in the ESOP and invest their Participant accounts in Company Stock, but are excluded from receiving dividends paid on Company Stock to the Company Stock Fund – ESOP, or after October 1, 2007, the Company Stock Fund.

## ARTICLE V

### MANNER OF DISTRIBUTION OF PARTICIPANT ACCOUNTS

5.01 **General.** Subject to Sections 5.03 and 5.05, distribution to any person entitled to receive any amounts then held by the Trustee in the Participant Investment Funds described in Article IV shall be made by the Trustee in a lump sum or, at the election of such person, in up to, but not exceeding, ten substantially equal annual installments, in the manner described in (a) and (b) below. If installments are elected, the election may be rescinded at a later date, at which time the remaining balance in the Participant's accounts shall be paid in a lump sum.

(a) **Cash Distributions.** Amounts credited to a Participant's accounts which are held by the Trustee in any Participant Investment Fund other than the Company Stock Fund shall be distributed in cash.

(b) **Company Stock Distributions.** Amounts credited to a Participant's accounts which are held by the Trustee in the Company Stock Fund shall be distributed in cash. Notwithstanding the foregoing, amounts credited to a Participant's account in the Company Stock Fund may be distributed in the form of shares of Company Stock at the election of the Participant or the Participant's Beneficiary or alternate payee, as the case may be. Distribution of a Participant's interest in a fractional share of Company Stock shall be made in cash. Notwithstanding the above, for persons electing installment distributions commencing on or after October 1, 2006, distributions of amounts credited to the Company Stock Fund must be made in cash.

The amount to be withdrawn or distributed from a Participant's account or accounts under Section 3.08 or 3.10, or pursuant to a Qualified Domestic Relations Order, shall be the amount or specified portion thereof credited to such Trustee account or accounts as of: (i) the Business Day on which the account distribution or withdrawal request is received by the Plan Administrator; provided, however, that valuation shall take place as of the following Business Day if the request is received after the close of the New York Stock Exchange; or (ii) if no request is received, the first Business Day in March of the calendar year following the year in which the Participant attains age seventy and one-half (70 1/2) or, if later, the calendar year in which the Participant retires if the Participant attained age seventy and one-half (70 1/2) on or after January 1, 2003. In the case of a Qualified Domestic Relations Order, if so provided in the Qualified Domestic Relations Order, the amount to be withdrawn or distributed shall be the amount specified in such Order.

Payment or delivery of an amount to be withdrawn or distributed shall be made as soon as practicable after the applicable date determined under the preceding paragraph, but in any event by the April 1 which follows the year in which the Participant attains age seventy and one-half (70 1/2), or if later, the April 1 which follows the year the Participant retires if the Participant attains age seventy and one-half (70 1/2) after January 1, 2003. The payment of benefits under the Plan to a Participant (or to his Beneficiary or Beneficiaries) who has a severance from employment with the Company and all Affiliated Companies with amounts credited to his Plan accounts of \$1,000 or less, or upon the Participant's death, will begin as soon as administratively practicable after the Participant makes his last contribution.

Any distributions made pursuant to this Article V shall be subject to the requirements of Code Section 401(a)(9) and the regulations thereunder, including the minimum distribution incidental benefit requirement of Q&A-1(d) of section 1.401(a)(9)-5 of the final regulations effective January 1, 2003.

5.02 **Designation of Beneficiaries; Spousal Consents.** Unless otherwise designated as provided in the next paragraph of this Section 5.02, each Participant's Beneficiary shall be the Participant's spouse. If the Participant dies with no surviving spouse, or so designates a Beneficiary other than his spouse in accordance with the provisions of the next paragraph, the Beneficiary or Beneficiaries to receive the Plan benefits hereunder shall be as designated by the Participant in accordance with procedures specified by the Plan Administrator and filed with the Plan Administrator during the Participant's lifetime. Any such designation may be revoked or changed by the Participant at any time and from time to time, without the consent of any prior Beneficiary (other than the Participant's spouse, whose consent shall be required as provided in the next paragraph) in the same manner as the original designation. If either no such designation is made or, if made, none of the designated Beneficiaries, whether primary or contingent, is living at the time of payment, Plan benefits shall be paid to the Participant's surviving spouse, if any, and otherwise to the Participant's estate.

The designation of a Beneficiary other than the Participant's spouse shall be ineffective unless either: (i) the Participant's spouse consents in writing to such designation, the spouse's consent specifically identifies the nonspouse Beneficiary, the Participant's spouse acknowledges the effect of such designation, and such consent is witnessed by a notary public; or (ii) it is established to the satisfaction of the Plan Administrator or a representative of the Plan Administrator that no such consent may be obtained because there is no spouse of the Participant, the spouse cannot be located, or because of such other circumstances as may be prescribed in regulations issued by the Secretary of the United States Treasury. Any consent by a spouse required by any provision of the Plan shall be irrevocable by the spouse and any such consent by the spouse (or establishment that the consent of the spouse may not be obtained) shall only be effective with respect to such spouse. No Beneficiary designation shall be effective prior to the time it is received by the Plan Administrator.

Notwithstanding the foregoing, for former Participants in the IGS Savings Plan the terms of Exhibit II shall apply.

### 5.03 **Direct Rollovers**

(a) Any Participant, any spouse of a Participant (including a former spouse who is an alternate payee under any Qualified Domestic Relations Order) or, effective April 1, 2007, any Beneficiary of a Participant (each referred to herein as a "distributee") who is entitled to receive an "eligible rollover distribution" (as defined below) from the Plan may make a special election to avoid the imposition of automatic withholding of Federal income taxes from the distribution. The special election is to have all or part of the distribution paid by the Trustee directly to an eligible retirement plan (as defined below) in lieu of receiving the distribution from the Plan. In order for such direct rollover to be made, the special election must be made in accordance with the procedures established by the Plan Administrator, the eligible retirement plan must be clearly specified, and the specified plan must be willing to accept the rollover. Any eligible rollover distribution described in Section 5.03(d)(i) that includes After-Tax Contributions which a distributee elects to rollover to a qualified defined contribution plan described in Section 401(a) or an annuity plan described in Code Section 4.03(b) must be directly rolled over to such plan pursuant to the special election in this Section 5.03(a) and must be separately accounted for as required by Code Section 402(c)(2)(A).

(b) Notwithstanding the foregoing, a direct rollover shall not be permitted if the distributee's eligible rollover distributions during the calendar year are reasonably expected to total less than \$200, and a partial direct rollover may not be made in an amount which is less than \$500. Each eligible rollover distribution may be directly rolled over to only one eligible retirement plan.

(c) The limits set forth in this Section may be modified by the Plan Administrator to the extent permitted by Code Sections 401(a)(31), 402, and 3405 and regulations or rulings issued thereunder. Moreover, the provisions of this Section shall be interpreted and applied consistently with Sections 521 through 523 of the Unemployment Compensation Amendments of 1992, and shall be deemed to be automatically amended, without the necessity of adopting a specific amendment, to the extent that applicable law, regulations, or rulings modify, amend, supersede, eliminate, clarify, or otherwise change the requirements of said Sections 521 through 523.

(d) An "eligible rollover distribution" hereunder is any distribution to or withdrawal by a distributee, except that an eligible rollover distribution does not include any portion of a distribution to the extent it is: (i) not included in gross income (without regard to the exclusion for net unrealized appreciation with respect to employer securities) provided, however, that eligible rollover distributions on or after January 1, 2002, shall include the portion of a distribution not otherwise included in gross income (i.e., After-Tax Contributions), if any, (ii) required under Code Section 401(a)(9), (iii) a deemed distribution of a defaulted loan which is unaccompanied by an actual distribution, (iv) any distribution that is one in a series of substantially equal periodic payments (not less frequently than annually) made for one or more lives or for a specified period of ten (10) years or more; (v) any hardship distribution described in Code Section 401(k)(2)(B) (i)(iv); (vi) any dividends paid on employer securities held by an ESOP which are paid directly to the Participant and not reinvested in the ESOP or (vii) any other amount which is excluded under the Code or Treasury Regulations. An



“eligible retirement plan” is an individual retirement account or annuity described in Code Sections 408(a) and 408(b) (collectively, an “IRA”), an annuity plan described in Code Section 403(a) which accepts rollover distributions, a qualified plan described in Code Section 401(a) which accepts rollover distributions, or an annuity plan described in Code Section 403(b) which accepts rollover distributions, or a Code Section 457 governmental plan which accepts rollover distributions; provided, however, that with respect to a non-spouse Beneficiary, “eligible retirement plan” shall mean only an inherited IRA within the meaning of Code Section 408(d)(3)(c) and in accordance with Code Section 402(c)(11) and Code Section 401(a)(9)(B)(ii).

5.04 **Trustee-to-Trustee Transfer.** Upon the direction of the Plan Administrator, the Trustee may transfer all amounts credited to a Participant’s accounts held by the Trustee to another retirement benefit plan qualified under Code Section 401(a) in connection with or following a Distribution Event with respect to such Participant.

5.05 **Protected Distribution Forms for Certain Transferred Balances.**

(a) In the case of a Participant who had funds transferred to the Plan from the GSF Energy Inc. Retirement Savings Plan (the “GSF Plan”) during 1989, a term annuity may be purchased with all or part of that portion of the Participant’s distribution which is attributable to funds transferred in 1986 from the former Getty savings plan to the GSF Plan. The fixed payment period cannot exceed 240 months and the amount of payments must be greater than \$25 per month.

(b) In the case of a Participant employed by Pacific Anchor Chemical Corporation who had funds transferred from the Pacific Anchor Chemical Corporation 401(k) Plan (the “Pacific Anchor Plan”) to the Plan as of July 1, 1989, such a Participant may elect to receive the amount credited to his account as of the date of such transfer in installment payments over a period not to exceed the life expectancy of the Participant or the joint life expectancy of the Participant and the Participant’s spouse, if any.

(c) In the case of a Participant employed by Industrial Gas and Supply Company (“IGS”) who had funds transferred from the IGS Savings Plan due to the merger of the IGS Savings Plan into the Plan as of March 31, 2000, such a Participant may elect to receive the amount credited to his account as of the date of such transfer, in installment payments over a period not to exceed the life expectancy of the Participant or the joint life expectancy of the Participant and the Participant’s spouse, if any. The applicable provisions are set forth in Exhibit II.

## ARTICLE VI

### ADMINISTRATION

6.01 **Plan Administrator.** The Plan Administrator shall be responsible for the administration of the Plan to the extent provided herein and except to the extent that some other person or entity shall be expressly authorized by the Board. The Plan Administrator shall not receive any compensation from the Plan for his services as such, but may be reimbursed for reasonable expenses actually incurred in the administration of the Plan.

6.02 **Expenses of Administration.** The reasonable expenses incident to the administration, management, and operation of the Plan, including (but not limited to) the compensation of legal counsel, auditors, accountants, actuaries, the Trustee, and investment managers, if any, and other costs such as recordkeeping fees, proxy voting fees, communication costs, and the cost of clerical and technical assistance which may be required, shall be payable from Participant’s accounts in a manner determined by the Plan Administrator and shall be communicated to Participants in a manner that is consistent with ERISA Section 408(b)(2) and the Treasury Regulations issued thereunder. The Investment Committee may provide that certain Plan expenses shall be charged to a Participant’s account and shall be communicated to Participants in a manner that is consistent with ERISA Section 408(b)(2) and the Treasury Regulations issues thereunder. Notwithstanding the foregoing, the Employer, in its absolute discretion, may elect at any time to pay part or all thereof directly, and any such election shall not bind the Employer as to its right to elect with respect to the same or other expenses at any other time to have such expenses paid from the Participant’s accounts.

**6.03 Powers and Duties of the Plan Administrator.** In addition to any implied powers and duties which may be necessary to carry out the provisions of the Plan and any explicit powers and duties set forth elsewhere in the Plan, the Plan Administrator shall have the following specific discretionary powers and duties:

(a) To make and enforce such rules and regulations and adopt such procedures as he shall deem necessary or proper for the efficient administration of the Plan which are not inconsistent with the Code, ERISA, or any grant of authority to another person hereunder, including without limitation rules to be followed by Participants filing notices, elections, directions, and designations under the Plan and for the furnishing and verification of evidence and proofs necessary to establish the rights of any person to benefits under the Plan;

(b) Subject to and consistent with the Code and ERISA, discretionary authority and power to construe and interpret the Plan and to decide any and all matters arising thereunder, including the right to (i) decide all questions of eligibility for benefits; (ii) determine the amount, time, and manner of payment; (iii) authorize the payment of benefits; (iv) remedy possible ambiguities, inconsistencies, or omissions; provided, however, that all such interpretations and decisions shall be applied in a uniform manner to all Participants who are similarly situated; and (v) to determine all questions of fact;

(c) Subject to the provisions of Section 6.05, to make findings of fact and determinations as to the rights of any person applying for benefits and to afford any such person dissatisfied with any such findings or determinations the right to a hearing thereof;

(d) To obtain from the Employer and from the Participants, and provide to the Trustee such information as shall be necessary for proper administration of the Plan;

(e) To authorize disbursements from the Participant Investment Funds and to obtain from the Trustee such information concerning such disbursements as shall be necessary for the proper administration of the Plan;

(f) To supervise generally the administration of the Plan in accordance with ERISA, including, without limitation, compliance with reporting and disclosure requirements and the final review of claims and appeals by Participants and their Beneficiaries;

(g) To appoint or employ other persons or fiduciaries to carry out various specific responsibilities concerning the administration of the Plan and any other agents he deems advisable, including without limitation legal counsel, auditors, and accountants, and to enter agreements for the performance of services on behalf of the Plan; and

(h) To allocate and delegate among or to any one or more person or persons (including corporate persons) named by the Plan Administrator in accordance with the provisions hereinafter, any of his powers, duties, and fiduciary responsibilities, such allocation or delegation to be effected as follows:

(i) Fiduciary responsibilities may be allocated or delegated by the Plan Administrator by naming in writing the named fiduciary to whom the responsibility is allocated or delegated, with a description of the responsibility and an outline of the duties involved;

(ii) Such of his other powers, authority, and duties as he deems proper and desirable for the efficient administration of the Plan may be delegated to any officer or other administrative employee of the Employer.

**6.04 Powers and Duties of the Investment Committee.** In addition to any implied powers and duties which may be necessary to carry out the provisions of the Plan and any explicit powers and duties set forth elsewhere in the Plan, the Investment Committee shall have the following specific discretionary powers and duties:

(a) To appoint or employ, and to enter agreements with:

(i) the Trustee;

(ii) an investment manager or managers with power to direct the investment, reinvestment, and other management of the acquisition and disposition by the Trustee of all or a portion of any of the Participant Investment Funds described in Section 4.02 (other than the Company Stock Fund), if the Investment Committee determines in its sole discretion that an investment manager or managers is necessary or desirable for management of all or any portion of any such Participant Investment Fund; provided, however, that each such investment manager shall acknowledge in writing that such investment manager is a fiduciary with respect to the Plan, and:

- (A) shall be registered as an investment advisor under the Investment Advisors Act of 1940; or
- (B) shall be a bank, as defined in the Investment Advisors Act of 1940; or
- (C) shall be an insurance company qualified to perform services with power to manage, acquire, or dispose of assets of the Plan under the laws of more than one State; or
- (D) if not registered as an investment advisor under the Act by reason of paragraph (1) of section 203A(a) of the Investment Advisors Act of 1940, shall be registered as an investment advisor under the law of the State (referred to in such paragraph (1)) in which it maintains its principal office and place of business, and, at the time the investment advisor last filed the registration form most recently filed by the investment advisor with such State in order to maintain the investment advisor's registration under the laws of such State, shall also have filed a copy of such form with the Secretary of Labor.

(iii) an investment advisor who does not meet the qualifications for an investment manager set forth in Paragraph (ii) above, provided that such investment advisor may offer investment advisory services and recommendations to the Trustee but shall have no power to cause the Trustee to act on such advice.

(b) To direct the Trustee to invest and reinvest all or any portion or portions of any of the Participant Investment Funds described in Section 4.02 held under the Trust Agreement as specified by the Investment Committee, in interests in collective investment funds, group trusts, or other entities or in other investments directed by the Investment Committee, and to exercise ownership rights with respect to such interests or investments, all as specified by the Investment Committee;

(c) To perform any and all duties allocated to it by the Board or required of it by the provisions of this Plan, the Code, or ERISA;

(d) To allocate and delegate among or to any one or more of its members or officers, any subcommittees of the Investment Committee, and any other person or persons (including corporate persons) named by it in accordance with the provisions hereinafter, any of its powers, duties, and fiduciary responsibilities (other than trustee responsibilities), such allocation or delegation to be effected as follows:

(i) Fiduciary responsibilities may be allocated or delegated by the Investment Committee by naming in writing, including by recording in the minutes of the Investment Committee's meetings the named fiduciary to whom the responsibility is allocated or delegated, with a description of the responsibility and an outline of the duties involved;

(ii) Except where a member of the Investment Committee, the fiduciary so named shall indicate acceptance of the responsibility by executing the written instrument naming such fiduciary, whereupon such executed instrument shall be incorporated by this reference in the Plan;

(iii) For the purpose of this Section 6.04(d), a trustee responsibility is a responsibility to manage or control the assets of the Plan other than the power to appoint an investment manager in accordance with Section 6.04(a)(ii). The power to allocate or delegate responsibility to manage the Participant Investment Funds (other than the Company Stock Fund) described in Paragraph 4.02 may only be made in accordance with such Section 6.04(a)(ii); and

(iv) Such of its other powers, authority, and duties as it deems proper and desirable may be delegated to any one of its members or officers or to any officer or other administrative employee of the Employer, provided that such delegation shall be noted in the minutes of the proceedings of the Investment Committee or other writing;

(e) To take all actions necessary to transfer Plan assets and liabilities to another qualified plan subject to, and in accordance with the provisions of applicable laws and Section 7.03, where such transfer is required in connection with any transaction or event or series of events or transactions which may from time to time be approved by the Board or approved pursuant to a delegation of authority by the Board;

(f) To take all actions necessary to amend the Plan to assume liabilities, and to direct the Trustee to accept assets, of another qualified plan subject to, and in accordance with the provisions of applicable law and Section 7.03, required in connection with any transaction or event or series of similar transactions or of similar events which may from time to time be approved by the Board or approved pursuant to a delegation of authority from the Board; and

(g) To take such further action as the Investment Committee deems appropriate, in regard to establishing and reviewing programs, guidelines, policies, and objectives for investment of Plan assets, and reviewing investment performance in terms of such programs, guidelines, policies, and objectives.

6.05 **Benefit Claims Procedure.** The claim and appeal procedure herein provided is intended to meet the requirements of ERISA and the regulations thereunder. By virtue of such requirements, the procedure provided in this Section 6.05 shall be the sole and exclusive procedure for claiming benefits or appealing any denial of a claim for benefits under the Plan. This procedure shall, in respect of all claims arising under the Plan, supersede and preempt any and all procedures for settlement of disputes or resolution of grievances under any other agreements or plans.

(a) **Claim.** In the event of a claim by a Participant or a Participant's Beneficiary for or in respect of any benefit under the Plan or the method of payment thereof, such Participant or Beneficiary shall present the reason for his claim in writing to the Plan Administrator. The Plan Administrator shall, within ninety (90) days after the receipt of such written claim, send written notification to the Participant or Beneficiary as to its disposition, unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial ninety (90) day period. In no event shall such extension exceed a period of ninety (90) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the final decision.

(b) **Denial.** In the event the claim is wholly or partially denied, the Plan Administrator's written notification shall: (a) state the specific reason or reasons for the denial, (b) contain specific references to pertinent Plan provisions on which the denial is based, (c) provide a description of any additional material or information necessary for the Participant or Beneficiary to perfect the claim and an explanation of why such material or information is necessary, and (d) set forth the procedure by which the Participant or Beneficiary may appeal the denial of his claim. If no notice of denial is provided within the time period set forth above, the claim shall be deemed to be denied and the Participant or Beneficiary may proceed to appeal in accordance with Paragraph (c) below.

(c) **Appeal.** In the event a Participant or Beneficiary wishes to appeal the denial of his claim, he may request a review of such denial by making written application to the Claims Committee within sixty (60) days after receipt of such written claim denial (or the date on which such claim is deemed denied if notice is not received within the applicable time periods pursuant to Paragraph (b) above). Such Participant



or Beneficiary (or his duly authorized representative) may, upon written request to the Claims Committee, review any records of the Plan Administrator or other persons to whom fiduciary responsibilities have been allocated or delegated hereunder which the Claims Committee determines are pertinent to such claim, and submit in writing issues and comments in support of his position.

The Claims Committee shall notify the Participant or Beneficiary of the Claims Committee's final decision within 60 days after receipt of the written appeal unless an extension of time is necessary due to special circumstances. If an extension is required, the Claims Committee shall notify the Participant, Beneficiary or authorized representative of the extension within the initial review period and shall explain the special circumstances requiring the extension within such initial 60-day period.

The final decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based. In addition the notice shall provide that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits, and shall contain a statement of the claimant's right to bring an action under Section 502(a) of ERISA. If the claim has not been granted and the notice is not furnished within the period of time specified above, the claim shall be deemed denied. The decision on appeal shall be binding on all parties.

(d) **Qualified Domestic Relations Order.** Since separate procedures have been adopted with respect to domestic relations orders, the service of a domestic relations order on the Plan shall not be treated as a claim for benefits as contemplated by this Section 6.05 and the foregoing procedure shall not be followed in determining whether such an order constitutes a Qualified Domestic Relations Order.

6.06 **Fiduciaries.** Persons and entities named or referred to in the Plan, including without limitation, members of the Investment Committee, members of the Claims Committee, and the Plan Administrator may from time to time act in respect of the Plan and/or the Trust Fund in a fiduciary capacity as to the operation and administration of the Plan and/or the Trust Fund, as well as in a non-fiduciary capacity on behalf of an Employer as a sponsor of the Plan and/or settlor of the Trust Fund. Except as expressly provided in the Plan, no reference in the Plan to any particular act, duty, or responsibility by any person or entity is intended to ascribe a fiduciary or non-fiduciary role thereto.

For purposes of ERISA Section 402(a), “named fiduciaries” for the Plan shall include: the Finance Committee of the Board, insofar as it appoints the persons to serve on the Investment Committee and has oversight responsibility for review of certain actions taken by the Investment Committee; the Plan Administrator with respect to the control and management of the operation and administration of the Plan and compliance with the reporting and disclosure requirements of ERISA and the Code; the Investment Committee with respect to control and management of the Trust Fund; and the Claims Committee with respect to adjudication of claim appeals. In addition, the Trustee shall be the named fiduciary or named fiduciaries with respect to the management, control, custody, and investment of the Trust Fund or specified portions thereof, except to the extent: (a) an investment manager has been appointed to manage and/or acquire and dispose of investments as contemplated by Paragraph 6.05(h)(2), in which case such investment manager shall be the named fiduciary with respect to the management, acquisition, and disposition of such investments; or (b) the Trustee has been directed by the Investment Committee to invest or reinvest, and exercise ownership rights with respect to, interests in collective investment funds, trusts, or other entities or other investments as contemplated by Paragraph 6.05(i), in which case the Investment Committee shall be the named fiduciary with respect to the management, acquisition, and disposition of such interests and investments.

6.07 **Adequacy of Communications; Reliance on Reports and Certificates.** All notices, elections, applications, directions, or other communications given, made, filed, delivered, or transmitted by or for an Employee or Participant in pursuance of the provisions of this Plan shall not be deemed to have been duly given, made, filed, delivered, transmitted, or received unless the same shall be in writing on such form as is made available by the Plan Administrator or the Trustee for that purpose and until the same shall actually be received at the locations specified on such form.

Any person acting upon notices, directions, or other communications given, made, delivered, or transmitted by the Investment Committee may rely on any documents signed by the chairman or secretary of the Investment Committee or by any one or more of its members or Company officers or employees authorized by the Committee to certify its actions.

The Investment Committee, the Claims Committee or any of their members will be entitled to rely conclusively upon any information, including without limitation, all tables, valuations, certificates, opinions, and reports, which is furnished by the Trustee, any auditor, accountant, legal counsel, or other person who is employed or engaged for the purpose of assisting such Committees in the performance of their responsibilities hereunder and as to whom the members of the applicable Committee have no reason to doubt the competence, integrity, or responsibility.

6.08 **Indemnification.** The Company agrees to indemnify each member of the Investment Committee or the Claims Committee who is its employee or the employee of an Affiliated Company against any and all claims, loss, damage, expense, and liability from any act or failure to act unless the same is judicially determined to be the result of such member's gross negligence or willful misconduct, except as otherwise prohibited by applicable law.

6.09 **Member's Own Participation.** No member of the Investment Committee or the Claims Committee may act, vote, or otherwise influence a decision of the Committee relating solely to his own participation under the Plan.

6.10 **Elections.** Exhibit III attached hereto, entitled "Plan Elections", sets forth elections under the Plan made by the Company or its delegates or officers, including the Vice-President Human Resources, the Plan Administrator or his delegates, or others (but not Participants, spouses, beneficiaries, alternate payees or other

Participants or payees) in regard to elections made under the Plan or applicable law, whether or not specifically referenced in the Plan, and is designed to include only those elections required by applicable law to be specified in the Plan, but may include other elections as well.

## ARTICLE VII

### AMENDMENT, CORRECTION AND DISCONTINUANCE

#### 7.01 **Right to Amend or Terminate.**

(a) The Company intends and expects to continue the Plan indefinitely. Nevertheless, (i) the Company reserves the right to terminate the Plan or amend or modify it from time to time and (ii) each Employer reserves the right to suspend, terminate, or completely discontinue contributions under the Plan with respect to itself and its Employees and their Beneficiaries. Action to terminate the Plan may be taken only by the Board, by its resolutions, duly adopted. The Investment Committee may act on behalf of the Company and without action by or approval of the Board, to add or discontinue Participant Investment Funds. Any other action referred to in this subsection and not determined by the Company's general counsel to be in contravention of law may be taken on behalf of the Company by the Chairman of the Board evidenced by a resolution, certificate, new or revised Plan text, or other writing; provided that, only the Board may approve a Plan amendment which (A) would materially increase aggregate accrued benefits under, materially change the benefit formula provided by, or materially increase the cost of the Plan, so long as persons designated by the Board as "Executive Officers" for purposes of the U.S. Securities laws are Participants in the Plan; or (B) would freeze benefit accruals, materially reduce benefit accruals, or otherwise materially change the benefits under the Plan; or (C) would constitute the exercise of power or function herein assigned to the Finance Committee of the Board, the Investment Committee, the Plan Administrator, or the Claims Committee. The Chairman may delegate the authority described in the preceding sentence in writing.

(b) Notwithstanding Paragraph (a), no action to terminate, amend, or modify the Plan described therein shall adversely affect Participants who shall have retired under the Plan prior to such action, nor shall any amendment have the effect of decreasing the nonforfeitable percentage or the amount of a Participant's accounts except as permitted by Code Section 411(d)(6) and the regulations thereunder. No amendment shall be made to this Plan which eliminates a subsidy or an optional form of benefit available to a Participant except as permitted by Code Section 411(d)(6) and the regulations thereunder.

(c) Notwithstanding any of the foregoing provisions of this Section, any modification or amendment of the Plan may be made retroactively, if necessary or appropriate to qualify or maintain the Plan and/or the Trust Fund as a plan and/or trust meeting the requirements of the Code and ERISA, or any other provision of law, as now in effect or hereafter amended or adopted, and any regulation issued thereunder. If the Plan is terminated by the Company, all amounts credited to each of such Participant's accounts in respect of Before-Tax Contributions, After-Tax Contributions, Catch-up Contributions, Company Core Contributions, and Company Matching Contributions shall be distributed by the Trustee to any such Participant so affected by such discontinuance or to his or her designated Beneficiary as soon as practicable (to the extent permitted under applicable law), with distributions to be made in accordance with the directions of the Plan Administrator.

(d) Upon the Plan's termination or partial termination, the rights of all affected Participants to benefits accrued to the date of such termination or partial termination, to the extent not yet vested, shall be nonforfeitable.

7.02 **Corpus and Income Not to be Diverted.** Notwithstanding any power of discontinuance or amendment reserved in the Plan or Trust Agreement, it shall be impossible at any time for any part of the corpus and income of the Trust Fund held for the benefit of Participants and their Beneficiaries to be used for, or diverted to, purposes other than for the exclusive benefit of such Participants or their Beneficiaries and defraying reasonable expenses of administering the Plan. Notwithstanding the foregoing:

(a) All contributions made to the Plan are conditioned upon their deductibility in full under Code Section 404, or any statute of similar import. If all or any portion of a contribution is determined to be not deductible, the amount so determined to be non-deductible shall be returned to the Employer, if the Employer so directs the Trustee, within one (1) year of the determination of the disallowance of the deduction.

(b) A contribution made by a mistake of fact shall be returned to the Employer within one (1) year after the payment of the contribution, if the Employer so directs the Trustee.

7.03 **Merger or Consolidation of Plan.**

(a) The Plan shall not be terminated automatically by the Company's acquisition by or merger into any other company, but the Plan shall be continued after such merger if the successor company agrees to continue the Plan. All rights to amend, modify, suspend, or terminate the Plan shall be transferred to the successor company, effective as of the date of the merger, without the need for a specific Plan amendment.

(b) The Plan shall not merge or consolidate with, or transfer its assets or liabilities to, any other plan unless each Participant would (if the Plan then terminated) be entitled to receive a benefit after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had been terminated).

7.04 **Correction.** Any operational or qualification defect or failure of this Plan of any kind whatsoever may be corrected pursuant to any program of voluntary correction sponsored by the Internal Revenue Service or the Department of Labor, or any other agency of the Federal government or pursuant to applicable law, regulations or rulings, to the extent determined by, and at the sole discretion of, the Chairman of the Board.

## ARTICLE VIII

### GENERAL PROVISIONS

8.01 **Nonalienation of Benefits**. Except as may be otherwise required by law, no benefit payable under the Plan or any interest of any Participant arising out of or created by this Plan, either before or after retirement, shall be subject, either voluntarily or involuntarily, to anticipation, assignment, pledge, execution, attachment, garnishment, or alienation. Any attempt to assign or alienate a benefit payable under the Plan shall be void. Also, except as may otherwise be required by law, no such benefit or interest will in any manner be liable for or subject to the debts, liabilities, contract, engagements, or torts of any Participant. This Section 8.01 also shall apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant pursuant to a domestic relations order, unless such order is determined by the Plan Administrator to be a Qualified Domestic Relations Order. In the case of a Qualified Domestic Relations Order, distributions shall be made in accordance with and shall be governed by procedures adopted by the Plan Administrator. Notwithstanding any other provisions of the Plan, to the extent permitted under the provisions of Code Sections 401(a)(13)(C) and (D), or under other applicable law, a Participant or Beneficiary may have his benefits reduced in the event of his willful breach of fiduciary duty to the Plan or his criminal act against the Plan.

8.02 **Payments to Minors, Incompetents, and Related Situations**. If a Participant or Beneficiary entitled to receive any benefits hereunder is a minor, is adjudged to be legally incapable of giving valid receipt and discharge for such benefits, or is unable to care for his affairs because of illness, accident, mental disability, or similar circumstances, such benefits shall be paid to such person as the Plan Administrator shall designate or to the duly appointed guardian. Such payment shall be deemed a complete discharge of any liability for such benefits under the Plan.

8.03 **Unclaimed Accounts - Trust Funds.** No interest shall accrue to or for the account of Participants or their Beneficiaries during any period that any distribution hereunder shall remain unclaimed. If any distribution made by the Trustee from any of the Participant Investment Funds remains unclaimed for a period of six (6) months, the Trustee shall notify the Plan Administrator, who will promptly attempt to locate the person entitled to receive such distribution.

8.04 **No Guarantee of Employment.** The Plan shall not be deemed to be in consideration of, or an inducement for, the employment of any person by the Company or any Affiliated Company. Nothing contained in the Plan shall be deemed to give any employee the right to be retained in the service of the Company or any Affiliated Company or to interfere with the right of the Company or any Affiliated Company to discharge or to terminate the service of any employee at any time without regard to the effect such discharge or termination may have on any rights under the Plan.

8.05 **Governing Law.** The Plan, the Trust Agreement, and all amendments thereto shall be construed, whenever possible, to be in conformity with the requirements of the Code and ERISA, and according to the laws of the Commonwealth of Pennsylvania (including its statute of limitations provisions, but excluding its choice of law provisions) to the extent not preempted by applicable federal law.

8.06 **Gender, Number, and Headings.**

(a) As used herein, the pronouns “he”, “him”, or “his”, referring to an Employee, Participant, Beneficiary, or any other person, shall also be deemed to refer to and include the feminine gender.

(b) Whenever any words are used herein in the singular or plural, they shall be construed as if they were also used in the plural or singular, respectively, in all cases where applicable.

(c) Headings of Articles and Sections of the Plan are inserted for convenience of reference only and as such they constitute no part of the Plan and are not to be considered in the meaning or construction thereof.



(d) Any reference to the Code or ERISA or a section thereunder or a regulation thereunder shall also refer to any successor statute, successor section, or successor regulation.

8.07 **Severability.** Each provision of the Plan shall be independent of each other provision of the Plan and if any provision of the Plan proves to be, or is held by any court, tribunal, board, or authority of competent jurisdiction to be, void or invalid as to any Participant or group of Participants, such provision shall be disregarded and deemed to be null and void and not part of the Plan; but such invalidation of any such provision shall not otherwise impair or affect this Plan or any of the other provisions or terms hereof.

8.08 **Obligations of the Employer.** No Employer shall have any liability with respect to payments of benefits under the Plan and each Participant and Beneficiary shall look solely to the Trust Fund for any payments or benefits under the Plan. Upon total or partial termination of the Plan, no Employer shall have any further liability either to provide benefits to those employees affected by such total or partial termination (whether or not such benefits are then in pay status) or to make any further contributions to or under the Plan in respect of such employees.

8.09 **Effective Date.** The amended and restated Plan as herein set forth is effective as of October 1, 2013, except for provisions which indicate a later effective date.

8.10 **Uniformed Services Employment and Reemployment Rights Act.** Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u).

8.11 **Use of Electronic Media; Adjustment of Certain Time Periods.** Notwithstanding any provision herein which requires notices, consents, elections, or other actions under the Plan to be effectuated through a writing, such notices, consents, elections, or other actions may be effectuated through the use of electronic media, if so

provided in procedures established by the Plan Administrator consistent with Department of Labor or Internal Revenue Service pronouncements or other applicable law. Moreover, any time periods set forth herein for providing notices, making elections, granting consents, or taking other actions which are based upon time limits established under applicable law shall be deemed to be automatically amended, without the necessity of a formal amendment, to reflect any subsequent modification of those deadlines through Department of Labor or Internal Revenue Service pronouncements or other changes in applicable law.

**IN WITNESS WHEREOF**, this Air Products and Chemicals, Inc. Retirement Savings Plan, as amended and restated effective October 1, 2013, has been duly executed on behalf of Air Products and Chemicals, Inc. on this \_\_\_\_\_ day of December 2013.

**AIR PRODUCTS AND CHEMICALS, INC.**

By: \_\_\_\_\_  
Senior Vice President, General Counsel and  
Chief Administrative Officer

ATTEST:

\_\_\_\_\_  
Assistant Secretary

APPENDIX A

PARTICIPANT INVESTMENT FUNDS  
Effective as of October 1, 2013

**Tier 1 – Life Cycle Investment Options**

- SSgA Target Retirement Income Securities Lending Series Fund Class II
- SSgA Target Retirement 2010 Securities Lending Series Fund Class II
- SSgA Target Retirement 2015 Securities Lending Series Fund Class II
- SSgA Target Retirement 2020 Securities Lending Series Fund Class II
- SSgA Target Retirement 2025 Securities Lending Series Fund Class II
- SSgA Target Retirement 2030 Securities Lending Series Fund Class II
- SSgA Target Retirement 2035 Securities Lending Series Fund Class II
- SSgA Target Retirement 2040 Securities Lending Series Fund Class II
- SSgA Target Retirement 2045 Securities Lending Series Fund Class II
- SSgA Target Retirement 2050 Securities Lending Series Fund Class II
- SSgA Target Retirement 2055 Securities Lending Series Fund Class II

**Tier 2 – Core Investment Options- Passively Managed**

- Spartan® 500 Index Fund (Ticker Symbol: FXAIX)
- Spartan® Extended Market Index Fund (Ticker Symbol: FSEVX)
- Vanguard Total Bond Market Index Fund (Ticker Symbol: VBTSX)
- Vanguard Total International Stock Index Fund (Ticker Symbol: VTSGX)

**Tier 3- Core Investment Options- Actively Managed**

- Dodge & Cox Balanced Fund (Ticker Symbol: DODBX)
- Fidelity® International Discovery Fund- Class K (Ticker Symbol: FIDKX)
- JPMCB Large Cap Growth Fund
- Principal MidCap Blend Fund Institutional Class (Ticker Symbol: PCBIX)
- Pyramis Small Capitalization Core Commingled Pool
- Stable Value Fund
- Vanguard Windsor II Fund – Admiral Shares (Ticker Symbol: VWNAX)
- Western Asset Core Plus Bond – Institutional Class (Ticker Symbol: WACPX)

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**Tier 4 – Other Investment Options**

- Air Products Company Stock Fund
- Fidelity BrokerageLink®
- Fidelity Money Market Trust Retirement Government Money Market Portfolio

The Qualified Default Investment Alternative is the Tier 1 – Life Cycle Investment Option. Contributions will be invested in a particular fund within that Tier based on the Participant’s age in accordance with procedures determined by the Plan Administrator.

**EXHIBIT I**  
**ELIGIBLE NONUNION HOURLY LOCATIONS DESIGNATED**  
**BY VICE PRESIDENT - HUMAN RESOURCES**  
**EFFECTIVE AS OF October 1, 2013:**

	<u>Designated Terminal</u> <u>For 125%</u> <u>of Base Salary</u>
ADAMS, NE	YES
ASHLAND, KY	YES
BEATRICE, NE	YES
BETHLEHEM, PA	YES
BOUNTIFUL, UT	YES
BOZRAH, CT	YES
BROOKHAVEN, MS	YES
BURNS HARBOR, IN	NO
BUTLER, IN	YES
BUTLER, PA	YES
CAMDEN, SC	YES
CARTERSVILLE, GA	YES
CHANDLER, AZ	YES
CLAREMONT, MN	YES
CONVENT, LA	NO
CONVENT, LA (Drivers)	YES
CONYERS, GA	YES
CREIGHTON, PA	YES
DECATUR, AL	YES
DEER PARK, TX	NO
EAGAN, MN	YES
GLENMONT, NY	YES
GRAY, TN	YES
LANCASTER, PA	YES
LANCASTER, PA (Express Services)	NO
LAPORTE, TX	YES
LASALLE, IL	YES
LIBERAL, KS	YES
LONG BEACH, CA	YES
MALTA BEND, MO	YES
MANALAPAN, NJ	NO
MARION, IN	YES
MCINTOSH, AL	YES
MEDINA, NY	YES
MEMPHIS, TN	YES
MIDLOTHIAN, TX	YES
MILTON (CO2), WI	YES
MONROE, WI	YES

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MOORELAND, OK	YES
NEVADA, IA	YES
NEW MARTINSVILLE, WV	YES
NIAGARA FALLS, NY	YES
OAK CREEK, WI	YES
ORLANDO, FL	YES
PACE, FL	YES
PARKERSBURG, WV	YES
PRYOR, OK	YES
PUYALLUP, WA	YES
REIDSVILLE, NC	YES
SHAKOPEE, MN	YES
SMITHVILLE, MO	YES
SPARROWS POINT, MD (Drivers)	YES
SUFFIELD, CT	YES
UNION CITY, IN	YES
YORK, NE	YES

**EXHIBIT II**  
**FORMS OF DISTRIBUTION AVAILABLE TO PARTICIPANTS WHO HAD AMOUNTS**  
**TRANSFERRED TO THE PLAN FROM THE IGS SAVINGS PLAN**

(i) **Forms of Payments to Participants.** Participants who were previously participants in the IGS Savings Plan shall continue to have available under the Plan the forms of payment which were available under the IGS Savings Plan, in addition to the forms of benefit provided for in Article V of the Plan; provided, however, that distribution shall automatically be made in the form of a lump sum if the value of the aggregate amounts credited to the Participant's Plan accounts does not exceed the amount set forth in Paragraph 3.10(c) of the Plan. Such forms of payment shall be available with respect to the balance of the Participant's account which was transferred from the IGS Savings Plan to the Plan in connection with the merger of the IGS Savings Plan effective March 31, 2000.

Any distributions made pursuant to this Exhibit II or under Article V must satisfy the requirements of Code Section 401(a)(9) and the regulations thereunder, including the minimum distribution incidental benefit requirement. The former IGS Savings Plan Participant shall have the ability to recalculate annually the life expectancy of the Participant and the Participant's Spouse. Any recalculation of life expectancy shall be done in accordance with Code Section 401(a)(9) and the regulations thereunder.

(1) **Normal Form of Payment.** Unless the Participant elects otherwise the aggregate amount credited to the Participant's Plan accounts shall be made in a lump sum. The normal form of payment shall be automatic, unless the Participant files a written request with the Administrator prior to the date on which the aggregate amounts credited to the Participant's Plan accounts are automatically payable, electing an optional form of payment.

(2) Optional Forms of Payment.

(a) The Participant shall have the right to receive the aggregate amounts credited to his or her Participant Plan accounts in monthly, quarterly, semi-annual or annual payments from the Plan over any period not extending beyond the life expectancy of the Participant and his or her Beneficiary.

(b) A direct rollover will be available to the Participant and/or the Spouse under the terms of Section 5.03.

(ii) **Forms of Death Benefit Distributions.**

(1) **Spousal Death Benefit.** On the death of a Participant, the aggregate amounts credited to the Participant's Plan accounts will be paid to the Participant's Surviving Spouse, or if the Surviving Spouse has consented in a manner conforming to a Qualified Election, then to the Participant's Designated Beneficiary.

The Surviving Spouse may elect to have distribution of the aggregate amounts credited to the Participant's Plan Accounts commence within the 90-day period following the date of the Participant's death. The aggregate amount credited to the Participant's Plan Accounts shall be adjusted for gains or losses occurring after the Participant's death in accordance with the provisions of the Plan governing the adjustment of account balances for other types of distributions.

The Participant may waive the spousal death benefit described in this Section B(1) of this Exhibit II at any time provided that no such waiver shall be effective unless it is a Qualified Election.

(2) **Qualified Election.** Any election to waive the spousal death benefit of Section B(2) of this Exhibit II shall not be effective unless:

(a) the Participant's Spouse consents in writing to the election;

(b) the election designates a specific beneficiary, including any class of beneficiaries or any contingent beneficiaries, which may not be changed without spousal consent (or the Spouse expressly permits designations by the Participant without any further spousal consent);



(c) the Spouse's consent acknowledges the effect of the election.

If it is established to the satisfaction of the Administrator that there is no Spouse or that the Spouse cannot be located, a waiver will be deemed a Qualified Election. Any consent by a Spouse obtained under this provision (or establishment that the consent of a Spouse may not be obtained) shall be effective only with respect to such Spouse. A consent that permits designations by the Participant without any requirement of further consent by such Spouse has the right to limit consent to a specific beneficiary, and a specific form of benefit where applicable, and that the Spouse voluntarily elects to relinquish either or both of such rights. A revocation of a prior waiver may be made by a Participant without the consent of the Spouse at any time before the commencement of benefits. The number of revocations shall not be limited.

**(iii) Other Distribution Provisions.**

**(1) Participant Dies After Distribution Has Begun.** In the event a Participant dies after the distribution of the aggregate amounts credited to the Participant's Plan accounts pursuant to Code Section 401(a)(9) has begun, the distribution of the such aggregate amounts will continue to be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

**(2) Participant Dies Before Distribution Has Begun.** In the event a Participant dies before the distribution of the aggregate amounts credited to the Participant's Plan accounts pursuant to Code Section 401(a)(9) has begun, the distribution of the such aggregate amounts will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death except to the extent that an election is made to receive distributions in accordance with (a) or (b) below.

(a) If any portion of the aggregate amounts credited to the Participant's Plan accounts is payable to a Designated Beneficiary, distributions may be made over the life or over a period certain not greater than the life expectancy of the Designated Beneficiary commencing on or before December 31 of the calendar year immediately following the calendar year in which the Participant died;

(b) If the Designated Beneficiary is the Participant's Surviving Spouse, the date distributions are required to begin in accordance with (a) above shall not be earlier than the later of (1) December 31 of the calendar year immediately following the calendar year in which the Participant died or (2) December 31 of the calendar year in which the Participant would have attained age 70 <sup>1</sup>/<sub>2</sub>.

If the Participant has not made an election pursuant to this Section C(2) of this Exhibit II by the time of his or her death, the Participant's Designated Beneficiary must elect the method of distributions no later than the earlier of: (1) December 31 of the calendar year in which distributions would be required to begin under this section, or (2) December 31 of the calendar year which contains the fifth anniversary of the date of death of the Participant. If the Participant has no Designated Beneficiary, or if the Designated Beneficiary does not elect a method of distribution, then distributions of the aggregate amounts credited to the Participant's Plan accounts must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

For purposes of this Section C(2) of this Exhibit II, if the Surviving Spouse dies after the Participant, but before the payments to such Spouse begin, the provisions of this Section C(2) of this Exhibit II with the exception of paragraph (b) therein, shall be applied as if the Surviving Spouse were the Participant. For the purposes of Sections C(1) and C(2) of this Exhibit II, distribution of the aggregate amounts credited to the Participant's Plan accounts is considered to begin on the last Business Day of March of the calendar year, which follows the calendar year in which the Participant would have attained age 70 <sup>1</sup>/<sub>2</sub> (or, if the preceding sentence is applicable, the date distribution is required to begin to the Surviving Spouse).

(3) **Payment to Minor.** For purposes of this Exhibit II, if an amount is payable to either a minor or an individual who has been declared incompetent, the benefits shall be paid to the legally appointed guardian for the benefit of said minor or incompetent individual, unless the court which appointed the guardian has ordered otherwise.

(4) **Definitions.** For purposes of this Exhibit II, the following definitions shall apply:

(a) **Designated Beneficiary** - The individual who is designated as the beneficiary under the Plan in accordance with Code Section 401(a)(9) and the regulations thereunder.

(b) **Spouse or Surviving Spouse** - The Spouse or Surviving Spouse of the Participant, provided that a former Spouse will be treated as the Spouse or Surviving Spouse and a current Spouse will not be treated as the Spouse or Surviving Spouse to the extent provided under a Qualified Domestic Relations Order as described in Code Section 414(p).

**EXHIBIT III**

**PLAN ELECTIONS**

The following elections have been made in accordance with various sections of the Plan and are applicable only with respect to the Plan Years specifically indicated below, except as otherwise required by applicable law:

<u>Year Election Applies</u>	<u>Applicable Plan Section</u>	<u>Election</u>
1997	3.07(b)(i),(ii), and (iii) (pages 30-33)	Current year data used to perform ADP, ACP, and multiple use testing.

This Exhibit III may be revised from time to time by the Vice President - Human Resources without amendment to the Plan, provided his/her signature appears below along with the Signature Date.

**SCHEDULE I  
PARTICIPATING EMPLOYERS  
AS OF 1 OCTOBER 2013**

<u>Name of Affiliated Company</u>	<u>Participating Employer Since Date</u>	<u>Revocation Date</u>
Air Products Energy Enterprising, Inc.	Continuing	N/A
Air Products Helium, Inc.	Continuing	N/A
Air Products Manufacturing Co., Inc.	Continuing	N/A
Air Products LLC	1 June 2007	N/A
Air Products Performance Manufacturing, Inc. (formerly known as "Tomah Products, Inc." and "Tomah Reserve, Inc.")	1 April 2006	N/A

**AIR PRODUCTS AND CHEMICALS, INC., AND SUBSIDIARIES**  
**COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES**  
(Unaudited)

(Millions of dollars, except ratios)	Three Months Ended 31 December 2013	Year Ended 30 September				
	2013	2013	2012	2011	2010	2009
<b>Earnings:</b>						
Income from continuing operations <sup>(1)</sup>	\$ 296.0	\$1,042.5	\$1,025.2	\$1,171.6	\$ 967.0	\$565.3
<b>Add (deduct):</b>						
Provision for income taxes	94.5	322.5	305.1	390.8	321.0	159.9
Fixed charges, excluding capitalized interest	38.8	166.9	146.7	139.4	146.3	147.8
Capitalized interest amortized during the period	2.5	10.3	9.5	9.0	8.7	7.7
Undistributed earnings of equity investees	1.8	(46.4)	(54.5)	(38.9)	(29.2)	(44.2)
Earnings, as adjusted	<u>\$ 433.6</u>	<u>\$1,495.8</u>	<u>\$1,432.0</u>	<u>\$1,671.9</u>	<u>\$1,413.8</u>	<u>\$836.5</u>
<b>Fixed Charges:</b>						
Interest on indebtedness, including capital lease obligations	\$ 32.0	\$ 143.1	\$ 116.0	\$ 113.6	\$ 121.8	\$125.1
Capitalized interest	7.6	28.3	31.4	23.4	14.5	22.2
Amortization of debt discount premium and expense	1.3	2.1	10.6	5.6	5.6	4.7
Portion of rents under operating leases representative of the interest factor	5.5	21.7	20.1	20.2	18.9	18.0
Fixed charges	<u>\$ 46.4</u>	<u>\$ 195.2</u>	<u>\$ 178.1</u>	<u>\$ 162.8</u>	<u>\$ 160.8</u>	<u>\$170.0</u>
<b>Ratio of Earnings to Fixed Charges <sup>(2)</sup>:</b>	<u>9.3</u>	<u>7.7</u>	<u>8.0</u>	<u>10.3</u>	<u>8.8</u>	<u>4.9</u>

<sup>(1)</sup> Income from continuing operations includes charges associated with business restructuring and cost reduction plans of \$231.6 (\$157.9 after-tax), \$327.4 (\$222.4 after-tax) and \$298.2 (\$200.3 after-tax) for fiscal years ending 30 September 2013, 2012 and 2009, respectively.

<sup>(2)</sup> The ratio of earnings to fixed charges is determined by dividing earnings, as adjusted, by fixed charges. Fixed charges consist of interest on all indebtedness plus that portion of operating lease rentals representative of the interest factor (deemed to be 21% of operating lease rentals).

**PRINCIPAL EXECUTIVE OFFICER'S CERTIFICATION**

I, John E. McGlade, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Air Products and Chemicals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 29 January 2014

/s/ John E. McGlade

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John E. McGlade  
President and Chief Executive Officer



**PRINCIPAL FINANCIAL OFFICER'S CERTIFICATION**

I, M. Scott Crocco, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Air Products and Chemicals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 29 January 2014

/s/ M. Scott Crocco

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M. Scott Crocco  
Senior Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Air Products and Chemicals, Inc. (the "Company") on Form 10-Q for the period ending 31 December 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, John E. McGlade, Chief Executive Officer of the Company, and M. Scott Crocco, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: 29 January 2014

/s/ John E. McGlade

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John E. McGlade  
Chief Executive Officer

/s/ M. Scott Crocco

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M. Scott Crocco  
Chief Financial Officer