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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 30 June 2010

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 ü 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 ü 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 ü   Accelerated filer ___   Non-accelerated filer ___ (Do not check if a smaller reporting company)   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 ü

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 19 July 2010
Common Stock, $1 par value	212,536,365

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

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

(Millions of dollars, except for share data)	30 June 2010	30 September 2009
Assets		
Current Assets		
Cash and cash items	$ 405.3	$ 488.2
Trade receivables, less allowances for doubtful accounts	1,416.4	1,363.2
Inventories	499.2	509.6
Contracts in progress, less progress billings	120.6	132.3
Prepaid expenses	72.8	99.7
Other receivables and current assets	431.1	404.8
Total Current Assets	2,945.4	2,997.8
Investment in Net Assets of and Advances to Equity Affiliates	856.9	868.1
Plant and Equipment, at cost	15,646.9	15,751.3
Less: Accumulated depreciation	8,876.1	8,891.7
Plant and Equipment, net	6,770.8	6,859.6
Goodwill	842.5	916.0
Intangible Assets, net	263.9	262.6
Noncurrent Capital Lease Receivables	738.1	687.0
Other Noncurrent Assets	581.8	438.0
Total Assets	$12,999.4	$13,029.1
Liabilities and Equity		
Current Liabilities		
Payables and accrued liabilities	$ 1,415.3	$ 1,674.8
Accrued income taxes	75.9	42.9
Short-term borrowings	341.2	333.8
Current portion of long-term debt	480.4	452.1
Total Current Liabilities	2,312.8	2,503.6
Long-Term Debt	3,366.4	3,715.6
Deferred Income and Other Noncurrent Liabilities	1,474.7	1,522.0
Deferred Income Taxes	473.6	357.9
Total Liabilities	7,627.5	8,099.1
Commitments and Contingencies – See Note 12		
Equity		
Common stock (par value $1 per share; 2010 and 2009 – 249,455,584 shares)	249.4	249.4
Capital in excess of par value	803.0	822.9
Retained earnings	7,685.5	7,234.6
Accumulated other comprehensive income (loss)	(1,230.5)	(1,161.8)
Treasury stock, at cost (2010 – 36,919,219 shares; 2009 – 38,195,320 shares)	(2,276.0)	(2,353.2)
Total Air Products Shareholders' Equity	5,231.4	4,791.9
Noncontrolling Interests	140.5	138.1
Total Equity	5,371.9	4,930.0
Total Liabilities and Equity	$12,999.4	$13,029.1

The accompanying notes are an integral part of these statements.

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

	Three Months Ended 30 June		Nine Months Ended 30 June	
(Millions of dollars, except for share data)	2010	2009	2010	2009
Sales	$2,252.3	$1,976.2	$6,674.8	$6,126.9
Cost of sales	1,611.0	1,427.5	4,808.3	4,497.1
Selling and administrative	241.2	232.3	725.7	709.9
Research and development	29.3	24.1	82.8	86.9
Global cost reduction plan	—	124.0	—	298.2
Acquisition-related costs	37.9	—	61.3	—
Customer bankruptcy	(1.8)	22.2	(1.8)	22.2
Pension settlement	6.3	8.0	6.3	8.0
Other (income), net	(8.0)	(5.7)	(29.8)	(13.7)
Operating Income	336.4	143.8	1,022.0	518.3
Equity affiliates' income	32.5	28.5	91.6	80.0
Interest expense	30.0	27.5	91.1	94.0
Income from Continuing Operations before Taxes	338.9	144.8	1,022.5	504.3
Income tax provision	77.6	25.4	246.0	99.0
Income from Continuing Operations	261.3	119.4	776.5	405.3
Loss from Discontinued Operations, net of tax	—	(1.4)	—	(6.5)
Net Income	261.3	118.0	776.5	398.8
Less: Net Income Attributable to Noncontrolling Interests	8.1	4.8	19.5	11.4
Net Income Attributable to Air Products	$ 253.2	$ 113.2	$ 757.0	$ 387.4
Net Income Attributable to Air Products				
Income from continuing operations	$ 253.2	$ 114.6	$ 757.0	$ 393.9
Loss from discontinued operations	—	(1.4)	—	(6.5)
Net Income Attributable to Air Products	$ 253.2	$ 113.2	$ 757.0	$ 387.4
Basic Earnings Per Common Share Attributable to Air Products				
Income from continuing operations	$ 1.19	$ .55	$ 3.57	$ 1.88
Loss from discontinued operations	—	(.01)	—	(.03)
Net Income Attributable to Air Products	$ 1.19	$ .54	$ 3.57	$ 1.85
Diluted Earnings Per Common Share Attributable to Air Products				
Income from continuing operations	$ 1.17	$ .54	$ 3.49	$ 1.85
Loss from discontinued operations	—	(.01)	—	(.03)
Net Income Attributable to Air Products	$ 1.17	$ .53	$ 3.49	$ 1.82
Weighted Average of Common Shares Outstanding (in millions)	212.3	209.8	212.0	209.6
Weighted Average of Common Shares Outstanding Assuming Dilution (in millions)	216.9	214.0	216.9	212.8
Dividends Declared Per Common Share – Cash	$ .49	$ .45	$ 1.43	$ 1.34

The accompanying notes are an integral part of these statements.

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

	Three Months Ended 30 June	
(Millions of dollars)	2010	2009
Net Income	$ 261.3	$ 118.0
Other Comprehensive Income (Loss), net of tax:		
Translation adjustments, net of tax (benefit) of $54.5 and $(30.5)	(195.7)	258.8
Net gain (loss) on derivatives, net of tax (benefit) of $(9.7) and $5.0	(16.0)	9.8
Unrealized holding gain (loss) on available-for-sale securities, net of tax of $(1.2) and $1.5	(2.0)	2.6
Pension and postretirement benefits, net of tax (benefit) of $2.6 and $(13.6)	4.1	(22.7)
Reclassification adjustments:		
Currency translation adjustment	(.7)	—
Derivatives, net of tax (benefit) of $9.4 and $(2.4)	15.7	(4.4)
Pension and postretirement benefits, net of tax of $8.7 and $4.7	16.1	8.6
Total Other Comprehensive Income (Loss)	(178.5)	252.7
Comprehensive Income (Loss)	82.8	370.7
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	5.7	10.1
Comprehensive Income (Loss) Attributable to Air Products	$ 77.1	$ 360.6

	Nine Months Ended 30 June	
(Millions of dollars)	2010	2009
Net Income	$ 776.5	$ 398.8
Other Comprehensive Income (Loss), net of tax:		
Translation adjustments, net of tax (benefit) of $106.8 and $(25.8)	(126.5)	(284.7)
Net (loss) on derivatives, net of tax (benefit) of $(14.5) and $(1.1)	(25.3)	(3.1)
Unrealized holding gain (loss) on available-for-sale securities, net of tax of $8.4 and $1.1	14.5	1.8
Pension and postretirement benefits, net of tax (benefit) of $2.6 and $(13.6)	4.1	(22.7)
Reclassification adjustments:		
Currency translation adjustment	(.7)	(3.2)
Derivatives, net of tax of $13.1 and $.9	23.5	2.7
Pension and postretirement benefits, net of tax of $21.3 and $7.3	39.8	14.3
Total Other Comprehensive Income (Loss)	(70.6)	(294.9)
Comprehensive Income (Loss)	705.9	103.9
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	17.6	6.6
Comprehensive Income (Loss) Attributable to Air Products	$688.3	$ 97.3

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)	Nine Months Ended 30 June 2010	Nine Months Ended 30 June 2009
Operating Activities		
Net Income	$ 776.5	$ 398.8
Less: Net income attributable to noncontrolling interests	19.5	11.4
Net income attributable to Air Products	$ 757.0	$ 387.4
Adjustments to reconcile income to cash provided by operating activities:		
Depreciation and amortization	648.8	614.8
Impairment of assets of continuing operations	3.8	67.7
Impairment of assets of discontinued operations	—	48.7
Deferred income taxes	80.7	(41.6)
Undistributed earnings of unconsolidated affiliates	(35.2)	(45.5)
(Gain) loss on sale of assets and investments	(9.1)	7.0
Share-based compensation	36.6	45.1
Noncurrent capital lease receivables	(72.7)	(74.9)
Acquisition-related costs	52.5	—
Customer bankruptcy	—	22.2
Other adjustments	35.5	(28.8)
Working capital changes that provided (used) cash, excluding effects of acquisitions and divestitures:		
Trade receivables	(151.3)	160.0
Inventories	(9.5)	(10.8)
Contracts in progress	4.6	29.8
Payables and accrued liabilities	(315.9)	(313.2)
Other working capital	7.4	(2.9)
Cash Provided by Operating Activities	1,033.2	865.0
Investing Activities		
Additions to plant and equipment	(757.2)	(899.3)
Acquisitions, less cash acquired	(37.2)	(29.8)
Investment in and advances to unconsolidated affiliates	(4.7)	(1.1)
Investment in Airgas stock	(69.6)	—
Proceeds from sale of assets and investments	32.6	30.1
Proceeds from sale of discontinued operations	—	39.0
Change in restricted cash	28.2	82.2
Cash Used for Investing Activities	(807.9)	(778.9)
Financing Activities		
Long-term debt proceeds	110.9	120.9
Payments on long-term debt	(109.8)	(70.0)
Net (decrease) increase in commercial paper and short-term borrowings	(50.0)	99.2
Dividends paid to shareholders	(294.6)	(278.8)
Proceeds from stock option exercises	42.3	14.9
Excess tax benefit from share-based compensation	11.1	4.1
Other financing activities	(9.9)	(7.8)
Cash Used for Financing Activities	(300.0)	(117.5)
Effect of Exchange Rate Changes on Cash	(8.2)	(1.8)
Decrease in Cash and Cash Items	(82.9)	(33.2)
Cash and Cash Items – Beginning of Year	488.2	103.5
Cash and Cash Items – End of Period	$ 405.3	$ 70.3
Supplemental Cash Flow Information		
Significant noncash transactions:		
Short-term borrowings associated with SAGA acquisition	$ 54.6	$ —
Noncurrent liability related to the purchase of shares from noncontrolling interests	39.8	—

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 the Company’s 2009 Form 10-K for a description of major accounting policies. There have been no material changes to these accounting policies during the first nine months of 2010 other than those detailed in Note 2.

The consolidated financial statements of Air Products and Chemicals, Inc. and its subsidiaries (the “Company”, “Air Products”, or “registrant”) included herein have been prepared by the Company, 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 the opinion of the Company, 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 LIFO cost basis, which can only be 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 the Company’s 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

Guidance Implemented

Business Combinations

In December 2007, the FASB issued authoritative guidance to affirm that the acquisition method of accounting (previously referred to as the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This guidance defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. Among other requirements, the guidance requires the acquiring entity in a business combination to recognize at full fair value all the assets acquired and liabilities assumed in the transaction. If a business combination is achieved in stages, the previously-held ownership interest is adjusted to fair value at the acquisition date, and any resulting gain or loss is recognized in earnings. Contingent consideration is recognized at fair value at the acquisition date, and restructuring and acquisition-related costs are expensed as incurred. The fair value of assets and liabilities acquired, including uncertain tax positions, can be adjusted during the measurement period. Any adjustments after the measurement period, which cannot exceed one year, will be recognized in earnings. This guidance was effective for the Company beginning on 1 October 2009 and was applied prospectively. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

Noncontrolling Interests

In December 2007, the FASB issued authoritative guidance that establishes the accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. It requires entities to report noncontrolling interests in subsidiaries separately within equity in the consolidated balance sheets. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and noncontrolling interests. Changes in a parent’s ownership interests while the parent retains control are treated as equity transactions. If a parent loses control of a subsidiary, any retained noncontrolling interests would be measured at fair value with any gain or loss recognized in earnings. This guidance was effective for the Company on 1 October 2009 and was applied prospectively, except for the presentation and disclosure requirements related to noncontrolling interests, which were applied retrospectively for all periods presented. The Company’s financial statements have been updated to reflect the new presentation. Prior year amounts have been reclassified to conform to the current year presentation.

Fair Value Measurements

In September 2006, the FASB issued authoritative guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Effective 1 October 2008, the Company adopted this guidance for financial assets and liabilities and any other assets and liabilities that are recognized and disclosed at fair value on a recurring basis. The requirement for other nonfinancial assets and liabilities was effective on 1 October 2009 for the Company. This guidance did not impact the Company's consolidated financial statements upon adoption.

In January 2010, the FASB issued authoritative guidance on improving disclosures about fair value measurements. This guidance requires new disclosures about transfers in and out of Level 1 and 2 measurements and separate disclosures about activity relating to Level 3 measurements. In addition, this guidance clarifies existing fair value disclosures about the level of disaggregation and the input and valuation techniques used to measure fair value. The guidance only relates to disclosure and does not impact the Company's consolidated financial statements. The Company adopted this guidance in the second quarter of fiscal year 2010. There was no significant impact to the Company's disclosures upon adoption.

New Guidance to Be Implemented

Employers' Disclosures about Postretirement Benefit Plan Assets

In December 2008, the FASB issued authoritative guidance to require employers to provide additional disclosures about plan assets of a defined benefit or other postretirement plan. Disclosures include information about investment policies and strategies, classes of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets, and significant concentrations of risk. This guidance is effective for the Company beginning with its fiscal year-end 2010. Upon initial application, this guidance is not required to be applied to earlier periods that are presented for comparative purposes. This guidance requires additional disclosure and will not have an impact on the Company's consolidated financial statements upon adoption.

Consolidation of Variable Interest Entities

In June 2009, the FASB issued authoritative guidance that amends previous guidance for determining whether an entity has a controlling financial interest in a variable interest entity (VIE). This determination identifies the primary beneficiary of a VIE as the entity that has the power to direct the activities of a VIE that most significantly impacts the VIE's economic performance, and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. In addition, ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE are required. This guidance is effective for the Company beginning in fiscal year 2011. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

Multiple-Deliverable Revenue Arrangements

In October 2009, the FASB issued authoritative guidance on multiple-deliverable revenue arrangements. This new guidance amends the existing criteria for separating consideration received in multiple-deliverable arrangements and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables based on their relative selling price. The guidance establishes a hierarchy for determining the selling price of a deliverable which is based on vendor-specific objective evidence, third-party evidence, or management estimates. Expanded disclosures related to multiple-deliverable revenue arrangements are also required. This guidance is effective for the Company beginning fiscal year 2011, with early adoption permitted. Upon adoption, the guidance may be applied either prospectively from the beginning of the fiscal year for new or materially modified arrangements, or it may be applied retrospectively. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

3. AIRGAS TRANSACTION

In February 2010, the Company commenced a tender offer to acquire all the outstanding common stock of Airgas, Inc. (Airgas), including the associated preferred stock purchase rights, for $60.00 per share in cash. Airgas, a Delaware company, is the largest U.S. distributor of industrial, medical, specialty gases, and hardgoods. On 8 July 2010, the Company increased the value of its tender offer to $63.50 per share. The total value of the transaction approximates $7.3 billion, including $5.5 billion of equity and $1.8 billion of assumed debt. The offer and withdrawal rights are scheduled to expire on 13 August 2010, unless further extended.

Prior to the tender offer, the Company purchased approximately 1.5 million shares of Airgas stock for $69.6. This amount was recorded as an available-for-sale investment within other noncurrent assets on the consolidated balance sheet. For the nine months ended 30 June 2010, an after-tax unrealized holding gain of $15.4 was recorded in other comprehensive income within total equity on the consolidated balance sheet.

In connection with this tender offer, the Company has secured committed financing in the form of a $6.7 billion term loan credit facility. Borrowings under this credit facility will be available beginning on the date of the consummation of the tender offer, which must occur no later than 4 February 2011. All borrowings under this credit facility will mature on the date that is one year from the consummation of the tender offer. The credit facility agreement contains one financial covenant, a maximum leverage ratio, and other affirmative and negative covenants, including restrictions on liens and certain subsidiary indebtedness. It also requires mandatory commitment reduction/prepayment for certain capital market transactions and asset dispositions. Fees incurred to secure this credit facility have been deferred and are being amortized over the term of the arrangement.

For the three and nine months ended 30 June 2010, $37.9 ($23.7 after-tax, or $.11 per share) and $61.3 ($38.3 after-tax, or $.18 per share), respectively, in expense was recognized related to this transaction and is included within acquisition-related costs on the consolidated income statement. This includes amortization of the fees related to the term loan credit facility and other acquisition-related costs. Total costs of this transaction are expected to be approximately $150 to $200.

4. BUSINESS COMBINATIONS

In the second quarter of 2010, the Company entered into agreements that will enable it to acquire 100% of the outstanding shares of the French SAGA group (SAGA) which consists of SAGA, SAGA Medical, and SAGA Technologies. SAGA is an independent industrial gas provider in France with packaged gases, liquid bulk, and medical businesses. The acquisition of SAGA supports the Merchant Gases segment’s integration strategy by enhancing market position in Southwest and Central France. SAGA revenues for calendar year 2009 were approximately €25 million, or $35.

Under the terms of these agreements, the Company purchased 51.47% of the shares of SAGA on 1 March 2010 for €34.5 million or $47.2 ($25.0 net of cash acquired of $22.2). The remaining shares are expected to be purchased in November 2010 for a fixed price of €44.8 million, or approximately $55, under a put and call option structure. This structure has been accounted for as a financing of the purchase of the remaining shares and reported within short-term borrowings on the consolidated balance sheet.

The acquisition of SAGA was accounted for as a business combination and its results of operations were included in the Company’s consolidated income statement after the acquisition date. A preliminary purchase price allocation has been made and will be finalized when information needed to affirm underlying estimates is obtained. The preliminary estimated values, as of the acquisition date included identified intangibles of $42.3, plant and equipment of $40.4, goodwill of $36.7 (which is deductible for tax purposes), and other net assets of $11.3. Additionally, deferred tax liabilities of $22.7 were recognized. The identified intangibles primarily relate to customer relationships and will be amortized over 23 years.

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed was based on their fair values as of the acquisition date, with the amounts exceeding the fair value recorded as goodwill. Goodwill, which is assigned to the Merchant Gases segment, largely consists of expected revenue and cost synergies resulting from the business combination. Revenue synergies will result primarily from the sale of differentiated offerings and cost synergies from combining supply chains and optimization of the combined logistics. The fair value of plant and equipment was quantified primarily using a cost approach, by estimating reproduction/replacement cost consistent with assumptions market participants would use. Intangible assets consisted primarily of customer relationships for which fair value was determined using a discounted cash flow analysis under the income approach. The income approach required estimating a number of factors including projected revenue growth, customer attrition rates, profit margin, and the discount rate. The remaining identifiable assets and liabilities were primarily cash, accounts receivable, and payables and accrued liabilities, for which book value approximated fair value.

5. GLOBAL COST REDUCTION PLAN

In the third quarter of 2009, the results from continuing operations included a charge of $124.0 ($84.2 after-tax, or $.39 per share) for the global cost reduction plan. For the nine months ended 30 June 2009, the results included a total global cost reduction plan charge of $298.2 ($200.3 after-tax, or $.94 per share). For additional information on this charge, refer to the Company's 2009 Form 10-K.

During the first quarter of 2010, the Company revised its estimate of the costs associated with the 2009 global cost reduction plan. The unfavorable impact of additional severance and other benefits was offset by a favorable variance related to completed business exits and asset management actions. This adjustment to the charge was excluded from segment operating profit and did not have a material impact on any individual segment.

As of 30 June 2010, the planned actions associated with the global cost reduction plan were substantially completed with the exception of certain benefit payments and finalization of the sale of a facility. The majority of the remaining benefit payments will be paid during the fourth quarter of 2010. Additionally, the Company anticipates completing the planned sale of the facility by the end of the calendar year.

The following table summarizes changes to the carrying amount of the accrual for the global cost reduction plan:

	Severance and Other Benefits	Asset Impairments/ Other Costs	Total
First quarter 2009 charge	$ 120.0	$ 54.2	$ 174.2
Third quarter 2009 charge	90.0	34.0	124.0
Environmental charge (A)	—	(16.0)	(16.0)
Noncash items	(33.8)(B)	(66.1)	(99.9)
Cash expenditures	(75.3)	(.9)	(76.2)
Currency translation adjustment	4.3	—	4.3
30 September 2009	**$105.2**	**$ 5.2**	**$110.4**
First quarter 2010 adjustment to charge	6.6	(6.6)	—
Environmental charge (A)	—	1.5	1.5
Noncash items	(2.8)(B)	.1	(2.7)
Cash expenditures	(87.3)	(.2)	(87.5)
Currency translation adjustment	(5.7)	—	(5.7)
30 June 2010	**$ 16.0**	**$ —**	**$ 16.0**

(A) Reflected in accrual for environmental obligations. See Note 12.
(B) Primarily pension-related costs which are reflected in the accrual for pension benefits.

6. DISCONTINUED OPERATIONS

In fiscal 2009, the Company completed the divestiture of its U.S. Healthcare business which has been accounted for as discontinued operations. For additional historical information on this divestiture, refer to the Company's 2009 Form 10-K.

In the first half of 2009, the Company recorded an impairment charge of $48.7 ($30.9 after-tax, or $.15 per share) reflecting a revision in the estimated net realizable value of the business. Also, tax benefits of $25.5, or $.12 per share, were recorded to revise the estimated tax benefit associated with the total impairment charges recorded.

During the third quarter of 2009, the Company sold more than half of its remaining U.S. Healthcare business for cash proceeds of $38.1. The Company recognized an after-tax gain of $.3 resulting from the sale combined with adjustments to the net realizable value of the remaining businesses.

The U.S. Healthcare business generated sales of $25.2 and $117.3 and loss from operations, net of tax, of $2.1 and $2.0 for the three and nine months ended 30 June 2009, respectively. Remaining assets and liabilities associated with the U.S. Healthcare divestiture are not material and have been classified in continuing operations.

7. INVENTORIES

The components of inventories are as follows:

	30 June 2010	30 September 2009
Inventories at FIFO Cost		
Finished goods	$377.1	$405.5
Work in process	26.3	20.9
Raw materials and supplies	163.5	151.1
	566.9	577.5
Less: Excess of FIFO cost over LIFO cost	(67.7)	(67.9)
	$499.2	$509.6

FIFO cost approximates replacement cost. The Company's 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.

8. GOODWILL

Changes to the carrying amount of consolidated goodwill by segment for the nine months ended 30 June 2010 are as follows:

	30 September 2009	Acquisitions and Adjustments	Currency Translation	30 June 2010
Merchant Gases	$601.3	$20.1	$(85.0)	$536.4
Tonnage Gases	16.3	(.9)	(1.7)	13.7
Electronics and Performance Materials	298.4	.3	(6.3)	292.4
	$916.0	$19.5	$(93.0)	$842.5

The increase in goodwill in the Merchant Gases segment was primarily due to the SAGA acquisition of $36.7 during the second quarter of 2010, offset by a reduction in goodwill as a result of an adjustment related to a previous acquisition of $16.9.

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.

9. FINANCIAL INSTRUMENTS

Currency Price Risk Management

The Company's 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 the policy of the Company to minimize its cash flow volatility to changes in currency exchange rates. This is accomplished by identifying and evaluating the risk that the Company's cash flows will change in value due to changes in exchange rates and by determining the appropriate strategies necessary to manage such exposures. The Company's objective is to maintain economically balanced currency risk management strategies that provide adequate downside protection.

Forward Exchange Contracts

The Company enters 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. 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 the Company has a net equity position. The primary currency pair in this portfolio of forward contracts is the Euro/U.S. Dollar.

In addition to the foreign exchange contracts that are designated as hedges, the Company also hedges foreign currency exposures utilizing forward exchange contracts that are not designated as hedges. These contracts are used to hedge foreign currency-denominated monetary assets and liabilities, primarily working capital. The primary objective of these forward 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 is comprised of many different foreign currency pairs with a profile that changes from time to time depending on business activity and sourcing decisions.

Option Contracts

In certain limited situations, the Company enters into option contracts to manage cash flow exposures to foreign currency fluctuations. Similar to forward contracts, these instruments are evaluated for hedge accounting treatment and are recognized on the balance sheet at fair value. As of 30 June 2010 and 30 September 2009, there were no outstanding option contracts.

The table below summarizes the Company's outstanding currency price risk management instruments:

	30 June 2010		30 September 2009	
	US$ Notional	Years Average Maturity	US$ Notional	Years Average Maturity
Forward exchange contracts:				
Cash flow hedges	$1,944.9	.4	$1,799.3	.8
Net investment hedges	598.7	3.2	873.6	3.5
Fair value hedges	—	—	2.7	.4
Hedges not designated	1,028.3	.1	330.3	.6
Total Forward Exchange Contracts	$3,571.9	.8	$3,005.9	1.6

In addition to the above, the Company uses foreign currency denominated debt and qualifying intercompany loans to hedge the foreign currency exposures of the Company's net investment in certain foreign affiliates. The designated foreign currency denominated debt includes €785.9 million at 30 June and €1,013.0 million at 30 September 2009. The designated intercompany loans include €437.0 million at 30 June 2010 and 30 September 2009.

Debt Portfolio Management

It is the policy of the Company 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 of the Company are managed with the objectives and intent to (1) reduce funding risk with respect to borrowings made by the Company to preserve the Company's 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 Swap Contracts

The Company enters into interest rate swap contracts to change the fixed/variable interest rate mix of its 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 optimize interest rate risks and costs inherent in the Company's debt portfolio. The current interest rate swap portfolio consists of fixed to floating swaps denominated in U.S. dollars and in Euros. In addition, the Company uses interest rate swap agreements to hedge the interest rate on anticipated fixed-rate debt issuance. The notional amount of the interest rate swap agreements are equal to or less than the designated debt instrument being hedged. When interest rate swaps are used, the indices of the swap instruments and the debt to which they are designated are the same. It is the Company's policy not to enter into any interest rate swap contracts which lever a move in interest rates on a greater than one-to-one basis.

Cross Currency Interest Rate Swap Contracts

The Company enters into cross currency interest rate swap contracts when risk management 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 the Company has a net equity position while changing the interest rate characteristics of the instrument. The contracts are used to hedge long-term intercompany and third-party borrowing transactions and certain net investments in foreign operations. The current cross currency swap portfolio consists of a single fixed to fixed swap between U.S. dollars and British Pound Sterling.

The following table summarizes the Company's outstanding interest rate swaps and cross currency interest rate swaps:

	30 June 2010				30 September 2009			
	US$ Notional	Pay %	Average Receive %	Years Average Maturity	US$ Notional	Pay %	Average Receive %	Years Average Maturity
Interest rate swaps (fair value hedge)	$ 603.7	LIBOR	3.65%	4.0	$ 327.2	LIBOR	4.47%	1.7
Cross currency interest rate swaps (net investment hedge)	$ 32.2	5.54%	5.48%	3.7	$ 32.2	5.54%	5.48%	4.5

Commodity Price Risk Management

The Company has entered into a limited number of commodity swap contracts in order to reduce the cash flow exposure to changes in the price of natural gas relative to certain oil-based feedstocks. As of 30 June 2010, the Company did not have outstanding commodity swap contracts. At 30 September 2009, the Company had outstanding contracts with a notional value of $18.5 and with an average maturity of .2 years.

The table below summarizes the fair value and balance sheet location of the Company's outstanding derivatives:

	Balance Sheet Location	30 June 2010 Fair Value	30 September 2009 Fair Value	Balance Sheet Location	30 June 2010 Fair Value	30 September 2009 Fair Value
Derivatives Designated as Hedging Instruments:						
Foreign exchange contracts	Other receivables	$ 88.6	$ 48.8	Accrued liabilities	$ 72.6	$ 55.1
Interest rate swap contracts	Other receivables	2.5	—	Accrued liabilities	.1	.4
Commodity swap contracts	Other receivables	—	4.3	Accrued liabilities	—	2.4
Foreign exchange contracts	Other noncurrent assets	68.8	10.0	Other noncurrent liabilities	2.2	45.4
Interest rate swap contracts	Other noncurrent assets	28.3	15.1	Other noncurrent liabilities	1.5	3.0
Total Derivatives Designated as Hedging Instruments		$ 188.2	$ 78.2		$ 76.4	$ 106.3
Derivatives Not Designated as Hedging Instruments:						
Foreign exchange contracts	Other receivables	$ 5.8	$ 1.0	Accrued liabilities	$ 31.0	$ 3.4
Total Derivatives		$ 194.0	$ 79.2		$ 107.4	$ 109.7

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Refer to Note 10, Fair Value Measurements, which defines fair value, describes the method for measuring fair value, provides additional disclosures regarding fair value measurements, and discusses the Company's counterparty risk.

The table below summarizes the gain or loss related to the Company's cash flow, net investment, and non-designated hedges. The amounts of gain or loss associated with the outstanding fair value hedges are not material.

	Three Months Ended 30 June							
	Forward Exchange Contracts		Foreign Currency Debt		Other [A]		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Cash Flow Hedges:								
Net (gain) loss recognized in OCI (effective portion)	$ 16.0	$ (4.6)	$ —	$ —	$—	$(5.2)	$ 16.0	$ (9.8)
Net gain (loss) reclassified from OCI to sales/cost of sales (effective portion)	(.7)	1.3	—	—	—	1.2	(.7)	2.5
Net gain (loss) reclassified from OCI to other (income) expense (effective portion)	(15.1)	1.7	—	—	—	—	(15.1)	1.7
Net gain (loss) reclassified from OCI to other (income) expense (ineffective portion)	.1	.2	—	—	—	—	.1	.2
Net Investment Hedges:								
Net (gain) loss recognized in OCI	$ (53.7)	$ 29.8	$ (117.0)	$ 59.6	$ (.4)	$ 3.1	$(171.1)	$92.5
Derivatives Not Designated as Hedging Instruments:								
Net (gain) loss recognized in other (income) expense [B]	$ (.4)	2.7	$ —	$ —	$—	$—	$ (.4)	$ 2.7

	Nine Months Ended 30 June							
	Forward Exchange Contracts		Foreign Currency Debt		Other [A]		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Cash Flow Hedges:								
Net (gain) loss recognized in OCI (effective portion)	$ 25.1	$ 8.5	$ —	$ —	$ .2	$(5.4)	$ 25.3	$ 3.1
Net gain (loss) reclassified from OCI to sales/cost of sales (effective portion)	(5.6)	(2.2)	—	—	2.0	3.6	(3.6)	1.4
Net gain (loss) reclassified from OCI to other (income) expense (effective portion)	(19.8)	(4.2)	—	—	—	—	(19.8)	(4.2)
Net gain (loss) reclassified from OCI to other (income) expense (ineffective portion)	(.1)	.1	—	—	—	—	(.1)	.1
Net Investment Hedges:								
Net (gain) loss recognized in OCI	$ (89.3)	$ 8.7	$ (236.0)	$ (14.8)	$(1.3)	$(1.7)	$(326.6)	$ (7.8)
Derivatives Not Designated as Hedging Instruments:								
Net (gain) loss recognized in other (income) expense [B]	$ (3.9)	$ 4.6	$ —	$ —	$—	$—	$ (3.9)	$ 4.6

[A] Other includes the impact on other comprehensive income (OCI) and earnings related to commodity swap contracts, interest rate swaps, and currency option contracts.

[B] 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.

Credit Risk-Related Contingent Features

Certain derivative instruments are executed under agreements that require the Company to maintain a minimum credit rating with both Standard & Poor's and Moody's. If the Company's 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 $29.0 as of 30 June 2010 and $35.0 as of 30 September 2009. Because the Company's current credit rating is above the various pre-established thresholds, no collateral has been posted on these liability positions.

Counterparty Credit Risk Management

The Company executes all derivative transactions with counterparties that are highly rated financial institutions all of which are investment grade at this time. Some of the Company's underlying derivative agreements give the Company 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 $104.7 as of 30 June 2010 and $14.7 as of 30 September 2009. No financial institution is required to post collateral at this time, as all have credit ratings at or above the threshold.

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

Derivatives

The fair value of the Company's interest rate swap agreements and foreign 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, the Company randomly tests a subset of its valuations against valuations received from the transaction's counterparty to validate the accuracy of its standard pricing models. The fair value of commodity swaps is based on current market price as provided by the financial institutions with which the commodity swaps have been executed. Counterparties to these derivative contracts are highly rated financial institutions.

Refer to Note 9 on Financial Instruments for a description of derivative instruments, including details on the balance sheet line item classifications.

Available-for-Sale Securities

The fair value of available-for-sale securities is based on a market approach, specifically quoted market prices in publicly traded companies from the New York Stock Exchange, NASDAQ, and Tokyo Stock Exchange. These investments are reported within other noncurrent assets on the consolidated balance sheet, with holding gains and losses recorded to other comprehensive income, net of tax, within total equity.

The investment in Airgas stock of $93.8 represents approximately 1.5 million common shares as discussed in Note 3 on the Airgas Transaction. Other investments primarily include an investment in a publicly traded foreign company.

Long-term Debt

The fair value of the Company's 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. The computation of the fair value of these instruments is generally performed by the Company.

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

	30 June 2010		30 September 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Derivatives				
Foreign exchange contracts	$ 163.2	$ 163.2	$ 59.8	$ 59.8
Interest rate swap contracts	30.8	30.8	15.1	15.1
Commodity swap contracts	—	—	4.3	4.3
Available-for-sale securities				
Airgas investment	93.8	93.8	—	—
Other investments	18.0	18.0	19.4	19.4
Liabilities				
Derivatives				
Foreign exchange contracts	$ 105.8	$ 105.8	$ 103.9	$ 103.9
Interest rate swap contracts	1.6	1.6	3.4	3.4
Commodity swap contracts	—	—	2.4	2.4
Long-term debt, including current portion	3,846.8	4,105.2	4,167.7	4,479.5

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.

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 the Company's own assumptions (about the assumptions market participants would use in pricing the asset or liability).

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

30 June 2010	Total	Level 1	Level 2	Level 3
Assets at Fair Value				
Derivatives				
Foreign exchange contracts	$163.2	$ —	$ 163.2	$ —
Interest rate swap contracts	30.8	—	30.8	—
Available-for-sale securities				
Airgas investment	93.8	93.8	—	—
Other investments	18.0	18.0	—	—
Total Assets at Fair Value	$305.8	$ 111.8	$ 194.0	$ —
Liabilities at Fair Value				
Derivatives				
Foreign exchange contracts	$105.8	$ —	$ 105.8	$ —
Interest rate swap contracts	1.6	—	1.6	—
Total Liabilities at Fair Value	$107.4	$ —	$ 107.4	$ —

Refer to Note 1 in the Company's 2009 Form 10-K and Note 9 in this quarterly filing for additional information on the Company's accounting and reporting of the fair value of financial instruments.

11. RETIREMENT BENEFITS

The components of net pension cost for the defined benefit pension plans and other postretirement benefit cost for the three and nine months ended 30 June 2010 and 2009 were as follows:

	Pension Benefits				Other Benefits	
	2010		2009		2010	2009
Three Months Ended 30 June	U.S.	International	U.S.	International		
Service cost	$ 10.6	$ 5.7	$ 8.5	$ 6.7	$ 1.2	$ .8
Interest cost	30.9	14.3	31.1	15.1	1.1	1.7
Expected return on plan assets	(41.1)	(15.3)	(37.0)	(13.5)	—	—
Prior service cost (credit) amortization	.7	.1	.7	.3	—	(.3)
Actuarial loss amortization	11.7	4.7	1.5	2.3	.7	(.1)
Settlement and curtailment charges	5.8	.5	8.0	3.8	—	—
Special termination benefits	(.7)	—	2.8	11.6	—	—
Other	—	.2	—	.4	—	—
Net periodic benefit cost	$ 17.9	$ 10.2	$ 15.6	$ 26.7	$ 3.0	$ 2.1

	Pension Benefits				Other Benefits	
	2010		2009		2010	2009
Nine Months Ended 30 June	U.S.	International	U.S.	International		
Service cost	$ 31.8	$ 17.9	$ 25.5	$ 19.5	$ 3.6	$ 3.1
Interest cost	92.7	45.3	93.0	44.2	3.3	4.8
Expected return on plan assets	(123.3)	(48.2)	(109.5)	(39.6)	—	—
Prior service cost (credit) amortization	2.1	.5	1.9	1.1	—	(1.0)
Actuarial loss amortization	35.1	14.7	4.5	6.7	2.1	.2
Settlement and curtailment charges	5.8	.5	8.0	3.8	—	—
Special termination benefits	(.7)	3.5	7.2	21.8	—	—
Other	—	2.1	—	1.2	—	—
Net periodic benefit cost	$ 43.5	$ 36.3	$ 30.6	$ 58.7	$ 9.0	$ 7.1

Special termination benefits for the three and nine months ended 30 June 2010 included $(.7) and $2.8 for the global cost reduction plan, respectively. Special termination benefits for the three and nine months ended 30 June 2009 included $14.4 and $28.5 for the global cost reduction plan, respectively. The global cost reduction charge for the third quarter of 2009 also included $3.8 for curtailment losses related to the U.K. pension plans.

For the nine months ended 30 June 2010 and 2009, the Company's cash contributions to funded plans and benefit payments under unfunded plans were $348.2 and $169.5, respectively. Total contributions for fiscal 2010 are expected to be approximately $375. During fiscal 2009, total contributions were $184.8.

The Company's supplemental pension plan provides for a lump sum benefit payment option at the time of retirement, or for corporate officers six months after the participant's retirement date. The Company recognizes pension settlements when payments exceed the sum of service and interest cost components of net periodic pension cost of the plan for the fiscal year. A settlement loss is recognized when the pension obligation is settled. The Company recognized a $6.3 ($3.9 after-tax, or $.02 per share) charge in the third quarter of 2010. A similar amount of additional settlement losses is expected to be recognized in the fourth quarter of 2010. In the third quarter of 2009, the Company recognized a settlement charge of $8.0 ($5.0 after-tax, or $.02 per share).

12. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in various legal proceedings, including competition, environmental, health, safety, product liability, and insurance matters. During the third quarter of 2008, a unit of the Brazilian Ministry of Justice issued a report (previously issued in January 2007, and then withdrawn) on its investigation of the Company's Brazilian subsidiary, Air Products Brasil Ltda., and several other Brazilian industrial gas companies. The report recommended that the Brazilian Administrative Council for Economic Defense impose sanctions on Air Products Brasil Ltda. and the other industrial gas companies for alleged anticompetitive activities. The Company is actively defending this action and cannot, at this time, reasonably predict the ultimate outcome of the proceedings or sanctions, if any, that will be imposed. Additionally, it is not possible to make a reasonable estimate of the range of loss at this time. While the Company does not expect that any sums it may have to pay in connection with this or any other legal proceeding would have a materially adverse effect on its consolidated financial position or net cash flows, a future charge for regulatory fines or damage awards could have a significant impact on the Company's net income in the period in which it is recorded.

Put Option Agreements

In 2008, the Company entered into a put option agreement to purchase the remaining noncontrolling interest in Cryoservice Limited (CSL), a cryogenic and specialty gases company in the U.K. The Company increased its ownership at that time from 25% to 72%. Put options were issued which gave the noncontrolling shareholders the right to require the Company to purchase their shares in CSL. The options were effective beginning January 2010 and are exercisable only within a 20-day option period each year. The option price is based on a multiple of earnings formula.

In June 2010, the Company entered into agreements obligating it to purchase 25% of the remaining shares of CSL. The agreements require the consideration, which is based on a multiple of earnings formula, to be remitted in January 2012. A noncurrent liability of $39.8 was recorded on the consolidated balance sheet for this obligation. The share sale agreements effectively terminate the option agreements. Refer to Note 15 for further information.

Environmental

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. The consolidated balance sheets at 30 June 2010 and 30 September 2009 included an accrual of $88.5 and $95.0, respectively, primarily as part of other noncurrent liabilities. The environmental liabilities will be paid over a period of up to 30 years. The Company estimates the exposure for environmental loss contingencies to range from $88 to a reasonably possible upper exposure of $102 as of 30 June 2010.

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. In December 2009, the Company completed the sale of this facility. The Company is required by the New Jersey state law to investigate and, if contaminated, remediate a site upon its sale. The Company estimates that it will take at least several years to complete the investigation/remediation efforts at this site.

Refer to Note 16 to the consolidated financial statements in the Company's 2009 Form 10-K for information on the Company's environmental accruals related to the Pace, Florida, Piedmont, S.C., and Paulsboro, N.J. facilities. At 30 June 2010, the accrual balances associated with the Pace, Florida, Piedmont, S.C., and Paulsboro, N.J. facilities totaled $36.9, $21.8, and $14.1, respectively.

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13. SHARE-BASED COMPENSATION

The Company has various share-based compensation programs, which include stock options, deferred stock units, and restricted shares. During the nine months ended 30 June 2010, the Company granted 1.0 million stock options at a weighted-average exercise price of $83.60 and an estimated fair value of $25.94 per option. The fair value of these options was estimated using a lattice-based option valuation model that used the following assumptions: expected volatility of 32.6%; expected dividend yield of 2.1%; expected life in years of 6.7-8.0; and a risk-free interest rate of 2.9%-3.3%. In addition, the Company granted 302,897 deferred stock units at a weighted-average grant-date fair value of $82.94 and 30,886 restricted shares at a weighted-average grant-date fair value of $83.60. Refer to Note 18 in the Company's 2009 Form 10-K for information on the valuation and accounting for these programs.

Share-based compensation cost charged against income in the three and nine months ended 30 June 2010 was $13.9 ($8.9 after-tax) and $36.6 ($23.0 after-tax), respectively. Of the share-based compensation cost recognized, $28.0 was a component of selling and administrative expense, $6.8 a component of cost of sales, and $1.8 a component of research and development. Share-based compensation cost charged against income in the three and nine months ended 30 June 2009 was $15.0 ($9.2 after-tax) and $45.1 ($27.7 after-tax), respectively. The amount of share-based compensation cost capitalized in 2010 and 2009 was not material.

14. EQUITY

The following is a summary of the changes in total equity for the three and nine months ended 30 June:

	Three Months Ended 30 June					
	2010			2009		
	Air Products	Non-controlling Interests	Total Equity	Air Products	Non-controlling Interests	Total Equity
Balance at 31 March	$5,265.6	$ 152.7	$5,418.3	$4,638.1	$ 126.7	$4,764.8
Net Income	253.2	8.1	261.3	113.2	4.8	118.0
Components of Other Comprehensive Income (Loss), net of tax:						
Translation adjustments, net of tax (benefit) of $54.5 and $(30.5)	(193.3)	(2.4)	(195.7)	253.4	5.4	258.8
Net gain (loss) on derivatives, net of tax (benefit) of $(9.7) and $5.0	(16.0)	—	(16.0)	9.8	—	9.8
Unrealized holding gain (loss) on available-for-sale securities, net of tax (benefit) of $(1.2) and $1.5	(2.0)	—	(2.0)	2.6	—	2.6
Pension and postretirement benefits, net of tax (benefit) of $2.6 and $(13.6)	4.1	—	4.1	(22.7)	—	(22.7)
Reclassification adjustments:						
Currency translation adjustments	(.7)	—	(.7)	—	—	—
Derivatives, net of tax (benefit) of $9.4 and $(2.4)	15.7	—	15.7	(4.4)	—	(4.4)
Pension and postretirement benefits, net of tax of $8.7 and $4.7	16.1	—	16.1	8.7	(.1)	8.6
Total Other Comprehensive Income (Loss)	(176.1)	(2.4)	(178.5)	247.4	5.3	252.7
Comprehensive Income (Loss)	77.1	5.7	82.8	360.6	10.1	370.7
Dividends on common stock (per share $.49, $.45)	(104.1)	—	(104.1)	(94.6)	—	(94.6)
Dividends to noncontrolling interests	—	(9.2)	(9.2)	—	(2.2)	(2.2)
Share-based compensation expense	13.9	—	13.9	15.0	—	15.0
Issuance of treasury shares for stock option and award plans	5.4	—	5.4	7.0	—	7.0
Tax benefits of stock option and award plans	2.2	—	2.2	2.9	—	2.9
Purchase of noncontrolling interests	(29.0)	(10.8)	(39.8)	—	—	—
Contribution from noncontrolling interests	—	1.8	1.8	—	—	—
Other equity transactions	.3	.3	.6	(.7)	—	(.7)
Balance at 30 June	$5,231.4	$ 140.5	$5,371.9	$4,928.3	$ 134.6	$5,062.9

	Nine Months Ended 30 June					
	2010			2009		
	Air Products	Non-controlling Interests	Total Equity	Air Products	Non-controlling Interests	Total Equity
Balance at 30 September	$4,791.9	$138.1	$4,930.0	$5,030.7	$136.2	$5,166.9
Defined benefit plans measurement date change, net of tax of $14.0	—	—	—	27.7	—	27.7
Adjusted Balance at 30 September	$4,791.9	$138.1	$4,930.0	$5,058.4	$136.2	$5,194.6
Net Income	757.0	19.5	776.5	387.4	11.4	398.8
Components of Other Comprehensive Income (Loss), net of tax:						
Translation adjustments, net of tax (benefit) of $106.8 and $(25.8)	(124.4)	(2.1)	(126.5)	(281.5)	(3.2)	(284.7)
Net (loss) on derivatives, net of tax (benefit) of $(14.5) and $(1.1)	(25.3)	—	(25.3)	(3.0)	(.1)	(3.1)
Unrealized holding gain (loss) on available-for-sale securities, net of tax of $8.4 and $1.1	14.5	—	14.5	1.8	—	1.8
Pension and postretirement benefits, net of tax (benefit) of $2.6 and $(13.6)	4.1	—	4.1	(22.7)	—	(22.7)
Reclassification adjustments:						
Currency translation adjustment	(.7)	—	(.7)	(3.2)	—	(3.2)
Derivatives, net of tax of $13.1 and $.9	23.5	—	23.5	2.7	—	2.7
Pension and postretirement benefits, net of tax of $21.3 and $7.3	39.6	.2	39.8	15.8	(1.5)	14.3
Total Other Comprehensive Income (Loss)	(68.7)	(1.9)	(70.6)	(290.1)	(4.8)	(294.9)
Comprehensive Income (Loss)	688.3	17.6	705.9	97.3	6.6	103.9
Dividends on common stock (per share $1.43, $1.34)	(303.6)	—	(303.6)	(281.2)	—	(281.2)
Dividends to noncontrolling interests	—	(18.1)	(18.1)	—	(7.8)	(7.8)
Share-based compensation expense	36.6	—	36.6	45.1	—	45.1
Issuance of treasury shares for stock option and award plans	32.1	—	32.1	4.0	—	4.0
Tax benefits of stock option and award plans	16.7	—	16.7	6.4	—	6.4
Purchase of noncontrolling interests	(29.0)	(10.8)	(39.8)	—	—	—
Contribution from noncontrolling interests	—	13.4	13.4	—	—	—
Other equity transactions	(1.6)	.3	(1.3)	(1.7)	(.4)	(2.1)
Balance at 30 June	$5,231.4	$140.5	$5,371.9	$4,928.3	$134.6	$5,062.9

15. NONCONTROLLING INTERESTS

In June 2010, the Company entered into agreements to purchase 25% of the remaining shares of Cryoservice Limited, a cryogenic and specialty gases company in the U.K., which increased the Company's ownership interest from 72% to 97%. Refer to Note 12 for additional information on this purchase.

The carrying value of the 25% noncontrolling interest at the time the sale share agreements were entered into was $10.8. Under the terms of the agreements, the Company is obligated to remit payment in January 2012 with the consideration based on a multiple of earnings formula. As a result of this arrangement, the Company reduced the noncontrolling interests for the 25% purchase obligation and recorded an estimated liability based on the earnings formula. As the purchase of the noncontrolling interest does not result in a change of control, the difference between the carrying value of the 25% noncontrolling interest and the liability recognized has been recorded as a $29.0 reduction in capital in excess of par value. At 30 June 2010, the liability amounted to $39.8 and has been reported in other noncurrent liabilities on the consolidated balance sheet.

The following table presents the effect of changes in ownership interests in subsidiaries on Air Products shareholder's equity:

	Three Months Ended 30 June		Nine Months Ended 30 June	
	2010	2009	2010	2009
Net Income Attributable to Air Products	$253.2	$113.2	$757.0	$387.4
Transfers to noncontrolling interests:				
Decrease in Air Products capital in excess of par value for purchase of noncontrolling interests	(29.0)	—	(29.0)	—
Changes from net income attributable to Air Products and transfers to noncontrolling interests	$224.2	$113.2	$728.0	$387.4

16. EARNINGS PER SHARE

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

	Three Months Ended 30 June		Nine Months Ended 30 June	
	2010	2009	2010	2009
NUMERATOR				
Net Income Attributable to Air Products (used in basic and diluted EPS)				
Income from continuing operations	$253.2	$114.6	$757.0	$393.9
Loss from discontinued operations	—	(1.4)	—	(6.5)
Net Income Attributable to Air Products	$253.2	$113.2	$757.0	$387.4
DENOMINATOR (in millions)				
Weighted average number of common shares used in basic EPS	212.3	209.8	212.0	209.6
Effect of dilutive securities				
Employee stock options	3.6	3.1	3.9	2.2
Other award plans	1.0	1.1	1.0	1.0
	4.6	4.2	4.9	3.2
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	216.9	214.0	216.9	212.8
BASIC EPS ATTRIBUTABLE TO AIR PRODUCTS				
Income from continuing operations	$ 1.19	$ .55	$ 3.57	$ 1.88
Loss from discontinued operations	—	(.01)	—	(.03)
Net Income Attributable to Air Products	$ 1.19	$ .54	$ 3.57	$ 1.85
DILUTED EPS ATTRIBUTABLE TO AIR PRODUCTS				
Income from continuing operations	$ 1.17	$ .54	$ 3.49	$ 1.85
Loss from discontinued operations	—	(.01)	—	(.03)
Net Income Attributable to Air Products	$ 1.17	$ .53	$ 3.49	$ 1.82

Options on 2.2 million shares were antidilutive and therefore excluded from the computation of diluted earnings per share for the three and nine months ended 30 June 2010, respectively. Options on 4.6 million and 7.3 million shares were antidilutive and therefore excluded from the computation of diluted earnings per share for the three and nine months ended 30 June 2009, respectively.

17. SUPPLEMENTAL INFORMATION

Customer Bankruptcy and Asset Actions

As a result of events which occurred during the third quarter of 2009, the Company recognized a $22.2 charge primarily for the write-off of certain receivables due to a customer bankruptcy. This customer, who principally receives product from the Tonnage Gases segment, began operating under Chapter 11 bankruptcy protection on 6 January 2009. Sales and operating income associated with this customer are not material to the Tonnage Gases segment's results.

During the third quarter of 2010, a partial settlement in the amount of $18.0 was received related to this customer bankruptcy of which $16.2 was applied against the remaining outstanding receivables. Income of $1.8 was recognized for the recovery of certain receivables which had been previously written off. Further income is expected to be recognized upon final settlement of the bankruptcy proceedings, during the fourth quarter, but is not expected to be material.

Additionally, in the third quarter of 2009, the Company recorded a charge of $9.9 for other asset actions which consisted of the closure of certain manufacturing facilities. This charge was reflected in cost of sales on the consolidated income statement. The 2009 customer bankruptcy charge combined with this asset write-down resulted in a total charge of $32.1 ($21.0 after-tax, or $.10 per share).

Share Repurchase Program

On 20 September 2007, the Board of Directors authorized the repurchase of up to $1,000 of the Company's outstanding common stock. In the nine months ended 30 June 2010, the Company did not purchase any shares under this authorization. At 30 June 2010, $649.2 in share repurchase authorization remains.

Subsequent Event

Line of Credit

The Company has obtained the commitment of a number of commercial banks to lend money at market rates whenever needed. This committed line of credit provides a source of liquidity and is used to support the issuance of commercial paper. The Company's total multicurrency revolving facility amounted to $1,450 at 30 June 2010. No borrowings were outstanding under this commitment at 30 June 2010.

On 8 July 2010, the Company replaced its $1,450 committed credit facility with a new $2,000 committed credit facility. Facility fees were modified to reflect current market rates. The Company's only financial covenant changed from a long-term debt to equity ratio of no greater than 60% to a maximum ratio of total debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) of no greater than 3.0. There were no other material changes in the terms and conditions of the arrangement. This commitment will mature in July 2013.

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18. BUSINESS SEGMENT AND GEOGRAPHIC INFORMATION

The Company's segments are organized based on differences in product and/or type of customer. The Company has four business segments consisting of Merchant Gases, Tonnage Gases, Electronics and Performance Materials, and Equipment and Energy.

Business Segment Information

	Three Months Ended 30 June		Nine Months Ended 30 June	
	2010	2009	2010	2009
Revenues from External Customers				
Merchant Gases	$ 915.0	$ 882.6	$2,770.3	$2,678.2
Tonnage Gases	724.5	565.0	2,179.1	1,933.6
Electronics and Performance Materials	496.9	409.2	1,381.5	1,148.0
Equipment and Energy	115.9	119.4	343.9	367.1
Segment and Consolidated Totals	$2,252.3	$1,976.2	$6,674.8	$6,126.9
Operating Income				
Merchant Gases	$ 176.4	$ 168.8	$ 544.1	$ 495.5
Tonnage Gases	119.8	87.6	327.2	294.4
Electronics and Performance Materials	62.4	39.0	167.8	52.5
Equipment and Energy	21.1	13.1	47.1	36.4
Segment Total	$ 379.7	$ 308.5	$1,086.2	$ 878.8
Global cost reduction plan	—	(124.0)	—	(298.2)
Acquisition-related costs	(37.9)	—	(61.3)	—
Customer bankruptcy and asset actions	1.8	(32.1)	1.8	(32.1)
Pension settlement	(6.3)	(8.0)	(6.3)	(8.0)
Other	(.9)	(.6)	1.6	(22.2)
Consolidated Total	$ 336.4	$ 143.8	$1,022.0	$ 518.3

	30 June 2010	30 September 2009
Identifiable Assets (A)		
Merchant Gases	$ 4,734.8	$ 4,917.0
Tonnage Gases	3,752.5	3,597.8
Electronics and Performance Materials	2,195.4	2,249.5
Equipment and Energy	311.1	303.3
Segment Total	$10,993.8	$ 11,067.6
Other	1,148.7	1,093.4
Consolidated Total	$12,142.5	$ 12,161.0

(A) Identifiable assets are equal to total assets less investments in and advances to equity affiliates.

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Geographic Information

	Three Months Ended 30 June		Nine Months Ended 30 June	
	2010	2009	2010	2009
Revenues from External Customers				
North America	$ 1,091.1	$ 929.1	$ 3,222.4	$ 3,018.4
Europe	688.8	663.3	2,118.5	2,042.9
Asia	421.9	336.0	1,176.6	931.7
Latin America/Other	50.5	47.8	157.3	133.9
Total	$ 2,252.3	$ 1,976.2	$ 6,674.8	$ 6,126.9

Geographic information is based on country of origin. The Europe segment operates principally in Belgium, France, Germany, the Netherlands, Poland, the U.K. and Spain. The Asia segment operates principally in China, Japan, Korea, and Taiwan.

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 the Company's 2009 Form 10-K. An analysis of results for the third quarter and first nine months of 2010 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, except as noted. All amounts are presented in millions of dollars, except for share data, unless otherwise indicated.

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

The discussion of third quarter and year-to-date results that follows includes comparisons to non-GAAP financial measures. These non-GAAP measures exclude acquisition-related costs in 2010. For 2009, the non-GAAP measures exclude the global cost reduction plan charge, costs related to customer bankruptcy and asset actions and pension settlement costs. The presentation of non-GAAP measures is intended to enhance the usefulness of financial information by providing measures that the Company's management uses internally to evaluate the Company's baseline performance on a comparable basis. The reconciliation of reported GAAP results to non-GAAP measures is presented on pages 38-39.

THIRD QUARTER 2010 VS. THIRD QUARTER 2009

THIRD QUARTER 2010 IN SUMMARY

— Sales of $2,252.3 increased 14%. Underlying sales increased 12%, primarily due to higher volumes in the Electronics and Performance Materials segment and also in the Tonnage Gases and Merchant Gases segments.

— Operating income of $336.4 increased $192.6. On a non-GAAP basis, operating income of $374.3 increased 22%, or $66.4, primarily from higher volumes.

— Income from continuing operations of $253.2 increased $138.6, and diluted earnings per share from continuing operations of $1.17 increased $.63. On a non-GAAP basis, income from continuing operations of $276.9 increased 23%, or $52.1, and diluted earnings per share from continuing operations of $1.28 increased 22%, or $.23. 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 30 June 2010	Three Months Ended 30 June 2009	Increase (Decrease)
Diluted Earnings per Share			
Net Income	**$ 1.17**	**$ .53**	**$ .64**
Discontinued Operations	**—**	**(.01)**	**.01**
Continuing Operations – GAAP Basis	**$ 1.17**	**$ .54**	**$ .63**
Acquisition-related costs	(.11)	—	(.11)
Global cost reduction plan	—	(.39)	.39
Customer bankruptcy and asset actions	—	(.10)	.10
Pension settlement	—	(.02)	.02
Continuing Operations – Non-GAAP Basis	**$ 1.28**	**$ 1.05**	**$ .23**
Operating Income (after-tax)			
Underlying business			
Volume			.36
Price/raw materials			(.09)
Costs			(.01)
Currency			(.02)
Operating Income			**.24**
Other (after-tax)			
Equity affiliates' income			.01
Interest expense			(.01)
Income tax rate			.02
Noncontrolling interest			(.01)
Average shares outstanding			(.02)
Other			**(.01)**
Total Change in Diluted Earnings per Share from Continuing Operations – Non-GAAP Basis			**$ .23**

RESULTS OF OPERATIONS

Discussion of Consolidated Results

	Three Months Ended 30 June 2010	Three Months Ended 30 June 2009	% Change
Sales	$2,252.3	$1,976.2	14%
Operating income – GAAP Basis	336.4	143.8	N/M
Operating income – Non-GAAP Basis	374.3	307.9	22%
Equity affiliates' income	32.5	28.5	14%

Sales

	% Change from Prior Year
Underlying business	
Volume	13%
Price	(1)%
Energy and raw material cost pass-through	3%
Currency	(1)%
Total Consolidated Change	**14%**

Sales of $2,252.3 increased 14%, or $276.1. Underlying business increased sales 12%, primarily due to higher volumes in the Electronics and Performance Materials, Tonnage Gases, and Merchant Gases segments. In the Merchant Gases segment, volume performance continued to be driven by strength in Asia, with improvement in both the U.S. and Europe liquid bulk businesses. Energy and raw material contractual cost pass-through to customers due to higher natural gas prices increased sales by 3%, while unfavorable currency translation decreased sales 1%.

Operating Income

Operating income of $336.4 increased $192.6. On a non-GAAP basis, operating income of $374.3 increased 22%, or $66.4.

— Underlying business increased $72 primarily from higher volumes in the Electronics and Performance Materials, Tonnage Gases, and Merchant Gases segments, partially offset by reduced pricing and increased raw material costs.

— Unfavorable currency translation and foreign exchange impacts decreased operating income by $6.

Equity Affiliates' Income

Income from equity affiliates of $32.5 increased $4.0, primarily due to higher volumes.

Selling and Administrative Expense (S&A)

S&A expense of $241.2 increased 4%, or $8.9, primarily due to higher incentive compensation costs, partially offset by improved productivity and favorable currency. S&A as a percent of sales decreased to 10.7% from 11.8%.

Research and Development (R&D)

R&D expense of $29.3 increased 22%, or $5.2, primarily due to increased spending in the Energy business. R&D, as a percent of sales, increased from 1.2% to 1.3%.

Global Cost Reduction Plan

In the third quarter of 2009, the results from continuing operations included a charge of $124.0 ($84.2 after-tax, or $.39 per share) for the global cost reduction plan. For additional information on this charge, refer to the Company's 2009 Form 10-K.

As of 30 June 2010, the planned actions associated with the global cost reduction plan were substantially completed with the exception of certain benefit payments and finalization of the sale of a facility. The majority of the remaining benefit payments will be paid during the fourth quarter of 2010. Additionally, the Company anticipates completing the planned sale of the facility by the end of the calendar year.

Cost savings of approximately $155 are expected for 2010. Beyond 2010, the Company expects annualized savings of approximately $180, of which the majority is related to personnel costs.

Acquisition-Related Costs

In February 2010, the Company commenced a tender offer to acquire all the outstanding common stock of Airgas, including the associated preferred stock purchase rights, for $60.00 per share in cash. On 8 July 2010, the Company increased the value of its tender offer to $63.50 per share. The total value of the transaction approximates $7.3 billion, including $5.5 billion of equity and $1.8 billion of assumed debt.

In connection with this tender offer, the Company has secured committed financing in the form of a $6.7 billion term loan credit facility. Fees incurred to secure this credit facility have been deferred and are being amortized over the term of the arrangement.

For the third quarter of 2010, $37.9 ($23.7 after-tax, or $.11 per share) in expense was recognized related to this transaction and is included within acquisition-related costs on the consolidated income statement. This includes amortization of the fees related to the term loan credit facility and other acquisition-related costs. Total costs of this transaction are expected to be approximately $150 to $200.

Customer Bankruptcy and Asset Actions

As a result of events which occurred during the third quarter of 2009, the Company recognized a $22.2 charge primarily for the write-off of certain receivables due to a customer bankruptcy. This customer, who principally receives product from the Tonnage Gases segment, began operating under Chapter 11 bankruptcy protection on 6 January 2009. Sales and operating income associated with this customer are not material to the Tonnage Gases segment's results.

During the third quarter of 2010, a partial settlement in the amount of $18.0 was received related to this customer bankruptcy of which $16.2 was applied against the remaining outstanding receivables. Income of $1.8 was recognized for the recovery of certain receivables which had been previously written off. Further income is expected to be recognized upon final settlement of the bankruptcy proceedings, during the fourth quarter, but is not expected to be material.

Additionally, in the third quarter of 2009, the Company recorded a charge of $9.9 for other asset actions which consisted of the closure of certain manufacturing facilities. This charge was reflected in cost of sales on the consolidated income statement. The 2009 customer bankruptcy charge combined with this asset write-down resulted in a total charge of $32.1 ($21.0 after-tax, or $.10 per share).

Pension Settlement

The Company's supplemental pension plan provides for a lump sum benefit payment option at the time of retirement, or for corporate officers six months after the participant's retirement date. The Company recognizes pension settlements when payments exceed the sum of service and interest cost components of net periodic pension cost of the plan for the fiscal year. A settlement loss is recognized when the pension obligation is settled. The Company recognized a $6.3 ($3.9 after-tax, or $.02 per share) charge in the third quarter of 2010. A similar amount of additional settlement losses is expected to be recognized in the fourth quarter of 2010. In the third quarter of 2009, the Company recognized a settlement charge of $8.0 ($5.0 after-tax, or $.02 per share).

Other Income, Net

Items recorded to other income arise from transactions and events not directly related to the principal income earning activities of the Company.

Other income of $8.0 increased $2.3, primarily due to a net gain on the sale of assets. Otherwise, no individual items were significant in comparison to the prior year.

Interest Expense

	Three Months Ended 30 June	
	2010	2009
Interest incurred	$ 32.6	$ 33.1
Less: capitalized interest	2.6	5.6
Interest expense	**$ 30.0**	**$ 27.5**

Interest incurred decreased $.5. The decrease was driven by lower average interest rates on variable rate debt and the impact of a stronger dollar on the translation of foreign currency interest, partially offset by a higher average debt balance. The change in capitalized interest is driven by a decrease in project spending which qualified for capitalization.

Effective Tax Rate

The effective tax rate equals the income tax provision divided by income from continuing operations before taxes less noncontrolling interests. On a GAAP basis, the effective tax rate was 23.5% and 18.1% in the third quarter of 2010 and 2009, respectively. On a non-GAAP basis, the effective tax rate was 24.9% and 26.1% in the third quarter of 2010 and 2009, respectively. The effective tax rate was lower in 2010 due to the impact of an increase in the amount of tax credits and adjustments.

Discontinued Operations

In fiscal 2009, the Company completed the divestiture of its U.S. Healthcare business which has been accounted for as discontinued operations. For additional historical information on this divestiture, refer to the Company's 2009 Form 10-K.

The U.S. Healthcare business generated sales of $25.2 and loss from operations, net of tax, of $2.1 in the third quarter of 2009. During the third quarter of 2009, the Company sold more than half of its remaining U.S. Healthcare business for cash proceeds of $38.1. The Company recognized an after-tax gain of $.3 resulting from the sale combined with adjustments to net realizable value of the remaining businesses.

Net Income

Net income was $253.2 compared to $113.2 and diluted earnings per share was $1.17 compared to $.53. On a non-GAAP basis, net income was $276.9 compared to $223.4 and diluted earnings per share was $1.28 compared to $1.04. A summary table of changes in earnings per share is presented on page 26.

Segment Analysis

Merchant Gases

	Three Months Ended 30 June		
	2010	2009	% Change
Sales	$915.0	$882.6	4%
Operating income	176.4	168.8	5%
Equity affiliates' income	28.5	24.9	14%

Merchant Gases Sales

	% Change from Prior Year
Underlying business	
Volume	7%
Price	(1)%
Currency	(2)%
Total Merchant Gases Sales Change	**4%**

Sales of $915.0 increased 4%, or $32.4. Underlying sales increased 6%, as the volume improvement of 7% was partially offset by lower pricing and unfavorable customer mix of 1%. Volumes were particularly strong in Asia, and are improving in the U.S. and Europe liquid bulk businesses. Currency had an unfavorable impact of 2% on sales.

In North America, sales increased 4%, with volumes up 6% and price down 2%. The increase in volumes was primarily driven by higher liquid argon and liquid hydrogen sales. The price decline was driven by unfavorable customer mix and lower liquid hydrogen pricing, as a result of cost pass-through of lower natural gas costs. In Europe, sales decreased 2%, primarily due to unfavorable currency impacts of 5%. Underlying sales increased 3% due to increased volumes of 4%, partially offset by lower pricing of 1%. The increase was primarily due to higher liquid oxygen and liquid nitrogen sales from both the base business and from new customers coming onstream. In Asia, sales increased 27%, with volumes up 22%, a favorable currency impact of 4%, and pricing up 1%. The volume increases were driven by steel, electronics, and bulk hydrogen customers.

Merchant Gases Operating Income

Operating income of $176.4 increased 5%, or $7.6. The increase was primarily due to higher volumes of $24 and lower costs of $4, partially offset by unfavorable currency of $4 and lower pricing and higher raw material costs of $16.

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Tonnage Gases

	Three Months Ended 30 June		
	2010	2009	% Change
Sales	$724.5	$565.0	28%
Operating income	119.8	87.6	37%

Tonnage Gases Sales

	% Change from Prior Year
Underlying business	
Volume	19%
Energy and raw material cost pass-through	9%
Total Tonnage Gases Sales Change	**28%**

Sales of $724.5 increased 28%, or $159.5. Volumes increased 19% due to continued improvement in steel and chemical end markets and new plant onstreams. Higher energy and raw material contractual cost pass-through to customers increased sales by 9%.

Tonnage Gases Operating Income

Operating income of $119.8 increased 37%, or $32.2. Underlying business increased $30, primarily as a result of higher volumes, partially offset by higher planned maintenance costs.

Electronics and Performance Materials

	Three Months Ended 30 June		
	2010	2009	% Change
Sales	$496.9	$409.2	21%
Operating income (loss)	62.4	39.0	60%

Electronics and Performance Materials Sales

	% Change from Prior Year
Underlying business	
Volume	21%
Price	(1)%
Currency	1%
Total Electronics and Performance Materials Sales Change	**21%**

Sales of $496.9 increased 21%, or $87.7. Underlying business increased 20% due to higher volumes. Electronics sales increased 18%, reflecting increased volumes in electronics specialty materials, tonnage and the equipment business. Performance Materials sales increased 26%, reflecting strong volumes in all regions.

Electronics and Performance Materials Operating Income

Operating income of $62.4 increased 60%, or $23.4, primarily from higher volumes of $42, partially offset by lower pricing and higher raw material costs of $13 and higher costs of $6 related mostly to restructuring initiatives.

Equipment and Energy

	Three Months Ended 30 June		
	2010	2009	% Change
Sales	$115.9	$119.4	(3)%
Operating income	21.1	13.1	61%

Equipment and Energy Sales and Operating Income

Sales of $115.9 decreased 3%, or $3.5, due to lower air separation unit sales. Operating income of $21.1 increased 61% due to higher liquefied natural gas (LNG) heat exchanger activity, a gain on the sale of an asset, and lower project costs.

The sales backlog for the Equipment business at 30 June 2010 was $302, compared to $239 at 30 September 2009.

Other

Other operating income (loss) includes expense and income that cannot be directly associated with the business segments, including foreign exchange gains and losses, interest income, and costs previously allocated to businesses now reported as discontinued operations. Also included are LIFO inventory adjustments, as the business segments use FIFO and the LIFO pool adjustments are not allocated to the business segments. Corporate general and administrative costs and research and development costs are fully allocated to the business segments.

Other operating loss was $(.9) compared to $(.6). No individual items were significant in comparison to the prior year.

FIRST NINE MONTHS 2010 VS. FIRST NINE MONTHS 2009

FIRST NINE MONTHS 2010 IN SUMMARY

— Sales of $6,674.8 increased 9%. Underlying business increased 8% primarily due to higher volumes in the Electronics and Performance Materials and Tonnage Gases segments.

— Operating income of $1,022.0 increased 97%, or $503.7. On a non-GAAP basis, operating income of $1,083.3 increased 26%, or $226.7, primarily due to higher volumes, lower costs, and favorable currency and foreign exchange.

— Income from continuing operations of $757.0 increased 92%, or $363.1, and diluted earnings per share from continuing operations of $3.49 increased 89%, or $1.64. On a non-GAAP basis, income from continuing operations of $795.3 increased 28%, or $175.1, and diluted earnings per share from continuing operations of $3.67 increased 26%, or $.76. A summary table of changes in diluted earnings per share is presented below.

— The Company increased the quarterly dividend from $.45 to $.49 per share. This represents the 28th consecutive year that the Company has increased its dividend payment.

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Changes in Diluted Earnings per Share Attributable to Air Products

	Nine Months Ended 30 June 2010	Nine Months Ended 30 June 2009	Increase (Decrease)
Diluted Earnings per Share			
Net Income	**$ 3.49**	**$ 1.82**	**$ 1.67**
Discontinued Operations	**—**	**(.03)**	**.03**
Continuing Operations – GAAP Basis	**$ 3.49**	**$ 1.85**	**$ 1.64**
Acquisition-related costs	(.18)	—	(.18)
Global cost reduction plan	—	(.94)	.94
Customer bankruptcy and asset actions	—	(.10)	.10
Pension settlement	—	(.02)	.02
Continuing Operations – Non-GAAP Basis	**$ 3.67**	**$ 2.91**	**$ .76**
Operating Income (after-tax)			
Underlying business			
Volume			.77
Price/raw materials			(.23)
Costs			.17
Currency			.10
Operating Income			**.81**
Other (after-tax)			
Equity affiliates' income			.04
Interest expense			.01
Income tax rate			.01
Noncontrolling interest			(.03)
Average shares outstanding			(.08)
Other			**(.05)**
Total Change in Diluted Earnings per Share from Continuing Operations – Non-GAAP Basis			**$ .76**

RESULTS OF OPERATIONS

Discussion of Consolidated Results

	Nine Months Ended 30 June 2010	Nine Months Ended 30 June 2009	% Change
Sales	$6,674.8	$6,126.9	9%
Operating income – GAAP Basis	1,022.0	518.3	97%
Operating income – Non-GAAP Basis	1,083.3	856.6	26%
Equity affiliates' income	91.6	80.0	15%

Sales

	% Change from Prior Year
Underlying business	
Volume	9%
Price	(1)%
Currency	2%
Energy and raw material cost pass-through	(1)%
Total Consolidated Change	**9%**

Sales of $6,674.8 increased 9%, or $547.9. Underlying business increased 8% driven by volume increases in the Electronics and Performance Materials and Tonnage Gases segments. Currency favorably impacted sales by 2%, while energy and raw material contractual cost pass-through to customers decreased sales 1%.

Operating Income

Operating income of $1,022.0 increased 97%, or $503.7. On a non-GAAP basis, operating income of $1,083.3 increased 26%, or $226.7.

- Underlying business increased $198, primarily from higher volumes in the Electronics and Performance Material and Tonnage Gases segments and lower costs, partially offset by reduced pricing.
- Favorable currency translation and foreign exchange impacts increased operating income by $29.

Equity Affiliates' Income

Income from equity affiliates of $91.6 increased $11.6, primarily due to higher volumes.

Selling and Administrative Expense (S&A)

S&A expense of $725.7 increased 2%, or $15.8, primarily due to higher incentive compensation costs and unfavorable currency, partially offset by improved productivity. S&A as a percent of sales decreased to 10.9% from 11.6%.

Research and Development (R&D)

R&D expense of $82.8 decreased 5%, or $4.1, primarily due to the impact of cost reduction actions. R&D, as a percent of sales, decreased to 1.2% from 1.4%.

Global Cost Reduction Plan

For the nine months ended 30 June 2009, the results included a total global cost reduction plan charge of $298.2 ($200.3 after-tax, or $.94 per share). For additional information on this charge, refer to the Company's 2009 Form 10-K.

During the first quarter of 2010, the Company revised its estimate of the costs associated with the 2009 global cost reduction plan. The unfavorable impact of additional severance and other benefits was offset by a favorable variance related to completed business exits and asset management actions. This adjustment to the charge was excluded from segment operating profit and did not have a material impact on any individual segment.

As of 30 June 2010, the planned actions associated with the global cost reduction plan were substantially completed with the exception of certain benefit payments and finalization of the sale of a facility. The majority of the remaining benefit payments will be paid during the fourth quarter of 2010. Additionally, the Company anticipates completing the planned sale of the facility by the end of the calendar year.

Cost savings of approximately $155 are expected for 2010. Beyond 2010, the Company expects annualized savings of approximately $180, of which the majority is related to personnel costs.

Acquisition-Related Costs

For the nine months ended 30 June 2010, $61.3 ($38.3 after-tax, or $.18 per share) in expense was recognized related to the Airgas transaction and is included within acquisition-related costs on the consolidated income statement. Refer to Note 3 to the consolidated financial statements for details on this charge.

Customer Bankruptcy and Asset Actions

As a result of events which occurred during the third quarter of 2009, the Company recognized a $22.2 charge primarily for the write-off of certain receivables due to a customer bankruptcy. This customer, who principally receives product from the Tonnage Gases segment, began operating under Chapter 11 bankruptcy protection on 6 January 2009. Sales and operating income associated with this customer are not material to the Tonnage Gases segment's results.

During the third quarter of 2010, a partial settlement in the amount of $18.0 was received related to this customer bankruptcy of which $16.2 was applied against the remaining outstanding receivables. Income of $1.8 was recognized for the recovery of certain receivables which had been previously written off. Further income is expected to be recognized upon final settlement of the bankruptcy proceedings, during the fourth quarter, but is not expected to be material.

Additionally, in the third quarter of 2009, the Company recorded a charge of $9.9 for other asset actions which consisted of the closure of certain manufacturing facilities. This charge was reflected in cost of sales on the consolidated income statement. The 2009 customer bankruptcy charge combined with this asset write-down resulted in a total charge of $32.1 ($21.0 after-tax, or $.10 per share).

Pension Settlement

The Company's supplemental pension plan provides for a lump sum benefit payment option at the time of retirement, or for corporate officers six months after the participant's retirement date. The Company recognizes pension settlements when payments exceed the sum of service and interest cost components of net periodic pension cost of the plan for the fiscal year. A settlement loss is recognized when the pension obligation is settled. The Company recognized a $6.3 ($3.9 after-tax, or $.02 per share) charge in the third quarter of 2010. A similar amount of additional settlement losses is expected to be recognized in the fourth quarter of 2010. In the third quarter of 2009, the Company recognized a settlement charge of $8.0 ($5.0 after-tax, or $.02 per share).

Other Income, Net

Items recorded to other income arise from transactions and events not directly related to the principal income earning activities of the Company.

Other income of $29.8 increased $16.1, primarily due to a net gain on the sale of assets and foreign exchange losses in the prior year. Otherwise, no individual items were significant in comparison to the prior year.

Interest Expense

	Nine Months Ended 30 June	
	2010	2009
Interest incurred	$102.2	$109.8
Less: capitalized interest	11.1	15.8
Interest expense	**$ 91.1**	**$ 94.0**

Interest incurred decreased $7.6. The decrease was driven by lower average interest rates on variable rate debt, partially offset by a higher average debt balance and the impact of a weaker dollar on the translation of foreign currency interest. The change in capitalized interest is driven by a decrease in project spending which qualified for capitalization.

Effective Tax Rate

The effective tax rate equals the income tax provision divided by income from continuing operations before taxes less noncontrolling interests. On a GAAP basis, the effective tax rate was 24.5% and 20.1% in 2010 and 2009, respectively. On a non-GAAP basis, the effective tax rate was 25.3% and 25.4% in 2010 and 2009, respectively.

Discontinued Operations

In fiscal 2009, the Company completed the divestiture of its U.S. Healthcare business which has been accounted for as discontinued operations. For additional historical information on this divestiture, refer to the Company's 2009 Form 10-K.

The U.S. Healthcare business generated sales of $117.3 and loss from operations, net of tax, of $2.0 for the nine months ended 30 June 2009. In the first half of 2009, the Company recorded an impairment charge of $48.7 ($30.9 after-tax, or $.15 per share) reflecting a revision in the estimated net realizable value of the business. Also, tax benefits of $25.5, or $.12 per share, were recorded to revise the estimated tax benefit associated with the total impairment charges recorded.

During the third quarter of 2009, the Company sold more than half of its remaining U.S. Healthcare business for cash proceeds of $38.1. The Company recognized an after-tax gain of $.3 resulting from the sale combined with adjustments to net realizable value of the remaining businesses.

Net Income

Net income was $757.0 compared to $387.4 and diluted earnings per share was $3.49 compared to $1.82. On a non-GAAP basis, net income was $795.3 compared to $613.7 and diluted earnings per share was $3.67 compared to $2.88. A summary table of changes in earnings per share is presented on page 32.

Segment Analysis

Merchant Gases

	Nine Months Ended 30 June		
	2010	2009	% Change
Sales	$2,770.3	$2,678.2	3%
Operating income	544.1	495.5	10%
Equity affiliates' income	76.6	72.0	6%

Merchant Gases Sales

	% Change from Prior Year
Underlying business	
Volume	1%
Price	(1)%
Currency	3%
Total Merchant Gases Sales Change	**3%**

Sales of $2,770.3 increased 3%, or $92.1. Sales increased 3% from favorable currency effects, driven primarily by the weaker U.S dollar, in the first half of the year. Underlying business was flat as volume increases were offset by a decrease in pricing and unfavorable customer mix. Volume increases in Asia were partially offset by lower demand in Europe.

In North America, sales decreased 2%, with price down 2% and volumes flat. The price decline was due to lower surcharge activity in the first half of 2010, lower liquid hydrogen pricing, and unfavorable customer mix. In Europe, sales increased 3%, primarily due to favorable currency impacts of 4%, partially offset by a decrease in underlying business of 1%. In Asia, sales increased 21%, with volumes up 18% and a favorable currency impact of 5%. Volume increases were driven by steel, electronics and bulk hydrogen customers. Lower pricing decreased sales by 2%, principally due to lower prices in liquid argon as increased capacity came on-stream in the region.

Merchant Gases Operating Income

Operating income of $544.1 increased 10%, or $48.6. The increase was primarily due to lower costs of $44, favorable currency of $15 and higher volumes of $14, partially offset by lower pricing and unfavorable customer mix of $24. The improved costs resulted from improved plant operating costs, distribution efficiency, and organizational restructuring benefits.

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Tonnage Gases

	Nine Months Ended 30 June		
	2010	2009	% Change
Sales	$2,179.1	$1,933.6	13%
Operating income	327.2	294.4	11%

Tonnage Gases Sales

	% Change from Prior Year
Underlying business	
Volume	14%
Currency	3%
Energy and raw material cost pass-through	(4)%
Total Tonnage Gases Sales Change	**13%**

Sales of $2,179.1 increased 13%, or $245.5. Volumes increased 14% due to continued improvement in steel and chemical end markets and new plant onstreams. Currency favorably impacted sales by 3%, driven primarily by the weaker U.S. dollar, in the first half of 2010. Lower energy and raw material contractual cost pass-through to customers due to lower natural gas prices in the first quarter of 2010 reduced sales by 4%.

Tonnage Gases Operating Income

Operating income of $327.2 increased 11%, or $32.8. The increase was a result of higher volumes of $72 and favorable currency impacts of $7, partially offset by higher costs of $46, primarily due to planned maintenance costs and operating inefficiencies.

Electronics and Performance Materials

	Nine Months Ended 30 June		
	2010	2009	% Change
Sales	$1,381.5	$1,148.0	20%
Operating income	167.8	52.5	N/M

Electronics and Performance Materials Sales

	% Change from Prior Year
Underlying business	
Volume	23%
Price	(4)%
Currency	1%
Total Electronics and Performance Materials Sales Change	**20%**

Sales of $1,381.5 increased 20%, or $233.5. Underlying business increased due to higher volumes of 23%, partially offset by unfavorable pricing of 4%. Electronics sales increased 14% due to higher volumes, reflecting the improvement in the Electronics market, partially offset by lower pricing. Performance Materials sales increased 29%, reflecting the continued increased demand across end markets globally, partially offset by lower pricing.

Electronics and Performance Materials Operating Income

Operating income of $167.8 increased $115.3, primarily due to higher volumes of $122 and lower costs of $39, partially offset by lower pricing of $46. The reduced costs were a result of restructuring and productivity initiatives.

Equipment and Energy

	Nine Months Ended 30 June		
	2010	2009	% Change
Sales	$343.9	$367.1	(6)%
Operating income	47.1	36.4	29%

Equipment and Energy Sales and Operating Income

Sales of $343.9 decreased 6%, or $23.2, due to lower air separation unit sales. Operating income of $47.1 increased 29%, due to higher liquefied natural gas (LNG) heat exchanger activity, a gain on the sale of an asset, and lower project costs.

The sales backlog for the Equipment business at 30 June 2010 was $302, compared to $239 at 30 September 2009.

Other

Other operating income (loss) includes expense and income that cannot be directly associated with the business segments, including foreign exchange gains and losses, interest income, and costs previously allocated to businesses now reported as discontinued operations. Also included are LIFO inventory adjustments, as the business segments use FIFO and the LIFO pool adjustments are not allocated to the business segments. Corporate general and administrative costs and research and development costs are fully allocated to the business segments.

Other operating income (loss) was $1.6 compared to $(22.2) primarily due to unfavorable foreign exchange and an unfavorable LIFO inventory adjustment in the prior year. No other individual items were significant in comparison to the prior year.

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RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The presentation of non-GAAP measures is intended to enhance the usefulness of financial information by providing measures which the Company's management uses internally to evaluate the Company's baseline performance on a comparable basis. Presented below are reconciliations of the reported GAAP results to the non-GAAP measures.

CONSOLIDATED RESULTS

	Q3	Q3	Q3	YTD	YTD	YTD
	Continuing Operations					
	Operating Income	Income	Diluted EPS	Operating Income	Income	Diluted EPS
2010 GAAP	$ 336.4	$ 253.2	$ 1.17	$ 1,022.0	$ 757.0	$ 3.49
2009 GAAP	143.8	114.6	.54	518.3	393.9	1.85
Change GAAP	$ 192.6	$ 138.6	$ .63	$ 503.7	$ 363.1	$ 1.64
% Change GAAP	134%	121%	117%	97%	92%	89%
2010 GAAP	$ 336.4	$ 253.2	$ 1.17	$ 1,022.0	$ 757.0	$ 3.49
Acquisition-related costs (tax impact $14.2 and $23.0) (a)	37.9	23.7	.11	61.3	38.3	.18
2010 Non-GAAP Measure	$ 374.3	$ 276.9	$ 1.28	$ 1,083.3	$ 795.3	$ 3.67
2009 GAAP	$ 143.8	$ 114.6	$ .54	$ 518.3	$ 393.9	$ 1.85
Global cost reduction plan (tax impact $39.8 and $97.9) (b)	124.0	84.2	.39	298.2	200.3	.94
Customer bankruptcy and asset actions (tax impact $11.1) (c)	32.1	21.0	.10	32.1	21.0	.10
Pension settlement (tax impact $3.0) (a)	8.0	5.0	.02	8.0	5.0	.02
2009 Non-GAAP Measure	$ 307.9	$ 224.8	$ 1.05	$ 856.6	$ 620.2	$ 2.91
Change Non-GAAP Measure	$ 66.4	$ 52.1	$ .23	$ 226.7	$ 175.1	$ .76
% Change Non-GAAP Measure	22%	23%	22%	26%	28%	26%

	Q3	Q3	YTD	YTD
	Net Income	Diluted EPS	Net Income	Diluted EPS
2010 GAAP	$ 253.2	$ 1.17	$ 757.0	$ 3.49
2009 GAAP	113.2	.53	387.4	1.82
2010 GAAP	$ 253.2	$ 1.17	$ 757.0	$ 3.49
Acquisition-related costs (tax impact $14.2 and $23.0)	23.7	.11	38.3	.18
2010 Non-GAAP Measure	$ 276.9	$ 1.28	$ 795.3	$ 3.67
2009 GAAP	$ 113.2	$ .53	$ 387.4	$ 1.82
Global cost reduction plan (tax impact $39.8 and $97.9)	84.2	.39	200.3	.94
Customer bankruptcy and asset actions (tax impact $11.1)	21.0	.10	21.0	.10
Pension settlement (tax impact $3.0)	5.0	.02	5.0	.02
2009 Non-GAAP Measure	$ 223.4	$ 1.04	$ 613.7	$ 2.88

(a) Based on statutory tax rate of 37.4%
(b) Based on average statutory tax rate of 32.1% and 32.8% for the three and nine months ended 30 June 2009, respectively
(c) Based on average statutory tax rate of 34.6%

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	Effective Tax Rate			
	Q3 2010	Q3 2009	YTD 2010	YTD 2009
Income Tax Provision — GAAP	$ 77.6	$ 25.4	$ 246.0	$ 99.0
Income from continuing operations before taxes — GAAP	$338.9	$144.8	$1,022.5	$504.3
Net income from noncontrolling interests — GAAP	8.1	4.8	19.5	11.4
Income from continuing operations before taxes less noncontrolling interests — GAAP	$330.8	$140.0	$1,003.0	$492.9
Effective Tax Rate — GAAP	23.5%	18.1%	24.5%	20.1%
Income Tax Provision — GAAP	$ 77.6	$ 25.4	$ 246.0	$ 99.0
Acquisition-related costs tax impact	14.2	—	23.0	—
Global cost reduction plan tax impact	—	39.8	—	97.9
Customer bankruptcy and asset actions tax impact	—	11.1	—	11.1
Pension settlement tax impact	—	3.0	—	3.0
Income Tax Provision — Non-GAAP Measure	$ 91.8	$ 79.3	$ 269.0	$211.0
Income from continuing operations before taxes less noncontrolling interests — GAAP	$330.8	$140.0	$1,003.0	$492.9
Acquisition-related costs	37.9	—	61.3	—
Global cost reduction plan	—	124.0	—	298.2
Customer bankruptcy and asset actions	—	32.1	—	32.1
Pension settlement	—	8.0	—	8.0
Income from continuing operations before taxes less noncontrolling interests — Non-GAAP Measure	$368.7	$304.1	$1,064.3	$831.2
Effective Tax Rate — Non-GAAP Measure	24.9%	26.1%	25.3%	25.4%

PENSION BENEFITS

Refer to Note 11 to the consolidated financial statements for details on pension cost and cash contributions. For additional information on the Company's pension benefits and associated accounting policies, refer to the Pension Benefits section of Management's Discussion and Analysis and Note 15 to the consolidated financial statements in the Company's 2009 Form 10-K.

LIQUIDITY AND CAPITAL RESOURCES

The Company has maintained a strong financial position through the first nine months of 2010. Cash flow from operations provided funding for the Company's capital spending and dividend payments. The Company continues to retain consistent access to commercial paper markets and cash flow from operations and financing activities are expected to meet liquidity needs for the foreseeable future.

Cash Flow

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

Operating Activities

Net cash provided by operating activities increased $168.2, or 19%. This variance resulted from an increase in net income of $369.6 combined with the favorable impact of noncash adjustments to income of $126.2, partially offset by unfavorable changes in working capital of $327.6.

Noncash adjustments include depreciation and amortization, impairment charges, deferred income taxes, and share-based compensation cost. These adjustments also include changes in operating assets, such as noncurrent capital lease receivables, and liabilities which reflect timing differences between the receipt or disbursement of cash and their recognition in earnings.

— Net income in the current year included an increase in the noncash expense for deferred income taxes of $122.3 and noncash acquisition-related costs of $52.5. Net income in 2009 included noncash impairment charges of $112.6 related to the global cost reduction plan and the discontinued U.S. Healthcare business.

Changes in working capital resulted in a $327.6 negative cash flow variance primarily from a $311.3 variance in trade receivables. The current year reflected a negative cash flow of $151.3 caused by rising sales while the prior year reflected a positive cash flow of $160.0 resulting from a significant drop off in sales.

Investing Activities

Cash used for investing activities increased $29.0 and included:

— Capital expenditures for plant and equipment decreased by $142.1, consistent with the Company's current capital spending plan.

— The Company purchased approximately 1.5 million shares of Airgas stock for $69.6 prior to a tender offer as discussed in Note 3.

— The prior year included proceeds of $39.0 from the sale of certain U.S. Healthcare companies.

— Lower project spending resulted in a $54.0 reduction in cash provided by restricted cash. The proceeds from the issuance of certain Industrial Revenue Bonds must be held in escrow until related project spending occurs and are classified as noncurrent assets in the balance sheet.

Capital expenditures are detailed in the table below:

	Nine Months Ended 30 June	
	2010	2009
Additions to plant and equipment	$ 757.2	$ 899.3
Acquisitions, less cash acquired	37.2	29.8
Short-term borrowings associated with SAGA acquisition (A)	54.6	—
Investment in and advances to unconsolidated affiliates	4.7	1.1
Capital expenditures on a GAAP basis	$ 853.7	$ 930.2
Capital lease expenditures (B)	100.2	111.6
Noncurrent liability related to purchase of shares from noncontrolling interests (B)	39.8	—
Capital expenditures on a Non-GAAP basis	$ 993.7	$ 1,041.8

(A) Noncash transaction.

(B) The Company utilizes a non-GAAP measure in the computation of capital expenditures and includes spending associated with facilities accounted for as capital leases and purchases of noncontrolling interests. 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. Additionally, the purchase of noncontrolling interests in a subsidiary is accounted for as an equity transaction and will be reflected as a financing activity in the statement of cash flows. The presentation of this non-GAAP measure is intended to enhance the usefulness of information by providing a measure which the Company's management uses internally to evaluate and manage the Company's expenditures.

Financing Activities

Cash used for financing activities increased $182.5, primarily due to a net decrease in borrowings of $199.0, partially offset by higher proceeds of $27.4 from stock option exercises.

— Company borrowings (short- and long-term proceeds, net of repayments) were a net repayment of $48.9 as compared to net borrowings of $150.1 during 2009. Payments in 2010 included a $50.0 Medium-term note. Borrowings in 2009 included the issuance of $80.0 of Industrial Revenue Bonds and $54.8 of commercial paper.

Total debt at 30 June 2010 and 30 September 2009, expressed as a percentage of the sum of total debt and total equity, was 43.8% and 47.7%, respectively. Total debt decreased from $4,501.5 at 30 September 2009 to $4,188.0 at 30 June 2010.

The Company's total multicurrency revolving facility amounted to $1,450 at 30 June 2010. No borrowings were outstanding under this commitment at 30 June 2010. On 8 July 2010, the Company replaced its $1,450 committed credit facility with a new $2,000 committed credit facility. Facility fees were modified to reflect current market rates. The Company's only financial covenant changed from a long-term debt to equity ratio of no greater than 60% to a maximum ratio of total debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) of no greater than 3.0. There were no other material changes in the terms and conditions of the arrangement. This commitment will mature in July 2013. Additional commitments totaling $558.8 are maintained by the Company's foreign subsidiaries, of which $340.6 were utilized at 30 June 2010.

In connection with the Airgas tender offer (see Note 3), the Company has secured committed financing in the form of a $6.7 billion term loan credit facility. Borrowings under this credit facility will be available beginning on the date of the consummation of the tender offer, which must occur no later than 4 February 2011. All borrowings under this credit facility will mature on the date that is one year from the consummation of the tender offer. The credit facility agreement contains one financial covenant, a maximum leverage ratio, and other typical affirmative and negative covenants, including restrictions on liens and certain subsidiary indebtedness. It also requires mandatory commitment reduction/prepayment for certain capital market transactions and asset dispositions. Fees incurred to secure this credit facility have been deferred and are being amortized over the term of the arrangement.

On 20 September 2007, the Board of Directors authorized the repurchase of up to $1,000 of the Company's outstanding common stock. In the first nine months of 2010, the Company did not purchase any shares under this authorization. At 30 June 2010, $649.2 in share repurchase authorization remained.

CONTRACTUAL OBLIGATIONS

The Company is obligated to make future payments under various contracts such as debt agreements, lease agreements, unconditional purchase obligations and other long-term obligations. There have been no material changes to contractual obligations as reflected in the Management's Discussion and Analysis in the Company's 2009 Form 10-K.

COMMITMENTS AND CONTINGENCIES

Refer to Note 16 to the consolidated financial statements in the Company's 2009 Form 10-K and Note 12 in this quarterly filing.

OFF-BALANCE SHEET ARRANGEMENTS

There have been no material changes to off-balance sheet arrangements as reflected in the Management's Discussion and Analysis in the Company's 2009 Form 10-K. The Company is not a primary beneficiary in any material variable interest entity. The Company's 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

The Company's principal related parties are equity affiliates operating in the industrial gas business. The Company 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 the Company's 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.

The significant accounting policies of the Company are described in Note 1 to the consolidated financial statements and the critical accounting policies and estimates are described in the Management's Discussion and Analysis included in the 2009 Form 10-K. Information concerning the Company's implementation and impact of new accounting standards issued by the FASB is included in Note 2 to the consolidated financial statements. There have been no changes in accounting policy in the current period that had a material impact on the Company's financial condition, change in financial condition, liquidity or results of operations.

NEW ACCOUNTING GUIDANCE

See Note 2 to the consolidated financial statements for information concerning the Company's 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. These forward-looking statements are based on management's reasonable expectations and assumptions as of the date of this press release. Actual performance and financial results may differ materially from projections and estimates expressed in the forward-looking statements because of many factors, including, without limitation, stalling of the global economic recovery; renewed deterioration in economic and business conditions; weakening demand for the Company's products, future financial and operating performance of major customers and industries served by the Company; unanticipated contract terminations or customer cancellations or postponement of projects and sales; asset impairments due to economic conditions or specific product or customer events; the impact of competitive products and pricing; interruption in ordinary sources of supply of raw materials; the ability to recover unanticipated increased energy and raw material costs from customers; costs and outcomes of litigation or regulatory activities; consequences of acts of war or terrorism impacting the United States' and other markets; the effects of a pandemic or epidemic or a natural disaster; charges related to current portfolio management and cost reduction actions; the success of implementing cost reduction programs and achieving anticipated acquisition synergies; the timing, impact, and other uncertainties of future acquisitions or divestitures; significant fluctuations in interest rates and foreign currencies from that currently anticipated; the continued availability of capital funding sources in all of the Company's foreign operations; the impact of new or changed environmental, healthcare, tax or other legislation and regulations in jurisdictions in which the Company and its affiliates operate; the impact of new or changed financial accounting standards; and the timing and rate at which tax credits can be utilized and other risk factors described in the Company's Form 10-K for its fiscal year ended 30 September 2009. 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 the Company's utilization of financial instruments and an analysis of the sensitivity of these instruments to selected changes in market rates and prices is included in the Company's 2009 Form 10-K.

There were no material changes to market risk sensitivities for interest rate risk on fixed debt, foreign currency exchange rate risk, or commodity price risk since 30 September 2009.

The net financial instrument position decreased from a liability of $4,510 at 30 September 2009 to a liability of $4,019 at 30 June 2010, primarily due to the impact of a stronger U.S. dollar on the translation of foreign currency debt and the market value of foreign exchange forward contracts.

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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) designed to ensure that information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported accurately and within the time periods specified in the SEC's rules and forms. As of 30 June 2010 (the Evaluation Date), an evaluation of the effectiveness of the design and operation 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 Evaluation Date, the design and operation of these disclosure controls and procedures were effective to provide reasonable assurance of the achievement of the objectives described above.

During the quarter that 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.

PART II. OTHER INFORMATION

Item 1.Legal Proceedings

The information set forth under this item in the Company's Form 10-Q for its second quarter ended March 31, 2010, is incorporated herein by reference.

Item 6.Exhibits.

Exhibits required by Item 601 of Regulation S-K

10.1	Amended and Restated Long-Term Incentive Plan of the Company.
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.

†† In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act, or the Exchange Act, except as shall be expressly set forth by specific reference 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: 26 July 2010	By: /s/ Paul E. Huck
	Paul E. Huck
	Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

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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.

†† In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

AIR PRODUCTS AND CHEMICALS, INC.
LONG-TERM INCENTIVE PLAN

Amended and Restated as of
January 28, 2010

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1. **Purposes of the Plan**

The purposes of this Plan are: (i) to provide long-term incentives to those executives or other key employees who are either in a position to contribute to the long-term success and growth of Air Products and Chemicals, Inc. (the “Company”) and Participating Subsidiaries, or who have high potential for assuming greater levels of responsibility or who have demonstrated their critical importance to the operation of their organizational unit; (ii) to assist the Company and Participating Subsidiaries in attracting and retaining nonemployee directors (“Eligible Directors”), executives and other key employees with experience and ability; and (iii) to associate more closely the interests of such directors, executives and other key employees with those of the Company’s shareholders.

2. **Administration of the Plan**

(a) *Employee Awards*. With regard to Plan Awards granted to employees (“Employee Awards”), the Plan shall be administered by the Management Development and Compensation Committee of the Company’s Board of Directors (the “Board”) or such other committee thereof consisting of such members (not less than three) of the Board as are appointed from time to time by the Board (the “Committee”), each of the members of which, at the time of any action under the Plan, shall be (i) a “non-employee director” as then defined under Rule 16b-3 under the Act (or meeting comparable requirements of any successor rule relating to exemption from Section 16(b) of the Act), (ii) an “outside director” as then defined under Code Section 162(m) and (iii) an “independent director” as then defined under the rules of the New York Stock Exchange (or meeting comparable requirements of any stock exchange on which the Company’s Common Stock may then be listed).

(b) *Director Awards*. With regard to Plan Awards granted to Eligible Directors (“Director Awards”), the Plan shall be administered by the Board.

(c) *Powers of the Committee and Board*. As used herein, the term “Administrator” shall mean the Committee with respect to Employee Awards and the Board with respect to Director Awards. The Administrator shall have all necessary powers to administer and interpret the Plan, including authority to adopt such rules, regulations, agreements, and instruments for the administration of the Plan as the Administrator deems necessary or advisable. The Administrator’s interpretations of the Plan and all action taken and determinations made by the Administrator pursuant to the powers vested in it hereunder shall be conclusive and binding on all parties concerned, including the Company, its shareholders and any director or employee of the Company or any Subsidiary.

(i) Powers of the Committee include exclusive authority (within the limitations described and except as otherwise provided in the Plan) to select the employees or determine classes of employees to be granted Awards under the Plan; to determine the aggregate amount, type, terms, and conditions applicable to the Awards to be made to eligible employees and shares of Common Stock issued pursuant thereto; and to determine the time when Awards will be granted. The Committee may take into consideration recommendations from the appropriate officers of the Company and of each Participating Subsidiary with respect to making the foregoing determinations as to Plan awards, administration, and interpretation. Notwithstanding any other provision of the Plan to the contrary, the Committee may delegate to appropriate Company officers its authority to take all final action with respect to granting and administering Plan Awards granted to Participants who are at the time of such action not members of the Board or “officers” within the meaning of Rule 16a-1(f) of the Act, including without limitation selecting executives and key employees to whom such Awards will be granted; determining the amount of any such Awards to be made; and taking all action on behalf of the Company with respect to administering, vesting of, and paying such Awards; provided, however, that (i) all such Awards shall be granted within the limitations and subject to the terms and conditions required by the Plan and established by the Committee and subject to the Committee’s interpretations of the Plan; (ii) the aggregate of such Awards granted under the Plan for or with respect to a given Fiscal Year shall not, when added to the Awards approved by the Committee for granting to individuals who are “officers” within the meaning of Rule 16a-1(f) of the Act for or with respect to the same Fiscal Year, exceed the total amount of Awards approved by the Committee for or with respect to such Fiscal Year; (iii) only the Committee may grant Awards of restricted or unrestricted shares; and (iv) any action with respect to such Awards taken because of or in connection with a Change in Control of the Company or as contemplated by Section 12 shall be taken by the Committee. With respect to matters delegated in accordance with the foregoing, the term “Committee” as used herein shall mean the delegate.

(ii) The Board has exclusive authority to determine the amount, type, timing, terms, and conditions of Awards to be provided to Eligible Directors under the Plan by resolution, including by adoption of programs specifying timing, amounts, terms, and conditions of Plan Awards to be made annually or otherwise regularly without further action by it. The Corporate Governance and Nominating Committee shall recommend to the Board the amount, type, timing, terms, and conditions of grants to Eligible Directors. Notwithstanding any provision of the Plan to the contrary, the Board may delegate to appropriate Company officers or to a Committee of the Board authority to take all final action with respect to granting and administering Plan awards to Eligible Directors, including administering and taking all action on behalf of the Company with respect to vesting and payment of Awards. With respect to matters so delegated, the term “Board,” as used herein, shall mean the delegate.

3. **Eligibility for Participation**

Participation in the Plan shall be limited to (i) Eligible Directors and (ii) executives or other key employees (including officers and directors who are also employees) of the Company and its Participating Subsidiaries selected on the basis of such criteria as the Committee may determine. As used herein, the term “employee” shall mean any person employed full time or part time by the Company or a Participating Subsidiary on a salaried basis, and the term “employment” shall mean full-time or part-time salaried employment by the Company or a Subsidiary.

4. **Shares of Stock Subject to the Plan**

(a) The shares that may be subject to Awards granted under the Plan on or after January 28, 2010 shall not exceed in the aggregate 4,000,000 shares of Common Stock, plus the sum of (i) the number of shares authorized for Awards under the Plan prior to January 28, 2010 but not, as of such date, delivered pursuant to an Award or subject to an outstanding Award, and (ii) the number of shares subject to Awards granted under the Plan prior to January 28, 2010 and then outstanding which are not delivered because the Award expires, is forfeited, or terminates unexercised or because payment under the Award is made in cash. No more than 20% of the cumulative shares of Common Stock subject to Awards granted on or after October 1, 2001 may be used for restricted shares, deferred stock units or other Awards providing for the acquisition of the shares for a consideration less than the Fair Market Value of the shares as of the date of grant.

(b) For purposes of applying the limit in subsection (a):

(i) Any share subject to a Plan Award which is not delivered because the Award expires, is forfeited, or terminates unexercised, or because payment under the Award is made in cash, shall not be considered as having been issued or delivered for purposes of the limitations under the preceding sentences and may again be subject to an award subsequently granted under the Plan;

(ii) Any stock appreciation right Award delivered in Common Stock shall be counted as use of a number of shares equal to the number of stock appreciation rights exercised, rather than the net shares delivered;

(iii) Shares tendered by Participants as full or partial payment to the Company of the purchase price of shares subject to a stock option upon exercise of the option shall not become available for Awards under the Plan; and

(iv) Shares withheld by or otherwise remitted to the Company to satisfy a Participant’s tax withholding obligations with respect to Awards under the Plan shall not become available for Awards under the Plan.

5. **Awards**

(a) Awards granted to employee Participants or Eligible Directors under the Plan may be of the following types: (i) Stock Options, (ii) Restricted Shares, (iii) Deferred Stock Units, and/or (iv) Other Stock Awards. Employee Participants may also be granted Stock Appreciation Rights. Awards may be granted singly, in combination, or in tandem as determined by the Administrator in its sole discretion.

(b) Each Award under the Plan shall be evidenced by an award agreement (as such may be amended from time to time) that sets forth the terms, conditions, restrictions, or limitations applicable to the Award (“Award Agreement”), including, but not limited to, the provisions governing vesting, exercisability, payment, forfeiture, and termination of employment in the case of employee Participants, all or some of which may be incorporated by reference into one or more other documents delivered or otherwise made available to a Participant in connection with an Award. More than one type of Award may be covered by the same Agreement. The Administrator need not require the execution of such document by the Participant, in which case acceptance of the Award by the Participant shall constitute agreement by the Participant to the terms, conditions, restrictions, or limitations set forth in the Plan and the Award Agreement as well as the administrative guidelines and practices of the Company in effect from time to time. Except where otherwise required by law, Award Agreements may be delivered electronically.

6. **Stock Options**

Stock Options granted to eligible employees under the Plan may be either Incentive Stock Options or Nonstatutory Stock Options, as determined by the Committee at the time of grant and specified in the Award Agreement. All Stock Options granted to Eligible Directors under the Plan shall be Nonstatutory Stock Options.

(a) *Exercise Price.* The purchase price per share of Common Stock covered by each Stock Option shall be determined by the Administrator but shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant of such Stock Option.

(b) *Shares Covered.* The Administrator will determine, absolutely or by formula, the number of shares of Common Stock subject to each Stock Option. In no event shall the number of shares subject to Stock Options (and any related Stock Appreciation Rights) granted to any Participant in any Fiscal Year exceed 1,000,000, subject to adjustment as provided in Section 12.

(c) *Terms Generally Applicable to all Stock Options.* Except as otherwise determined by the Administrator and reflected in the applicable Award Agreement or an amendment thereto, Stock Options shall be granted on the following additional terms and conditions (and such other terms and conditions that the Administrator may establish which are consistent with the Plan and applicable law):

(i) *Term and Exercise Dates*. The Administrator shall fix the term during which each Stock Option may be exercised, but no Stock Option shall be exercisable after the tenth anniversary of its date of grant, and no employee Stock Option shall be exercisable prior to one year from its date of grant, except as otherwise provided in Section 11. Employee Stock Options shall become exercisable in installments: one-third of the shares subject to such Stock Option may be purchased commencing on the first, second, and third one year anniversaries of the date of grant. Eligible Director Stock Options shall be exercisable commencing six months from the date of grant.

(ii) *Exercise*. A Participant wishing to exercise his or her Stock Option in whole or in part shall give written notice of such exercise to the Company, accompanied by full payment of the purchase price. The date of receipt of such notice (including by facsimile transmission) and payment shall be the "Exercise Date" for such Stock Option or portion thereof; provided, however, that if the Participant engages in a simultaneous Stock Option exercise and sale of shares of Common Stock, the Exercise Date shall be the date of sale of the shares purchased by exercising such Stock Option. No partial exercise of a Stock Option may be made for less than 100 shares of Common Stock.

(iii) *Payment*. The purchase price of shares to be purchased upon exercise of any Option shall be paid in full at the time of exercise of the Stock Option: (A) by cash payment; (B) by tendering (either actually or by attestation), on such terms and conditions as the Administrator may specify, shares of Common Stock owned by the Participant having a Fair Market Value on the Exercise Date equal to the purchase price of such shares; (C) by a combination of cash payment and tendering (as described in the foregoing) of Common Stock having a Fair Market Value on the Exercise Date equal to the portion of such purchase price not paid in cash; or (D) subject to any administrative rules from time to time adopted by the Administrator for administering Stock Option exercises, by delivery (including by facsimile transmission) of an irrevocable exercise notice coupled with irrevocable instructions to a designated broker to simultaneously sell all or a portion of the underlying shares of Common Stock and deliver to the Company, on the settlement date, the portion of the proceeds representing the exercise price (and any taxes to be withheld).

(iv) *Termination of Services or Death*.

(A) In the event an employee Participant ceases to be employed due to Retirement, Disability, or death, his or her Stock Options shall continue to be or become exercisable following such cessation of employment as if the Participant had continued to be an active employee and such Stock Options may be exercised by the Participant or, in the event of death, his or her Designated Beneficiary on the same terms and conditions as would have applied to such Participant had such Participant continued to be an active employee; provided that, except as otherwise determined by the Committee, Stock Options whose date of grant is less than one year from the date of such cessation of employment shall be forfeited.

(B) Except as provided in clause (A) of this Section 6(c)(iv), if, prior to the expiration or cancellation of any Stock Option, an employee Participant ceases to be employed by the Company or a Subsidiary, any unexercised portion of his or her outstanding Stock Options shall automatically terminate.

(C) In the event an Eligible Director ceases to be a director due to Retirement, Disability, or death, his or her Stock Options shall continue to be or become exercisable as if the Eligible Director had continued to be a director and such stock options may be exercised by the director or, in the event of death, his or her Designated Beneficiary on the same terms and conditions as would have applied to such director had such eligible director continued to serve on the Board. Except as otherwise provided by the Board in the applicable Award Agreement or amendment thereto, in the event an Eligible Director ceases to be a director other than due to Retirement, Disability, or death, his or her Stock Options shall become exercisable in accordance with their terms and be exercisable until two years following the Director’s last day of service.

(D) No provision of this Section 6(c)(iv) shall be deemed to permit the exercise of any Stock Option after the expiration of the normal stated term of such Stock Option.

(d) *Additional Terms Applicable to Incentive Stock Options*

(i) *Exercise Price.* If an Incentive Stock Option is granted to an employee who, on the date of grant, owns stock possessing more than 10% of the total combined voting power of all outstanding classes of stock of the Company or any affiliate, the purchase price per share under such Incentive Stock Option shall be at least 110% of the Fair Market Value of a share of Common Stock on the date of grant of such Incentive Stock Option, and such Incentive Stock Option shall not be exercisable after the expiration of five years from its date of grant.

(ii) *Shares Covered.* The aggregate Fair Market Value, determined on the date of grant, of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under this Plan and all other plans of the Company and any predecessor, parent, subsidiary or affiliate) shall not exceed $100,000 (as such figure may be adjusted under Code Section 422(d)). If the aggregate Fair Market Value, determined on the date of grant, of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under this Plan and all other plans of the Company and any predecessor, parent, subsidiary, or affiliate) exceeds the limitation described in the preceding sentence, that portion of the Incentive Stock Option that does not exceed the applicable dollar limit shall be an Incentive Stock Option and the remainder shall be a Nonqualified Stock Option, and in all other respects the terms of the original Award Agreement shall remain in full force and effect. If the limitation of this paragraph is exceeded, the determination of which Stock Options shall be Incentive Stock Options and which Stock Options shall be Nonqualified Stock Options shall be made in accordance with the ordering rules prescribed in the Code. For the avoidance of doubt, if the exercise date of Incentive Stock Options is accelerated upon a Change in Control as provided for in Section 11 and the provisions regarding the $100,000 limitation are exceeded, the treatment described above shall apply.

7. **Stock Appreciation Rights**

The Committee may grant Stock Appreciation Rights to employees either alone, or in conjunction with, and related to previously or concurrently granted Stock Options and/or other Plan Awards. Except as otherwise determined by the Committee and reflected in the applicable Award Agreement or an amendment thereto, all Stock Appreciation Rights shall be granted on the following terms and conditions (and such other terms and conditions that the Committee may establish which are consistent with the Plan and applicable law):

(a) *Number of Rights*. The Committee shall determine, absolutely or by formula, the number of Stock Appreciation Rights which shall be granted. As to any Stock Appreciation Rights granted in tandem with a Stock Option, such number shall not be greater than the number of shares which are then subject to the related Stock Option, and the number of such Stock Appreciation Rights will be reduced on a one-for-one basis to the extent that shares under the related Stock Option are purchased. In no event shall the number of Stock Appreciation Rights granted to any Participant in any Fiscal Year (excluding Stock Appreciation Rights granted in tandem with a Stock Option, which shall be subject to the limitation in Section 6(b)), exceed 1,000,000, subject to adjustment as provided in Section 12.

(b) *Exercise*. Stock Appreciation Rights shall entitle the Participant to receive upon exercise, without any payment to the Company, an amount of cash and/or a number of shares determined and payable as provided in Section 7(c). Except as otherwise determined by the Committee and reflected in the applicable Award Agreement or amendment thereto, Stock Appreciation Rights shall be exercisable to the extent and upon the same conditions that Stock Options are exercisable under Section 6(c). A Participant wishing to exercise Stock Appreciation Rights shall give written notice of such exercise to the Company. The date of receipt of such notice shall be the "Exercise Date" for such Stock Appreciation Rights. Promptly after the Exercise Date, the Company shall pay and/or deliver to the Participant the cash and/or shares to which he or she is entitled.

(c) *Amount of Cash and/or Number of Shares*. Except as otherwise provided in Section 11, the amount of the payment to be made upon exercise of Stock Appreciation Rights shall be determined by multiplying (i) that portion of the total number of shares as to which the Participant exercises the Stock Appreciation Rights award as of the Exercise Date, by (ii) 100% of the amount by which the Fair Market Value of a share of Common Stock on the Exercise Date exceeds the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Rights were granted. The Committee may make payment in cash or partly in cash and partly in Common Stock, all as determined by the Committee in its sole discretion. To the extent that payment is made in Common Stock, the number of shares to be paid shall be determined by dividing the amount of such payment by the Fair Market Value of a share of Common Stock on the Exercise Date. No fractional shares shall be issued, but instead the Participant shall be entitled to receive a cash adjustment equal to the same fraction of the Fair Market Value on the Exercise Date.

(d) *Termination of Employment or Death*. In the event that a recipient of Stock Appreciation Rights ceases to be employed by the Company or a Subsidiary by reason of Retirement, Disability or death, his or her Stock Appreciation Rights shall continue to be or become exercisable following such termination of employment to the extent and upon the same conditions that a Stock Option is exercisable under Section 6(c)(iv). In the event a recipient of Stock Appreciation Rights ceases to be employed by the Company or a Subsidiary for a reason other than Retirement, Disability or death, his or her Stock Appreciation Rights shall automatically terminate.

8. **Restricted Shares**

The Administrator may grant Restricted Share awards to Participants on the following terms and conditions (and/or such other conditions as are consistent with the Plan and applicable law):

(a) *Restrictions*. Restricted Shares shall be granted subject to such restrictions on the full enjoyment of the Shares as the Administrator shall specify in the applicable Award Agreement; which restrictions may be based on the passage of time, satisfaction of performance criteria, or the occurrence of one or more events; and shall lapse separately or in combination upon such conditions and at such time or times, in installments or otherwise, as the Administrator shall specify in the applicable Award Agreement. Except for limited circumstances determined by the Administrator and specified in the applicable Award Agreement, including but not limited to special recruitment or retention awards, death, Disability, or Retirement, Restricted Shares shall have a restriction period of not less than three years; provided that, Restricted Shares shall have a minimum restriction period of one year if lapse of the restriction is based on performance criteria. In no event shall the number of Restricted Shares granted to any Participant in any Fiscal Year exceed 100,000, subject to adjustment as provided in Section 12.

(b) *Dividends; Rights; Voting*. While any restriction applies to any Participant's Restricted Shares, (i) unless the Administrator provides otherwise in the applicable Award Agreement, the Participant shall receive the dividends paid on the Restricted Shares and shall not be required to return those dividends to the Company in the event of the forfeiture of the Restricted Shares, (ii) the Participant shall receive the proceeds of the Restricted Shares in any stock split, reverse stock split, recapitalization, or other change in the capital structure of the Company, which proceeds shall automatically and without need for any other action become Restricted Shares and be subject to all restrictions then existing as to the Participant's Restricted Shares, and (iii) the Participant shall be entitled to vote the Restricted Shares.

(c) *Transfer of Restricted Shares*. While any restriction applies to the Restricted Shares, the Participant shall not have the right to sell, transfer, assign, convey, pledge, hypothecate, grant any security interest in or mortgage on, or otherwise dispose of or encumber any shares of Restricted Shares or any interest therein.

(d) *Evidence of Share Ownership*. The Restricted Shares will be book-entry shares only unless the Administrator decides to issue certificates to evidence shares of the Restricted Shares. Any stock certificate(s) representing the Restricted Shares that is so issued to a Participant shall bear an appropriate legend describing the restrictions to which the shares are subject.

9. **Deferred Stock Units**

The Administrator may grant Deferred Stock Units to Participants on the following terms and conditions (and/or such other terms and conditions that the Administrator may establish which are consistent with the Plan and applicable law):

(a) *Number, Value, and Manner of Payment of Deferred Stock Units*. Each Deferred Stock Unit shall be equivalent in value to one share of Common Stock and, subject to satisfaction of any applicable performance conditions, shall entitle the Participant to receive from the Company at the end of the deferral period (the "Deferral Period") applicable to such Unit the value at such time of each Unit. Except as otherwise determined by the Administrator, Deferred Stock Units shall be granted without payment of cash or other consideration to the Company but in consideration of services performed for or for the benefit of the Company or a Participating Subsidiary by such Participant. Deferred Stock Units may be conditioned on the satisfaction of performance conditions. Payment of the value of Deferred Stock Units may be made by the Company in shares of Common Stock, cash or both as determined by the Administrator. If paid in Common Stock, the Participant shall receive a number of shares of Common Stock equal to the number of matured or earned Deferred Stock Units; and if paid in cash, the Participant shall receive, for each matured Deferred Stock Unit, an amount equal to the Fair Market Value of a share of Common Stock on the last day of the applicable Deferral Period (except as otherwise provided in Section 11). Upon payment in respect of a Deferred Stock Unit, such Unit shall be canceled. In no event shall the number of Deferred Stock Units granted to any Participant in any Fiscal Year exceed 100,000, subject to adjustment as provided in Section 12.

(b) *Deferral Period*. Except as otherwise provided in Section 9(c), payments in respect of Deferred Stock Units shall be made only at the end of the Deferral Period applicable to such Units, the duration of which Deferral Period shall be fixed by the Administrator at the time of grant of such Deferred Stock Units. Except for limited circumstances determined by the Committee, including but not limited to, special recruitment or retention awards, death, Disability or Retirement, Deferral Periods for employee Participants shall not be less than three years; provided that, Deferral Periods may be less than three years but not less than one year if payment is conditioned on satisfaction of performance criteria. Except as determined by the Board, Deferral Periods for director participants shall end upon cessation of service as a director.

(c) *Termination of Services or Death*. Unless otherwise determined by the Administrator and reflected in the applicable Award Agreement:

(i) in the case of Deferred Stock Units granted to employee Participants:

(A) If during a Deferral Period a Participant's employment with the Company or a Subsidiary is terminated for any reason other than Retirement, Disability or death, such Participant shall forfeit his or her Deferred Stock Units which would have matured or been earned at the end of such Deferral Period;

(B) In the event a Participant's employment with the Company or a Subsidiary terminates during a Deferral Period due to Retirement, Disability, or death, such Participant, or his or her Designated Beneficiary in the event of death, shall receive payment in respect of such Participant's Deferred Stock Units which would have matured or been earned at the end of such Deferral Period, at such time and in such manner as if the Participant were still employed at the end of the Deferral Period; and

(C) No payment in respect of Deferred Stock Units will be made in a manner that would result in the Participant becoming subject to taxes or penalties under Code Section 409A.

(ii) Deferred Stock Units granted to Eligible Directors shall not be forfeited upon termination of service as a director.

(d) *Payment of Deferred Stock Units.* Payment of Deferred Stock Units shall be made as soon as administratively feasible after such Awards become payable, but in no event shall payment be after the later of (1) the date that is 2 ½ months after the close of the Participant's first taxable year in which the Deferred Stock Units become payable, or (2) the date that is 2 ½ months after the close of the Company's fiscal year in which the Deferred Stock Units become payable; provided that payments in respect of Deferred Stock Units that constitute deferred compensation under Code Section 409A shall be made in compliance with Code Section 409A.

(e) *Dividends*. No cash dividends or equivalent amounts shall be paid on outstanding Deferred Stock Units. However, the Administrator may specify that a Deferred Stock Unit will accrue "Dividend Equivalents," i.e., an additional amount equal to the cash dividends, if any, which are paid with respect to an issued and outstanding share of Common Stock during the period the Deferred Stock Unit is outstanding. If Dividend Equivalents are to be included in an employee Deferred Stock Unit Award, the Dividend Equivalents will be paid in cash or shares of Common Stock at the time payment in respect of the Deferred Stock Units is made. No Dividend Equivalents will be paid on a Deferred Stock Unit Award that is forfeited as provided in subsection 9(c) or that is conditioned on the satisfaction of performance conditions that are not met. The Administrator may also specify that the Dividend Equivalents will be deemed to be reinvested in Common Stock. Dividend Equivalents which are deemed reinvested shall be converted into additional Deferred Stock Units and payment of the value of the Award shall include the value of such additional Units. No interest shall be paid on a Dividend Equivalent or any part thereof.

(f) *Director's Elective Deferral of Fees*. Eligible Directors may, under such terms as may be determined by the Board, elect to defer compensation otherwise payable to them and to receive such deferred compensation in the form of Deferred Stock Units.

10. **Other Stock Awards**

The Administrator shall have the authority in its discretion to grant to eligible Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of Common Stock as deemed by the Administrator to be consistent with the purposes of the Plan, including, without limitation, purchase rights, shares awarded without restrictions or conditions, or securities or other rights convertible or exchangeable into shares of Common Stock. The Administrator shall determine the terms and conditions, if any, of any Other Stock Awards made under the Plan. In no event shall Other Stock Awards be granted to any Participant in any Fiscal Year with respect to more than 100,000 shares of Common Stock (i.e., have a value greater than the value of 100,000 shares of Common Stock), subject to adjustment as provided in Section 12.

11. **Change in Control**

Following or in connection with the occurrence of a Change in Control, the following shall or may occur as specified below, notwithstanding any other provisions of this Plan to the contrary:

(a) *Acceleration and Exercisability of Stock Options and Stock Appreciation Rights; Amount of Cash and/or Number of Shares for Stock Appreciation Rights*. All Stock Options and Stock Appreciation Rights shall automatically (and without any action by the Administrator) become immediately exercisable in full for the period of their remaining terms; provided, however, that the acceleration of the exercisability of any Stock Option or Stock Appreciation Right that has not been outstanding for a period of at least six months from its respective date of grant shall occur on the first day following the end of such six-month period.

(b) *Cash Surrender of Stock Options and Stock Appreciation Rights*. Notwithstanding Section 11(a), all or a portion of outstanding Stock Options or Stock Appreciation Rights may, at the discretion of the Board or Committee, be required to be surrendered by the holder thereof for cancellation in exchange for a cash payment for each such Stock Option or Stock Appreciation Right. The cash payment received for each share subject to the Stock Option or Stock Appreciation Right shall be 100% of the amount, if any, by which the Change in Control Price *exceeds* the per share strike price of such Stock Option or Stock Appreciation Right (as applicable). Any such payment shall be made as soon as practicable but no later than 30 days after the Change in Control.

(c) *Reduction in Accordance with Plan*. The number of shares covered by Stock Options and Stock Appreciation Rights will be reduced on a one-for-one basis to the extent related Stock Options or Stock Appreciation Rights are exercised, or surrendered for cancellation in exchange for a cash payment, as the case may be, under this Section 11.

(d) *Lapse of Restrictions on Restricted Shares*. Unless the applicable Award Agreement or an amendment thereto shall otherwise provide, all restrictions applicable to an outstanding award of Restricted Shares shall lapse immediately upon the occurrence of a Change in Control regardless of the scheduled lapse of such restrictions; provided that all or a portion of such Restricted Shares may, at the discretion of the Board or Committee, be required to be surrendered by the holder thereof for cancellation in exchange for a cash payment for each such Restricted Share equal to 100% of the Change in Control Price. Such payment shall be made as soon as practicable but no later than 30 days after the Change in Control.

(e) *Accelerated Payment of Deferred Stock Units*. Unless the applicable Award Agreement or amendment thereto shall provide otherwise, all outstanding Deferred Stock Units, together with any Dividend Equivalents for the period for which such Deferred Stock Units have been outstanding, shall become fully vested and shall be paid in full notwithstanding that the Deferral Periods as to such Deferred Stock Units have not been completed. Such payment shall be in Common Stock (or, at the discretion of the Board or Committee, in cash equal to the Change in Control Price multiplied by the number of Deferred Stock Units in respect of which the payment is being made) and shall be made as soon as practicable but no later than 30 days after the Change in Control; provided that all unearned Deferred Stock Unit Awards conditioned on the satisfaction of performance conditions shall vest in an amount determined by multiplying (A) the number of shares or units that would have been earned under the Award at a target level of performance by (B) a fraction, the numerator of which is the number of full months that shall have elapsed since the beginning of the applicable performance period and the denominator of which shall be the number of full months in such performance period. Notwithstanding the above, payments in respect of Deferred Stock Units that are subject to the requirements under Code Section 409A will be made in accordance with the applicable Award Agreement."

12. **Dilution and Other Adjustments**

Notwithstanding any other provision of the Plan, in the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, merger, consolidation, spin off, combination, or exchange of shares, a rights offering to purchase Common Stock at a price substantially below Fair Market Value, or other similar corporate change, an equitable adjustment shall be made so as to preserve, without increasing or decreasing, the value of Plan Awards and authorizations, in (i) the maximum number or kind of shares issuable or awards which may be granted under the Plan, (ii) the amount payable upon exercise of Stock Appreciation Rights, (iii) the number or kind of shares or purchase price per share subject to outstanding Stock Options, (iv) the number or value, or kind of shares which may be issued in payment of outstanding Stock Appreciation Rights, (v) the value and attributes of Deferred Stock Units, (vi) the number or kind of shares subject to Restricted Share Awards, (vii) the maximum number, kind or value of any Plan awards which may be awarded or paid in general or to any one employee, (viii) the performance-based events or objectives applicable to any Plan awards, (ix) any other aspect or aspects of the Plan or outstanding Awards made thereunder as specified by the Administrator, or (x) any combination of the foregoing. Such adjustments shall be made as determined by the Administrator and shall be conclusive and binding for all purposes of the Plan. Notwithstanding the foregoing sentence or any other provision of this Plan to the contrary (but subject to the requirements under Code Section 409A), the Board or Committee may, upon the occurrence of a corporate change under this Section 12 or a Change in Control (i) make provision for a cash payment to the holder of an outstanding Award in consideration for the cancellation of such Award (including, in the case of outstanding Stock Options or Stock Appreciation Rights, a cash payment to the holder of such Stock Options or Stock Appreciation Rights in the amount equal to the excess, if any, of the Change in Control Price with respect to the Common Stock subject to such Stock Options or Stock Appreciation Rights over the aggregate exercise price of such Stock Options or Stock Appreciation Rights), (ii) cancel and terminate any Stock Options or Stock Appreciation Rights having a per share exercise price equal to, or in excess of, the Fair Market Value of a share of Common Stock subject to such Stock Options or Stock Appreciation Rights without any payment or consideration therefor or (iii) make provision for a cash payment to the holder of an outstanding Award in consideration for cancellation of such Award equal to the value of such Award (such value to be determined by the Committee in its sole discretion based on appropriate valuation models).

13. **Miscellaneous Provisions**

(a) *No Shareholder Rights*. Except as otherwise provided here, the holder of a Plan Award shall have no rights as a Company shareholder with respect thereto unless, and until the date as of which, shares of Common Stock are issued upon exercise or payment in respect of such award.

(b) *Transferability*. Except as the Administrator shall otherwise determine in connection with determining the terms of Awards to be granted or in accordance with procedures adopted by the Administrator, no Award or any rights or interests therein of the recipient thereof shall be assignable or transferable by such recipient except upon death to his or her Designated Beneficiary, and during the lifetime of the recipient, an Award shall be exercisable only by, or payable only to such recipient or his or her guardian or legal representative. In no event shall an Award be transferable for consideration.

(c) *Securities Restrictions*. No shares of Common Stock shall be issued, delivered or transferred upon exercise or in payment of any Award granted hereunder unless and until all legal requirements applicable to the issuance, delivery or transfer of such shares have been complied with to the satisfaction of the Administrator, and the Company, including, without limitation, compliance with the provisions of the Securities Act of 1933, the Act and the applicable requirements of the exchanges on which the Company's Common Stock may, at the time, be listed. The Administrator and the Company shall have the right to condition any issuance of shares of Common Stock made to any Participant hereunder on such Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares as the Administrator and/or the Company shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates representing such shares may be legended to reflect any such restrictions.

(d) *Taxes*. The Company shall have the right to deduct from all Awards hereunder paid in cash any federal, state, local or foreign taxes required by law to be withheld with respect to such cash awards. In the case of Awards to be distributed in Common Stock, the Company shall have the right to require, as a condition of such distribution, that the Participant or other person receiving such Common Stock either (i) pay to the Company at the time of distribution thereof the amount of any such taxes which the Company is required to withhold with respect to such Common Stock or (ii) make such other arrangements as the Company may authorize from time to time to provide for such withholding including without limitation having the number of the units of the award cancelled or the number of the shares of Common Stock to be distributed reduced by an amount with a value equal to the value of such taxes required to be withheld.

(e) *No Employment Right*. No employee or director of the Company or a Subsidiary or other person shall have any claim or right to be granted an Award under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company or a Subsidiary or any director any right to continue as a director of the Company. All Company and Subsidiary employees who have or may receive Awards under this Plan are employed, except to the extent provided by law, at the will of the Company or such Subsidiary and in accord with all statutory provisions.

(f) *Stock to be Used*. Distributions of shares of Common Stock upon exercise, in payment or in respect of Awards made under this Plan may be made either from shares of authorized but unissued Common Stock reserved for such purpose by the Board or from shares of authorized and issued Common Stock reacquired by the Company and held in its treasury, as from time to time determined by the Committee, the Board, or pursuant to delegations of authority from either. The obligation of the Company to make delivery of Awards in cash or Common Stock shall be subject to currency or other restrictions imposed by any government.

(g) *Expenses of the Plan*. The costs and expenses of administering this Plan shall be borne by the Company and not charged to any award or to any employee, director or Participant receiving an Award. However, the Company may charge the cost of any Awards that are made to employees of Participating Subsidiaries, including administrative costs and expenses related thereto, to the respective Participating Subsidiaries by which such persons are employed.

(h) *Plan Unfunded*. This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under this Plan and payment of awards shall be subordinate to the claims of the Company's general creditors.

(i) *Section 409A of the Code*.

(i) If any provision of the Plan or an Award contravenes any regulations or Treasury guidance promulgated under Code Section 409A agreement or could cause an Award to be subject to the interest and penalties under Code Section 409A, such provision of the Plan or Award shall be modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Code Section 409A. Moreover, any discretionary authority that the Administrator may have pursuant to the Plan shall not be applicable to an Award that is subject to Code Section 409A to the extent such discretionary authority will contravene Section 409A or the regulations or guidance promulgated thereunder.

(ii) Notwithstanding any provisions of this Plan or any Award Agreement granted hereunder to the contrary, no acceleration shall occur with respect to any Award (including awards granted prior to January 26, 2006) to the extent such acceleration would cause the Plan or an Award granted hereunder to fail to comply with Code Section 409A.

(iii) Notwithstanding any provisions of this Plan or any applicable Award Agreement to the contrary, no payment shall be made with respect to any Award granted under this Plan (including Awards granted prior to January 26, 2006) to a "specified employee" (as such term is defined for purposes of Code Section 409A) prior to the six-month anniversary of the employee's separation of service to the extent such six-month delay in payment is required to comply with Code Section 409A.

(j) *Governing Law*. This Plan shall be governed by the laws of the Commonwealth of Pennsylvania and shall be construed for all purposes in accordance with the laws of said

Commonwealth except as may be required by the General Corporation Law of Delaware or by applicable federal law.

14. **Definitions**

In addition to the terms defined elsewhere herein, the following terms as used in this Plan shall have the following meanings:

"Act" shall mean the Securities Exchange Act of 1934 as amended from time to time.

"Award" shall mean a grant of incentive compensation under the Plan in the form of Stock Options, Restricted Shares, Deferred Stock Units, Stock Appreciation Rights or Other Stock Awards.

"Change in Control" shall mean the first to occur of any one of the events described below:

(i) *Stock Acquisition*. Any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Act), other than the Company or a corporation, a majority of whose outstanding stock entitled to vote is owned, directly or indirectly, by the Company, or a trustee of an employee benefit plan or trust sponsored solely by the Company and/or such a corporation, is or becomes, other than by purchase from the Company or such a corporation, the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding voting securities;

(ii) *Change in Board*. During any period of two consecutive years, individuals who at the beginning of such period were members of the Board of Directors cease for any reason to constitute at least a majority of the Board of Directors, unless the election or nomination for election by the Company's shareholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period. Such a Change in Control shall be deemed to have occurred on the date upon which the requisite majority of directors fail to be elected by the shareholders of the Company;

(iii) *Business Combination.* Consummation of a reorganization, merger, consolidation, or other corporate transaction involving the Company (a "Transaction"), in each case, with respect to which the shareholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own more than 50 percent (50%) of the combined voting power of the Company or other corporation resulting from such Transaction in substantially the same respective proportions as such shareholders' ownership of the voting power of the Company immediately before such Transaction; or

(iv) *Sale or Liquidation.* The shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or a sale or disposition of all or substantially all of the Company's assets.

(v) *Code Section 409A Limitation*. Notwithstanding the foregoing or anything in the Plan to the contrary, with respect to an Award that is subject to Code Section 409A, no event shall constitute a Change in Control for purposes of the Plan unless such event also constitutes a “change in ownership”, “change in effective control”, or “change in the ownership of a substantial portion of the Company’s assets” as defined under Section 409A.

“Change in Control Price” shall mean (i) the highest tender or exchange offer price paid or to be paid for Common Stock pursuant to the offer associated with the Change in Control (such price to be determined by the Administrator from such source or sources of information as it shall determine including, without limitation, the Schedule 13D or an amendment thereto filed by the offeror pursuant to Rule 13d-1 under the Act), or (ii) the price paid or to be paid for Common Stock under an agreement associated with the Change in Control, as the case may be, or (iii) if neither (i) nor (ii) apply, the Fair Market Value of a share of Common Stock on the date of payment.

“Code” shall mean the Internal Revenue Code of 1986, and regulations thereunder, as amended from time to time, or any successor thereto. References to particular Code sections shall include successor provisions.

“Common Stock” means the Common Stock of the Company, par value $1.00.

“Deferred Stock Units” are rights to receive, at the end of a deferral period, cash and/or Common Stock equivalent in value to one share of Common Stock for each unit.

“Designated Beneficiary” shall mean the person or persons, if any, last designated as such by the Participant on a form filed by him or her with the Plan Recordkeeper in accordance with such procedures as the Plan Recordkeeper shall provide and, if there is no such designation, shall be the person or persons most recently named as the beneficiary or beneficiaries of life insurance provided to the Participant by the Company or a Participating Subsidiary; and, if there is no such life insurance beneficiary, shall be the person or persons designated in the Participant’s will and, if the will is silent, shall be the estate of the Participant.

“Disability” shall mean permanent and total disability of an employee or director participating in the Plan as determined by the Administrator in accordance with uniform principles consistently applied, upon the basis of such evidence as the Administrator deems necessary and desirable. Notwithstanding the foregoing, with respect to an Award that is subject to Code Section 409A, no condition shall constitute a “Disability” for purposes of the Plan unless such condition also constitutes a disability as defined under Section 409A.

“Fair Market Value” of a share of Common Stock of the Company on any date shall mean an amount equal to the closing sale price for such date on the New York Stock Exchange, as reported on the composite transaction tape, or on such other exchange as the Administrator may determine. If there is no such sale price quotation for the date as of which Fair Market Value is to be determined, the previous trading date prior to such date for which there are reported sales prices on the composite transaction tape shall be used. If there are no such sale price quotations on or within a reasonable period both before and after the date as of which Fair Market Value is to be determined, then the Administrator shall in good faith determine the Fair Market Value of the Common Stock on such date.

"Fiscal Year" shall mean the twelve-month period used as the annual accounting period by the Company and shall be designated according to the calendar year in which such period ends.

"Incentive Stock Option" shall mean a Stock Option designated by the Committee as an Incentive Stock Option which is intended to comply with the requirements in Subsection (b) of Code Section 422 or any successor thereto so as to be eligible for preferential income tax treatment under Code Section 421(a).

"Nonstatutory Stock Option" shall mean a Stock Option which is not eligible for preferential tax treatment under Code Section 421(a).

"Other Stock Awards" are Awards, in such form as the Board or Committee may determine, that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of Common Stock.

"Participant" shall mean, as to any Award granted under this Plan and for so long as such Award is outstanding, the employee or director to whom such Award has been granted.

"Participating Subsidiary" shall mean any Subsidiary designated by the Administrator to participate in this Plan which Subsidiary requests or accepts, by action of its board of directors or other appropriate authority, such designation.

"Plan Recordkeeper" shall mean, with respect to an Employee Participant, Fidelity Stock Plan Services, LLC or such other person as shall be engaged by the Company to perform recordkeeping services for the Plan and, if none, shall be the Company; and, with respect to an Eligible Director, shall be the corporate secretary of the Company.

"Restricted Shares" are shares of Common Stock awarded subject to restrictions and to possible forfeiture upon the occurrence of specified events.

"Retirement" shall mean

(a) in the case of an employee Participant, separating from service with the Company or a Subsidiary, on or after a customary retirement age for the Participant's location, with a fully vested right to begin receiving immediate benefits under a retirement income plan sponsored or otherwise maintained by the Company or a Subsidiary for its employees, or, in the absence of such a plan being applicable to any Participant, as determined by the Committee in its sole discretion; and

(b) in the case of an Eligible Director, (i) resigning from serving as a director, failing to stand for re-election as a director or failing to be re-elected as a director after at least six (6) full years of service as a director of the Company. More than six (6) months' service during any twelve (12) month period after a director's first election by the shareholders to the Board shall be considered as a full year's service for this purpose.

"Stock Appreciation Rights" are rights to receive cash and/or Common Stock equivalent in value to the "spread" between (a) the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Right is exercised and (b) the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Right was granted.

"Stock Options" are rights to purchase Common Stock from the Company at a price designated at the time of grant.

"Subsidiary" shall mean any domestic or foreign corporation, partnership, association, joint stock company, trust or unincorporated organization "affiliated" with the Company, that is, directly or indirectly, through one or more intermediaries, "controlling", "controlled by" or "under common control with", the Company. "Control" for this purpose means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, contract or otherwise.

15. **Amendments and Termination; Requisite Shareholder Approval**

The Board may at any time terminate or from time to time amend or suspend the Plan in whole or in part in such respects as the Board may deem advisable in order that Awards granted thereunder shall conform to any change in the law, or in any other respect which the Board may deem to be in the best interests of the Company; provided, however, that no amendment of the Plan shall be made without shareholder approval if shareholder approval of the amendment is at the time required by applicable law, or by the rules of the New York Stock Exchange or any stock exchange on which Common Stock may be listed.

The Board shall have the power to amend the Plan in any manner contemplated by Section 12 or deemed necessary or advisable for Awards granted under the Plan to qualify for the exemption provided by Rule 16b-3 (or any successor rule relating to exemption from Section 16(b) of the Act), to qualify as "performance-based" compensation under Code Section 162(m), or to comply with applicable law including Code Section 409A, and any such amendment shall, to the extent deemed necessary or advisable by the Board, be applicable to any outstanding Awards theretofore granted under the Plan notwithstanding any contrary provisions contained in any Award Agreement. In the event of any such amendment to the Plan, the holder of any Award outstanding under the Plan shall, upon request of the Board and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Board to any Award Agreement relating thereto within such reasonable time as the Board shall specify in such request.

The Administrator may amend outstanding Award Agreements or otherwise modify outstanding Plan Awards in a manner not inconsistent with the terms of the Plan; provided, however, that, unless required by law, no action contemplated or permitted by this Section 15 shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any Award theretofore made under the Plan without the consent of the affected Participant.

Notwithstanding the above, except in connection with a corporate transaction involving the Company described in Section 12, repricing of Stock Options or Stock Appreciation Rights shall not be permitted without shareholder approval. For this purpose, a "repricing" means any of the following (or any other action that has the same effect as any of the following): (A) changing the terms of a Stock Option or Stock Appreciation Right to lower its exercise price; (B) any other action that is treated as a "repricing" under generally accepted accounting principles; and (C) repurchasing for cash or canceling a Stock Option or Stock Appreciation Right at a time when its exercise price is greater than the Fair Market Value of the underlying stock in exchange for another Award, unless the cancellation and exchange occurs in connection with an event set forth in Section 12.

16. **Effective Date, Amendment and Restatement, and Term of the Plan**

(a) This Plan, previously denominated the "Air Products and Chemicals, Inc. 1990 Long-Term Incentive Plan," became effective for the Fiscal Year commencing October 1, 1989 for awards to be made for the Fiscal Year commencing October 1, 1989 and for Fiscal Years thereafter and was continued in effect indefinitely until terminated, amended, or suspended as permitted by its terms, following approval by a majority of those present at the January 26, 1989 annual meeting of shareholders of the Company and entitled to vote thereon. Following approval by the holders of a majority of the shares of Common Stock of the Company present at the January 25, 1996 annual meeting of shareholders of the Company and entitled to vote thereon, the Plan was amended, restated, denominated the "Air Products and Chemicals, Inc. 1997 Long-Term Incentive Plan", and continued in effect indefinitely for awards made for the Fiscal Year commencing October 1, 1996 and for Fiscal Years thereafter, until terminated, amended, or suspended as permitted by its terms. Following approval by the holders of a majority of the shares of Common Stock of the Company present at the January 25, 2001 annual meeting of shareholders of the Company and entitled to vote thereon, the Plan was amended, restated, denominated the "Air Products and Chemicals, Inc. Long-Term Incentive Plan", and continued in effect indefinitely for awards made for the Fiscal Year commencing October 1, 2001 and for Fiscal Years thereafter, until terminated, amended, or suspended as permitted by its terms. Following approval by the holders of a majority of the shares of Common Stock of the Company present at the January 23, 2003 Annual Meeting of Shareholders of the Company and entitled to vote thereon, the Plan was amended, restated, and continued in effect for awards made on or after January 23, 2003, until terminated, amended, or suspended as permitted by its terms. Following approval by the holders of a majority of the shares of Common Stock of the Company present and entitled to vote at the January 26, 2006 Annual Meeting of Shareholders, the Plan was amended, restated, and continued in effect for Awards made on or after January 26, 2006, until terminated, amended, or suspended as permitted by its terms.

(b) The Plan, as amended and restated herein, was adopted by the Board of Directors on November 18, 2009 subject to the approval by a majority of the shareholders present and entitled to vote thereon at the January 28, 2010 Annual Meeting of Shareholders of the Company and is continued in effect until terminated, amended, or suspended as permitted under Section 15;

provided, however, that no Award shall be granted under the Plan on or after January 26, 2016. This amendment and restatement of the Plan shall apply to Awards made after January 28, 2010 and except to the extent it would adversely affect the rights of Participants with respect to Awards made prior to such date or be a “material modification” of such Awards within the meaning of Code Section 409A, shall also apply to Awards outstanding as of January 28, 2010.

AIR PRODUCTS AND CHEMICALS, INC., AND SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Unaudited)

	Year Ended 30 September					Nine Months Ended 30 Jun
(Millions of dollars)	2005	2006	2007	2008	2009	2010
Earnings:						
Income from continuing operations [1]	$ 672.4	$ 753.0	$1,040.4	$1,113.5	$651.3	$ 776.5
Add (deduct):						
Provision for income taxes	235.7	271.9	289.0	381.7	196.2	257.4
Fixed charges, excluding capitalized interest	139.1	146.7	190.9	188.8	149.2	111.3
Capitalized interest amortized during the period	6.1	6.5	6.4	6.6	7.7	6.3
Undistributed earnings of less-than-fifty-percent-owned affiliates	(29.2)	(29.2)	(61.2)	(72.7)	(44.2)	(23.0)
Earnings, as adjusted	$1,024.1	$1,148.9	$1,465.5	$1,617.9	$960.2	$1,128.5
Fixed Charges:						
Interest on indebtedness, including capital lease obligations	$ 113.0	$ 119.8	$ 163.7	$ 164.4	$125.1	$ 91.3
Capitalized interest	14.9	18.8	14.6	27.3	22.2	11.2
Amortization of debt discount premium and expense	4.1	4.8	4.1	4.0	4.7	3.8
Portion of rents under operating leases representative of the interest factor	22.0	22.1	23.1	20.4	19.4	16.2
Fixed charges	$ 154.0	$ 165.5	$ 205.5	$ 216.1	$171.4	$ 122.5
Ratio of Earnings to Fixed Charges [2]:	6.7	6.9	7.1	7.5	5.6	9.2

(1) During the twelve months ended 30 September 2009, income from continuing operations included a charge of $298.2 ($200.3 after-tax) for the global cost reduction plan.

(2) The ratio of earnings to fixed charges is determined by dividing earnings, which includes income from continuing operations before taxes, undistributed earnings of less-than-fifty-percent-owned affiliates, and fixed charges, 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).

Exhibit 31.1

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: 26 July 2010

/s/ John E. McGlade

John E. McGlade
President and Chief Executive Officer

PRINCIPAL FINANCIAL OFFICER'S CERTIFICATION

I, Paul E. Huck, 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: 26 July 2010

/s/ Paul E. Huck

Paul E. Huck
Senior Vice President and Chief Financial Officer

Exhibit 32

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 30 June 2010, 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 Paul E. Huck, 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: 26 July 2010

/s/ John E. McGlade
John E. McGlade
Chief Executive Officer

/s/ Paul E. Huck
Paul E. Huck
Chief Financial Officer