Activision Blizzard, Inc.
Form 10-Q
August 02, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the Quarterly Period Ended June 30, 2012

OR

o 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 1-15839

ACTIVISION BLIZZARD, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**95-4803544** (I.R.S. Employer Identification No.)
3100 Ocean Park Boulevard, Santa Monica, CA (Address of principal executive offices)	**90405** (Zip Code)

(310) 255-2000
(Registrant s telephone number, including area code)

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 x No o

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 x No o

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

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

The number of shares of the registrant s Common Stock outstanding at July 23, 2012 was 1,111,086,287.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

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CAUTIONARY STATEMENT

This Quarterly Report on Form 10-Q contains, or incorporates by reference, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and include, but are not limited to: (1) projections of revenues, expenses, income or loss, earnings or loss per share, cash flow or other financial items; (2) statements of our plans and objectives, including those relating to product releases; (3) statements of future financial or operating performance; and (4) statements of assumptions underlying such statements. Activision Blizzard, Inc. (Activision Blizzard) generally uses words such as outlook, forecast, will, could, should, would, to be, plans, believes, may, expects, intends, anticipates, estimate, future, positioned, potential, project, remain, scheduled, set to, subject to, upcoming and other similar expressions to help identify forward-looking statements. Forward-looking statements are subject to business and economic risk, reflect management s current expectations, estimates and projections about our business, and are inherently uncertain and difficult to predict. Our actual results could differ materially. Risks and uncertainties that may affect our future results include, but are not limited to, sales levels of Activision Blizzard s titles, increasing concentration of titles, shifts in consumer spending trends, the impact of the current macroeconomic environment and market conditions within the video game industry, Activision Blizzard s ability to predict consumer preferences, including interest in specific genres such as first-person action and massively multiplayer online games and preferences among competing hardware platforms, the seasonal and cyclical nature of the interactive game market, changing business models including digital delivery of content, competition including from used games and other forms of entertainment, possible declines in software pricing, product returns and price protection, product delays, adoption rate and availability of new hardware (including peripherals) and related software, rapid changes in technology and industry standards, litigation risks and associated costs, protection of proprietary rights, maintenance of relationships with key personnel, customers, licensees, licensors, vendors, and third-party developers, including the ability to attract, retain and develop key personnel and developers that can create high quality hit titles, counterparty risks relating to customers, licensees, licensors and manufacturers, domestic and international economic, financial and political conditions and policies, foreign exchange rates and tax rates, and the identification of suitable future acquisition opportunities and potential challenges associated with geographic expansion, and the other factors identified in Risk Factors included in Part II, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011 and in our other periodic filings with the Securities and Exchange Commission (the SEC). The forward-looking statements contained herein are based upon information available to us as of the date of this Quarterly Report on Form 10-Q and we assume no obligation to update any such forward-looking statements. Although these forward-looking statements are believed to be true when made, they may ultimately prove to be incorrect. These statements are not guarantees of our future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and may cause actual results to differ materially from current expectations.

Activision Blizzard s names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or trade names of Activision Blizzard. All other product or service names are the property of their respective owners.

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Amounts in millions, except share data)

	At June 30, 2012	At December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 2,786	$ 3,165
Short-term investments	406	360
Accounts receivable, net of allowances of $261 million and $300 million at June 30, 2012 and December 31, 2011, respectively	227	649
Inventories, net	128	144
Software development	141	137
Intellectual property licenses	8	22
Deferred income taxes, net	484	507
Other current assets	152	396
Total current assets	4,332	5,380
Long-term investments	17	16
Software development	123	62
Intellectual property licenses	12	12
Property and equipment, net	149	163
Other assets	12	12
Intangible assets, net	83	88
Trademark and trade names	433	433
Goodwill	7,108	7,111
Total assets	$ 12,269	$ 13,277
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 163	$ 390
Deferred revenues	905	1,472
Accrued expenses and other liabilities	416	694
Total current liabilities	1,484	2,556
Deferred income taxes, net	61	55
Other liabilities	160	174
Total liabilities	1,705	2,785
Commitments and contingencies (Note 11)		
Shareholders equity:		
Common stock, $0.000001 par value, 2,400,000,000 shares authorized, 1,110,870,141 and 1,133,391,371 shares issued at June 30, 2012 and December 31, 2011, respectively		
Additional paid-in capital	9,375	9,616
Retained earnings	1,313	948
Accumulated other comprehensive income (loss)	(124)	(72)
Total shareholders equity	10,564	10,492
Total liabilities and shareholders equity	$ 12,269	$ 13,277

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in millions, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
Net revenues				
Product sales	$ 798	$ 768	$ 1,672	$ 1,829
Subscription, licensing, and other revenues	277	378	575	766
Total net revenues	1,075	1,146	2,247	2,595
Costs and expenses				
Cost of sales product costs	229	213	486	512
Cost of sales online subscriptions	64	59	123	122
Cost of sales software royalties and amortization	57	47	88	109
Cost of sales intellectual property licenses	20	24	27	53
Product development	152	116	276	258
Sales and marketing	136	90	216	150
General and administrative	190	127	291	228
Restructuring		3		22
Total costs and expenses	848	679	1,507	1,454
Operating income	227	467	740	1,141
Investment and other income (expense), net	2	2	3	5
Income before income tax expense	229	469	743	1,146
Income tax expense	44	134	174	308
Net income	$ 185	$ 335	$ 569	$ 838
Earnings per common share				
Basic	$ 0.16	$ 0.29	$ 0.50	$ 0.71
Diluted	$ 0.16	$ 0.29	$ 0.50	$ 0.71
Weighted-average shares outstanding				
Basic	1,109	1,141	1,115	1,157
Diluted	1,115	1,150	1,121	1,166
Dividends per common share	$	$	$ 0.18	$ 0.165

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Amounts in millions)

	For the Three Months Ended June 30, 2012	For the Three Months Ended June 30, 2011	For the Six Months Ended June 30, 2012	For the Six Months Ended June 30, 2011
Net income	$ 185	$ 335	$ 569	$ 838
Other comprehensive income:				
Foreign currency translation adjustment	(91)	1	(53)	40
Unrealized gains on investments, net of deferred income taxes of $0 million and $1 million for the three and six months ended ended June 30, 2012 and 2011		2	1	2
Other comprehensive income	$ (91)	$ 3	$ (52)	$ 42
Comprehensive income	$ 94	$ 338	$ 517	$ 880

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in millions)

	For the Six Months Ended June 30, 2012	2011
Cash flows from operating activities:		
Net income	$ 569	$ 838
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	29	119
Depreciation and amortization	45	52
Amortization and write-off of capitalized software development costs and intellectual property licenses (1)	102	124
Stock-based compensation expense (2)	49	43
Excess tax benefits from stock option exercises	(3)	(4)
Changes in operating assets and liabilities:		
Accounts receivable, net	421	518
Inventories, net	15	21
Software development and intellectual property licenses	(146)	(116)
Other assets	246	209
Deferred revenues	(564)	(1,164)
Accounts payable	(228)	(216)
Accrued expenses and other liabilities	(290)	(368)
Net cash provided by operating activities	245	56
Cash flows from investing activities:		
Proceeds from maturities of available-for-sale investments	253	374
Payment of contingent consideration		(3)
Purchases of available-for-sale investments	(302)	(300)
Capital expenditures	(26)	(18)
Decrease in restricted cash	1	10
Net cash (used in) provided by investing activities	(74)	63
Cash flows from financing activities:		
Proceeds from issuance of common stock to employees	20	26
Repurchase of common stock	(315)	(501)
Dividends paid	(204)	(192)
Excess tax benefits from stock option exercises	3	4
Net cash used in financing activities	(496)	(663)
Effect of foreign exchange rate changes on cash and cash equivalents	(54)	66
Net decrease in cash and cash equivalents	(379)	(478)
Cash and cash equivalents at beginning of period	3,165	2,812
Cash and cash equivalents at end of period	$ 2,786	$ 2,334

(1) Excludes deferral and amortization of stock-based compensation expense.

(2) Includes the net effects of capitalization, deferral, and amortization of stock-based compensation expense.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

For the Six Months Ended June 30, 2012

(Unaudited)

(Amounts in millions)

	Common Stock Shares	**Common Stock Amount**	**Additional Paid-In Capital**	**Treasury Stock Shares**	**Treasury Stock Amount**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total Shareholders Equity**
Balance at December 31, 2011	**1,133**	**$**	**$ 9,616**		**$**	**$ 948**	**$ (72)**	**$ 10,492**
Net income						569		569
Other comprehensive income							(52)	(52)
Issuance of common stock pursuant to employee stock options and restricted stock rights	4		20					20
Stock-based compensation expense related to employee stock options and restricted stock rights			54					54
Dividends ($0.18 per common share) (See Note 10)						(204)		(204)
Shares repurchased (See Note 10)				(26)	(315)			(315)
Retirement of treasury shares	(26)		(315)	26	315			
Balance at June 30, 2012	**1,111**	**$**	**$ 9,375**		**$**	**$ 1,313**	**$ (124)**	**$ 10,564**

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Description of business and basis of consolidation and presentation

Description of Business

Activision Blizzard, Inc. is a worldwide online, personal computer (PC), console, handheld, and mobile game publisher. The terms Activision Blizzard, the Company, we, us, and our are used to refer collectively to Activision Blizzard, Inc. and its subsidiaries. We maintain significant operations in the United States, Canada, the United Kingdom, France, Germany, Ireland, Italy, Sweden, Spain, the Netherlands, Australia, South Korea and China.

The common stock of Activision Blizzard is traded on The NASDAQ Stock Market under the ticker symbol ATVI. Vivendi S.A. (Vivendi) owned approximately 62% of Activision Blizzard s outstanding common stock at June 30, 2012.

Currently, we operate under three operating segments:

Activision Publishing, Inc.

Activision Publishing, Inc. (Activision) is a leading international developer and publisher of interactive software products and content. Activision develops games based on both internally-developed and licensed intellectual property. Activision markets and sells games we develop and, through our affiliate label program, games developed by certain third-party publishers. We sell games both through retail channels and by digital download. Activision currently offers games that operate on the Sony Computer Entertainment, Inc. (Sony) PlayStation 3 (PS3), Nintendo Co. Ltd. (Nintendo) Wii (Wii), and Microsoft Corporation (Microsoft) Xbox 360 (Xbox 360) console systems; the Nintendo Dual Screen handheld game systems; the PC; Apple iOS devices and other handheld and mobile devices.

Blizzard Entertainment, Inc.

Blizzard Entertainment, Inc. (Blizzard) is a leader in the subscription-based massively multi-player online role-playing game (MMORPG) category in terms of both subscriber base and revenues generated through its World of Warcraft® franchise, which it develops, hosts and supports. Blizzard also develops, markets and sells role-playing action and strategy PC-based computer games, including games in the multiple-award winning Diablo® and StarCraft® franchises. In addition, Blizzard maintains a proprietary online-game related service, Battle.net®. Blizzard distributes its products and generates revenues worldwide through various means, including: subscriptions (which consist of fees from individuals playing *World of Warcraft*, prepaid cards and other value-added service revenues such as realm transfers, faction changes, and other character customizations within *World of Warcraft* gameplay); retail sales of physical boxed products; online download sales of PC products; and licensing of software to third-party or related party companies that distribute *World of Warcraft* and *StarCraft® II*.

Activision Blizzard Distribution

Activision Blizzard Distribution (Distribution) consists of operations in Europe that provide warehousing, logistical and sales distribution services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

Basis of Consolidation and Presentation

Activision Blizzard prepared the accompanying unaudited condensed consolidated financial statements in accordance with the rules and regulations of the Securities and Exchange Commission for interim reporting. As permitted under those rules and regulations, certain notes or other information that are normally required by accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted if they substantially duplicate the disclosures contained in the annual audited consolidated financial statements. The year-end condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair statement of our financial position and results of operations in accordance with U.S. GAAP have been included in the accompanying unaudited condensed consolidated financial statements.

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The accompanying consolidated financial statements include the accounts and operations of the Company. All intercompany accounts and transactions have been eliminated. The consolidated financial statements have been prepared in conformity with U.S. GAAP. The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

The Company considers events or transactions that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosures.

Results of Adjustment

We identified through our internal processes that, in previous years, we erroneously over-recognized revenue for a country in our Europe region. We performed an evaluation under SEC Staff Accounting Bulletin No. 108 and concluded the effect of this error was immaterial to prior years financial statements as well as the projected full-year 2012 financial statements. As such, during the three months ended June 30, 2012, we recorded an adjustment to reduce net revenues and operating income by $11 million in our consolidated statements of operations, and similarly reduced net revenues and income from operations before income tax expenses in our Blizzard segment, Europe region, and online subscriptions as presented in footnote 7 of the notes to the condensed consolidated financial statements by $11 million. There was no impact to operating cash flows. The adjustment increased the deferred revenues on our consolidated balance sheet and represents a correction of an error. The $11 million adjustment related to prior periods as follows: (i) approximately $1 million for the quarter ended March 31, 2012; (ii) approximately $1 million for each quarter of 2011 (totaling approximately $4 million for the year ended December 31, 2011); (iii) $2 million for the year ended December 31, 2010; and (iv) approximately $4 million for periods prior to the year ended December 31, 2010. Net income decreased by approximately $9 million, or less than $0.01 earnings per basic and diluted share, as a result of recording this adjustment.

2. Inventories, net

Our inventories, net consist of the following (amounts in millions):

	At June 30, 2012	At December 31, 2011
Finished goods	$ 92	$ 116
Purchased parts and components	36	28
Inventories, net	$ 128	$ 144

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3. Intangible assets, net

Intangible assets, net consist of the following (amounts in millions):

	At June 30, 2012						
	Estimated useful lives		Gross carrying amount		Accumulated amortization		Net carrying amount
Acquired definite-lived intangible assets:							
License agreements	3 - 10 years	$	88	$	(83)	$	5
Internally-developed franchises	11 - 12 years		309		(231)		78
Acquired indefinite-lived intangible assets:							
Activision trademark	Indefinite		386				386
Acquired trade names	Indefinite		47				47
Total		$	830	$	(314)	$	516

	At December 31, 2011						
	Estimated useful lives		Gross carrying amount		Accumulated amortization		Net carrying amount
Acquired definite-lived intangible assets:							
License agreements	3 - 10 years	$	88	$	(82)	$	6
Game engines	2 - 5 years		32		(32)		
Internally-developed franchises	11 - 12 years		309		(227)		82
Distribution agreements	4 years		18		(18)		
Acquired indefinite-lived intangible assets:							
Activision trademark	Indefinite		386				386
Acquired trade names	Indefinite		47				47
Total		$	880	$	(359)	$	521

Amortization expense of intangible assets was $2 million and $5 million for the three and six months ended June 30, 2012, respectively. Amortization expense of intangible assets was $7 million and $16 million for the three and six months ended June 30, 2011, respectively.

At June 30, 2012, future amortization of definite-lived intangible assets is estimated as follows (amounts in millions):

2012 (remaining six months)	$	29
2013		28
2014		14
2015		7
2016		3
Thereafter		2
Total	$	83

4. Income taxes

The income tax expense of $44 million for the three months ended June 30, 2012 reflected an effective tax rate of 19.2%, which differed from the effective tax rate of 28.6% for the three months ended June 30, 2011 primarily due to an increase in the amount of earnings in foreign jurisdictions with a lower statutory rate (relative to domestic earnings with a higher statutory rate). The effective tax rate of 19.2% for the three months ended June 30, 2012 differed from the statutory rate of 35.0% primarily due to foreign income taxes levied at relatively lower rates, geographic mix in profitability, recognition of California research and development credits and federal domestic production deductions. The federal research credit expired on December 31, 2011 and, as of June 30, 2012, an extension of the credit had not been signed into law and, as such, we have excluded the benefit from this tax credit in our income tax calculation for the three months ended June 30, 2012.

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For the six months ended June 30, 2012, the tax rate was based on our projected annual effective tax rate for 2012, and also included certain discrete tax items recorded during the period. Our tax expense of $174 million for the six months ended June 30, 2012 reflected an effective tax rate of 23.4%, which differed from the effective tax rate of 26.9% for the six months ended June 30, 2011 primarily due to an increase in the amount of earnings in foreign jurisdictions with a lower statutory rate (relative to domestic earnings with a higher statutory rate).

The overall effective income tax rate for the year could be different from the effective tax rate for the three and six months ended June 30, 2012 and will be dependent, in part, on our profitability for the remainder of the year. In addition, our effective income tax rates for the remainder of 2012 and future periods will depend on a variety of factors, such as changes in the mix of income by tax jurisdiction, applicable accounting rules, applicable tax laws and regulations, and rulings and interpretations thereof, developments in tax audits and other matters, and variations in the estimated and actual level of annual pre-tax income or loss. Further, the effective tax rate could fluctuate significantly on a quarterly basis and could be adversely affected by the extent that income (loss) before income tax expenses (benefit) is lower than anticipated in foreign regions where taxes are levied at relatively lower statutory rates and/or higher than anticipated in the United States where taxes are levied at relatively higher statutory rates.

The Internal Revenue Service (IRS) is currently examining the Company s federal tax returns for the 2009 tax year. The Company also has several state and non-U.S. audits pending. Although the final resolution of the Company s global tax disputes is uncertain, based on current information, in the opinion of the Company s management, the ultimate resolution of these matters will not have a material adverse effect on the Company s consolidated financial position, liquidity or results of operations. However, an unfavorable resolution of the Company s global tax disputes could have a material adverse effect on the Company s business and results of operations in an interim period in which the matters are ultimately resolved.

5. Software development and intellectual property licenses

The following table summarizes the components of our capitalized software development costs and intellectual property licenses (amounts in millions):

	At June 30,	At December 31,			
			$ 967,000	$ 908,733	$ 2
			$ 946,000	$ 228,185	$ 2
	2012	**2011**	0	$ 412,276	$ 2
S. J. Jones		2011	$ 470,000	$ 531,921	$ 422,608
Senior Vice President and General Manager Tonnage Gases, Equipment & Energy and China President(1)		2010	$ 400,000	$ 954,774	$ 419,841
R. D. Dixon		2011	$ 470,000	$ 531,921	$ 422,608
Senior Vice President and General Manager Merchant Gases		2010	$ 460,000	$ 454,817	$ 419,841
		2009	$ 460,000	344,242	$ 645,400
J. D. Stanley		2011	$ 450,000	$ 521,277	$ 414,273

Senior Vice President and General Counsel

(1) Mr. Jones was not a Named Executive Officer in 2009; so his compensation is not shown for that year. Mr. Stanley was not a Named Executive Officer in 2009 or 2010, so his compensation is not shown for those years.

(2) This column shows the grant date fair value of restricted stock, deferred stock units, and performance shares granted in the fiscal year indicated. Generally, the expense for these awards is recognized over the vesting or performance period, unless the recipient is eligible for retirement, in which case the expense may be required to be recognized entirely in the year of grant. The calculation of these amounts disregards any estimate of forfeitures related to time-based conditions. The assumptions for the valuation determinations are set forth in footnote 18 to our financial statements included in Form 10-K filed with the SEC on November 22, 2011. Additional information regarding these awards is set out in the Grants of Plan-Based Awards and Outstanding Equity Awards tables and accompanying notes. Performance shares granted in 2011 are shown at 180% of target earn out which is the value used in the financial statements as of the grant date and is based on probable outcomes. The value of these awards as included and at maximum value is as follows:

Officer	Value Included	Maximum Value
J. E. McGlade	$ 2,587,398	$ 3,090,516
P. E. Huck	$ 674,879	$ 806,105
S. J. Jones	$ 341,949	$ 408,452
R. D. Dixon	$ 341,949	$ 408,452
J. D. Stanley	$ 335,107	$ 400,245

(3) This column shows grant date fair value of stock options granted in the fiscal year indicated, disregarding any estimate of forfeitures relating to time-based vesting. Generally, the expense for option awards is recognized over the vesting period, unless

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the recipient is eligible for retirement, in which case it may be required to be recognized entirely in the year of grant. The assumptions for the valuation determination are set forth in footnote 18 to our financial statements included in Form 10-K filed with the SEC on November 22, 2011. Additional information regarding these awards is set forth in the Grants of Plan-Based Awards and Outstanding Equity Awards tables and accompanying footnotes.

(4) Amounts in this column reflect Annual Incentive Plan awards. At their election, Executive Officers may defer awards received under this Plan. Amounts deferred are also reflected as Executive Contributions in the Nonqualified Deferred Compensation table.

(5) Amounts in this column reflect the annual change in the actuarial present value of each Named Executive Officers accumulated tax qualified and nonqualified pension benefits and interest considered to be above market interest credited to their Deferred Compensation Plan balances. Interest is calculated for the Deferred Compensation Plan accounts using a Moody s A-rated Corporate Bond Rate because this is comparable to the rate the Company pays its other creditors on long-term obligations. When this rate exceeds 120% of a rate set by the U.S. Internal Revenue Service, it is treated as above market interest, even though it is based on a market average for corporate bonds. The amounts included as above market interest were as follows:

J. E. McGlade	$ 12,965
P. E. Huck	$ 28,646
S. J. Jones	$ 3,745
R. D. Dixon	$ 3,330
J. D. Stanley	$ 681

The pension accrual amounts represent the difference between the September 30, 2010 and September 30, 2011 actuarial present value of accumulated benefits under the Company s tax qualified and nonqualified pension plans. These amounts are detailed in the chart below:

J. E. McGlade	$ 2,149,237
P. E. Huck	$ 880,087
S. J. Jones	$ 236,548
R. D. Dixon	$ 613,281
J. D. Stanley	$ 699,156

Additional information on how these amounts are calculated is included in the notes accompanying the Pension Benefits table.

(6) Amounts shown in this column are detailed in the chart below.

	Contributions Under Defined Contribution Plans	Group Term Life Insurance Premiums	International Assignment Policy(1)	Tax Reimbursements(2)	Perquisites or Personal Benefits(3)
J. E. McGlade	$ 36,000	$ 852		$ 12,977	$ 93,081
P. E. Huck	$ 20,048	$ 852		$	$
S. J. Jones	$ 64,105	$ 771	$ 382,664	$ 391	$
R. D. Dixon	$ 14,019	$ 797		$ 2,881	$
J. D. Stanley	$ 12,693	$ 724		$	$

(1) Mr. Jones is on temporary international assignment to China in support of our operations and business development initiatives there. In connection with this assignment, the Company s standard International Assignment Policy provides an assignment acceptance premium and covers expenses over and above those Mr. Jones and his family would have incurred if they remained in the U.S. This amount includes assignment acceptance premium, $117,500; tuition for

children to attend school taught in English, $62,653; travel to and from China, $60,594; housing, $50,850; net Chinese taxes, $27,984; shipment of household goods, $14,011; and other miscellaneous items, $49,072.

(2) These amounts represent payments that the Company has made to the Named Executive Officers to cover taxes incurred by them for certain business-related taxable expenses, specifically, spousal travel to and attendance at Company-related events; and tax reimbursements made to Mr. Jones under the International Assignment Policy.

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(3) The amount included in this column is the incremental cost to the Company of Mr. McGlade s personal use of the corporate aircraft. The incremental cost is calculated as the sum of: (a) flight specific costs such as landing fees and fuel, and (b) certain variable costs of maintaining the aircraft calculated by multiplying the flight hours attributable to Mr. McGlade s personal use by the prior year s average hourly rate for these costs. The valuation also includes these costs with respect to return flights with no passengers that are associated with Mr. McGlade s personal travel. Fixed costs such as pilot compensation and depreciation are not included as the aircraft is primarily used for business purposes, and the Company would incur these costs regardless of Mr. McGlade s personal use. Mr. McGlade s family members traveled with Mr. McGlade on some of the flights reflected; however, no incremental cost to the Company arises from their accompanying Mr. McGlade.

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2011 Grants of Plan-Based Awards

Name	Award Type	Grant Date	Estimated Future Payouts Under Nonequity Incentive Plan Awards: Threshold	Target	Maximum	Estimated Future Payouts Under Equity Incentive Plan Awards (#): Threshold	Target	Maximum	All Other Stock Awards: Number of Shares of Stock or Units(#)	All Other Option Awards: Number of Securities Underlying Options(#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards
J. E. McGlade	Annual Incentive Plan		$ 0	$ 1,440,000	$ 3,312,000							
	Performance Shares	12/1/2010				0	16,639	35,774				$ 2,587,398
	Stock Options	12/1/2010								133,117	$ 86.39	$ 3,457,048
	Restricted Shares	12/1/2010							16,639			$ 1,437,443
P. E. Huck	Annual Incentive Plan		$ 0	$ 540,000	$ 1,242,000							
	Performance Shares	12/1/2010				0	4,340	9,331				$ 674,879
	Stock Options	12/1/2010								34,726	$ 86.39	$ 901,834
	Restricted Shares	12/1/2010							4,340			$ 374,933
S. J. Jones	Annual Incentive Plan		$ 0	$ 329,000	$ 756,700							
	Performance Shares	12/1/2010				0	2,199	4,728				$ 341,949
	Stock Options	12/1/2010								17,594	$ 86.39	$ 422,608
	Restricted Shares	12/1/2010							2,199			$ 189,972
R. D. Dixon	Annual Incentive Plan		$ 0	$ 329,000	$ 756,700							
	Performance Shares	12/1/2010				0	2,199	4,728				$ 341,949
	Stock Options	12/1/2010								17,594	$ 86.39	$ 422,608
	Restricted Shares	12/1/2010							2,199			$ 189,972
J. D. Stanley	Annual Incentive Plan		$ 0	$ 270,000	$ 621,000							
	Performance Shares	12/1/2010				0	2,155	4,633				$ 335,107
	Stock Options	12/1/2010								17,247	$ 86.39	$ 414,273
	Restricted Shares	12/1/2010							2,155			$ 186,170

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The Grants of Plan-Based Awards table reports the dollar value of cash incentive awards and the number and value of equity awards granted to each Named Executive Officer during fiscal year 2011. With regard to cash incentives, this table reports the estimated potential value that could have been obtained by the Named Executive Officer; whereas the Summary Compensation Table reports the actual value realized for fiscal year 2011. Equity amounts represent the grant date values of the awards determined under FASB ASC Topic 718 for purposes of financial statement reporting, which is based on probable outcomes.

Nonequity Incentive Plan Awards Annual Incentive Plan. Annual Incentive Plan awards are based on performance for the fiscal year. The Committee approves performance measures and goals and payout schedules prior to or at the beginning of the fiscal year. Following the end of the fiscal year, the Committee determines the range of actual amounts that can be paid out under a formula which reflects the Company s performance against the approved performance goals. Individual awards are determined by the Committee within the range, based on individual performance. There is no minimum bonus under the terms of the Plan, so the threshold amount is shown as 0. For more information on fiscal year 2011 targets and the award determination, see pages 44-46.

Equity Incentive Plan Awards Performance Shares. The Equity Incentive Plan Awards reflected in the table are performance shares. Performance shares are deferred stock units whose earn out is conditioned on the Company s achieving certain levels of EPS Growth and ROCE Spread. Deferred stock units are an award type provided under the Company s Long-Term Incentive Plan that entitle the holder to the value of one share of Company stock and accumulated dividend equivalents upon satisfaction of performance and/or time-based vesting conditions. Dividend equivalents are paid in cash and equal the dividends that would have accrued on a share of Company stock from the grant date of a deferred stock unit until it is paid out. Dividend equivalents are not paid until the award is vested. No dividend equivalents are paid on units that are forfeited.

The performance shares reflected in the table have a three-year performance cycle which will be completed at the end of fiscal year 2013. The number of performance shares that will be paid out is based on the formula described on page 48.

Performance shares are generally forfeited if the Named Executive Officer terminates employment during the performance period. Named Executive Officers who terminate due to death, disability, or retirement will receive a pro-rata portion of any performance share payout upon completion of the performance period, provided he was employed at least one year after the grant date of the performance shares. Upon a termination covered by the Corporate Executive Committee Separation Program described on pages 64-66, a pro-rata portion of the performance shares will be paid to the terminated Executive Officer upon completion of the performance period.

Other Stock Awards Restricted Stock Awards. The other stock awards reflected in the table are shares of restricted stock. Shares of restricted stock are shares of Company stock that are issued in the Executive Officer s name subject to restrictions on transferability. The shares may be voted but the Executive Officer may not sell or transfer restricted stock during the vesting period. Dividends are paid on the restricted stock during the vesting period. Restricted stock granted in fiscal year 2011 is subject to a four-year vesting period. Generally, if an Executive Officer s employment terminates during the vesting period, the stock will be forfeited. However, if an Executive Officer s employment terminates due to death, disability, or retirement one year or more after the grant date, the stock will vest. If an Executive Officer s employment termination is covered by the Corporate Executive Committee Separation Program described on pages 64-66, a

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pro-rata portion of the restricted stock will vest on termination; the remainder is forfeited unless the Executive Officer is retirement eligible, in which case all the restricted stock will vest if it has been outstanding at least one year.

Stock Options. The options reflected in the table have an exercise price equal to the closing market value on the grant date. They become exercisable in one-third increments on the first three anniversaries of grant, and generally remain exercisable until ten years after the grant date; however, the options generally expire upon termination of employment except for death, disability, or retirement. Options granted more than one year prior to an Executive Officer s termination due to death, disability, or retirement continue to become and remain exercisable for their full term. If a nonretirement eligible Executive Officer s termination is covered by the Corporate Executive Committee Separation Program described on pages 64-66, his exercisable options will remain exercisable for the full term; options that are not exercisable are forfeited. Options are subject to forfeiture for engaging in specified activities such as competing with the Company. Upon exercise of the options, Executive Officers must retain 50% of the net shares received for a one-year period as long as the Executive Officer is actively employed by the Company as an Executive Officer.

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Outstanding Equity Awards at Fiscal Year-End

	Option Awards(1)					Stock Awards			
		Number of Shares Underlying Unexercised Options (#)							
Officer	Option Grant Date	Exercisable	Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock Held That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock Held That Have Not Vested(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested (3)
J. E. McGlade						126,161	$ 9,634,916	66,172	$ 5,053,556
	10/01/2002	40,000		$ 43.09	10/02/2012				
	10/01/2003	70,000		$ 45.53	10/02/2013				
	10/01/2004	74,000		$ 54.17	10/02/2014				
	10/03/2005	52,000		$ 55.33	10/04/2015				
	10/02/2006	70,000		$ 67.23	10/02/2016				
	10/01/2007	147,195		$ 98.85	10/02/2017				
	10/01/2008	170,211	85,106	$ 66.90	10/02/2018				
	12/01/2009	44,754	89,510	$ 83.60	12/02/2019				
	12/01/2010	0	133,117	$ 86.39	12/02/2020				
P. E. Huck						49,523	$ 3,782,072	16,454	$ 1,256,592
	10/01/2002	35,000		$ 43.09	10/02/2012				
	10/01/2003	20,000		$ 45.53	10/02/2013				
	10/01/2004	55,000		$ 54.17	10/02/2014				
	10/03/2005	52,000		$ 55.33	10/04/2015				
	10/02/2006	46,000		$ 67.23	10/02/2016				
	10/01/2007	34,792		$ 98.85	10/02/2017				
	10/01/2008	40.231	20.116	$ 66.90	10/02/2018				
	12/01/2009	10,578	21,157	$ 83.60	12/02/2019				
	12/01/2010	0	34,726	$ 86.39	12/02/2020				
S. J. Jones						17,889	$ 1,366,183	8,284	$ 632,649
	10/01/2002	4,500		$ 43.09	10/02/2012				
	10/01/2003	5,100		$ 45.53	10/02/2013				
	10/01/2004	8,000		$ 54.17	10/02/2014				
	10/03/2005	7,000		$ 55.33	10/04/2015				
	10/02/2006	6,200		$ 67.23	10/02/2016				
	10/01/2007	13,381		$ 98.85	10/02/2017				
	10/01/2008	20,115	10,058	$ 66.90	10/02/2018				
	12/01/2009	5,289	10,578	$ 83.60	12/02/2019				
	12/01/2010	0	17,594	$ 86.39	12/02/2020				
R. D. Dixon						24,781	$ 1,892,525	8,284	$ 632,649

	10/01/2002	14,000		$ 43.09	10/02/2012				
	10/01/2003	12,000		$ 45.53	10/02/2013				
	10/01/2004	13,200		$ 54.17	10/02/2014				
	10/03/2005	9,500		$ 55.33	10/04/2015				
	10/02/2006	10,000		$ 67.23	10/02/2016				
	10/01/2007	12,043		$ 98.85	10/02/2017				
	10/01/2008	20,115	10,058	$ 66.90	10/02/2018				
	12/01/2009	5,289	10,578	$ 83.60	12/02/2019				
	12/01/2010	0	17,594	$ 86.39	12/02/2020				
J. D. Stanley						8,066	$ 616,000	8,196	$ 625,929
	10/01/2002	7,250		$ 43.09	10/02/2012				
	10/01/2003	7,000		$ 45.53	10/02/2013				
	10/01/2004	8,600		$ 54.17	10/02/2014				
	10/03/2005	6,100		$ 55.33	10/04/2015				
	10/02/2006	5,400		$ 67.23	10/02/2016				
	10/01/2007	4,900		$ 98.85	10/02/2017				
	10/01/2008	5,570	2,786	$ 66.90	10/02/2018				
	12/01/2009	5,289	10,578	$ 83.60	12/02/2019				
	12/01/2010	0	17,247	$ 86.39	12/02/2020				

continued. . .

(1) Grant dates for all stock options are shown in the first column. All stock options become exercisable in three consecutive, equal annual installments on the first, second, and third anniversary of the grant date.

(2) This column reflects restricted stock, performance shares that are earned but deferred, and other deferred stock units described below that entitle the holder to a share of Company Stock and accumulated dividend equivalents since the date of grant.

Restricted Stock. All restricted stock granted prior to fiscal year 2007 vests on termination of employment due to death, disability, or retirement. Shares of Restricted Stock granted prior to fiscal year 2007 were as follows: Mr. McGlade 19,000 shares and Mr. Huck 10,500 shares. Restricted stock granted in fiscal year 2008 vested on October 1, 2011. Shares of restricted stock granted in 2008 were as follows: Mr. McGlade 13,910, Mr. Huck 3,288, Mr. Jones 1,265, and Mr. Dixon 1,138. Restricted stock granted in fiscal year 2009 vests on the earlier of October 1, 2012 or the Executive Officer s termination of employment due to death, disability, or retirement. Shares of restricted stock granted in fiscal year 2009 were as follows: Mr. McGlade 20,553, Mr. Huck 4,857, Mr. Jones 2,428, and Mr. Dixon 2,428. Shares of restricted stock granted in fiscal year 2010 vest on the earlier of December 1, 2013 or the Executive Officer s termination of employment due to death, disability, or retirement. Shares of restricted stock granted in fiscal year 2010 were as follows: Mr. McGlade 16,447, Mr. Huck 3,887, Mr. Jones 1,943, Mr. Dixon 1,943, and Mr. Stanley 1,943. Shares of restricted stock granted in fiscal year 2011 vest on the earlier of December 1, 2014 or the Executive Officer s termination of employment due to death, disability, or retirement. Shares of restricted stock granted in fiscal year 2011 were as follows: Mr. McGlade 16,639, Mr. Huck 4,340, Mr. Jones 2,199, Mr. Dixon 2,199, and Mr. Stanley 2,155. All restricted stock is subject to special vesting rules for terminations covered by the Corporate Executive Committee Separation Program described on pages 64-66 or upon a change in control of the Company.

Deferred Stock Units. This column reflects four kinds of deferred stock units: (i) deferred stock units that vest upon death, disability, or retirement (career-vesting deferred stock units), including earned performance shares that are subject to forfeiture if the Named Executive Officer voluntarily terminates prior to death, disability, or retirement; (ii) earned performance shares granted in fiscal year 2009 that vested on October 1, 2011; (iii) special retention grants; and (iv) four-year vesting restricted stock units which are deferred stock units that generally vest four years after the grant date. All deferred stock units are subject to special vesting rules for terminations covered by the Corporate Executive Committee Separation Program described on pages 64-66 or upon a change in control.

(i) The number of career-vesting deferred stock units shown for each Named Executive Officer in this column is as follows:

Officer	Number of Units
J. E. McGlade	9,605
P. E. Huck	15,560
S. J. Jones	0
R. D. Dixon	8,470
J. D. Stanley	3,220

(ii) Fiscal year 2009 earned performance shares are as follows:

Officer	Number of Units
J. E. McGlade	30,007

P. E. Huck	7,091
S. J. Jones	3,545
R. D. Dixon	3,545
J. D. Stanley	0

(iii) This column also reflects special retention grants of 5,058 deferred stock units granted to Mr. Dixon and 6,509 deferred stock units granted to Mr. Jones. A grant was made to Mr. Dixon in fiscal year 2008 and to Mr. Jones in fiscal year 2010. Mr. Dixon s units vested on October 2, 2011. Mr. Jones s units will vest on February 1, 2015 or upon his earlier disability or death, and are forfeitable upon termination of employment prior to vesting.

(iv) This column also reflects four-year vesting restricted stock units granted to Mr. Stanley as follows: 300 units granted in fiscal year 2008, which vested on October 1, 2011; and 448 units granted in fiscal year 2009, which will vest on October 1, 2012 or his earlier disability or death; and are forfeitable upon termination of employment prior to vesting.

(3) These amounts are based on the 2011 fiscal year-end NYSE closing market price of $76.37.

(4) This column reflects performance shares granted in fiscal years 2010 and 2011. These shares are conditioned upon performance during three-year cycles ending on September 30, 2012 and September 30, 2013, respectively. These awards

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will earn out and be paid following the end of the relevant performance period as indicated in the chart below. The awards are shown at the maximum payout of 200% since the target performance level would be exceeded based on performance to date.

Officer	End of Performance Period 09/30/2012	9/30/2013
J. E. McGlade	32,894	33,278
P. E. Huck	7,774	8,680
S. J. Jones	3,886	4,398
R. D. Dixon	3,886	4,398
J. D. Stanley	3,886	4,310

2011 Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Officer	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise	Number of Shares Acquired on Vesting (#)(1)	Value Realized On Vesting (2)
J. E. McGlade	100,000	$ 5,143,000	28,013	$ 2,325,639
P. E. Huck	58,000	$ 2,480,950	9,936	$ 824,887
S. J. Jones	0	$ 0	2,134	$ 177,165
R. D. Dixon	21,000	$ 1,119,400	2,755	$ 228,720
J. D. Stanley	8,250	$ 450,743	3,350	$ 294,587

(1) The shares in this column include restricted stock granted in October 2006 which vested in October 2010; performance shares granted in fiscal year 2008 which were earned out and vested in October 2010; and restricted stock units that were granted in fiscal year 2007 subject to a four-year vesting period. It also includes a special retention grant of restricted stock units to Mr. Stanley which were subject to a four-year vesting period ending in January 2011.

(2) The value was determined as of September 30, 2011. The following dividend equivalents were paid on the performance share awards and the restricted stock units, but are not included in the Value Realized:

Officer	Dividend Equivalents Paid
J. E. McGlade	$ 113,559
P. E. Huck	$ 26,842
S. J. Jones	$ 12,860
R. D. Dixon	$ 9,293
J. D. Stanley	$ 23,651

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2011 Pension Benefits

Officer	Plan Name	Number of Years Credited Service (#)	Present Value on Accumulated Benefit	Payments During Last Fiscal Year
J. E. McGlade	Air Products and Chemicals, Inc. Pension Plan for Salaried Employees	35.2774	$ 1,696,822	$0
	Air Products and Chemicals, Inc. Supplementary Pension Plan	35.2774	$ 21,103,740	$0
P. E. Huck	Air Products and Chemicals, Inc. Pension Plan for Salaried Employees	32.274	$ 1,422,451	$0
	Air Products and Chemicals, Inc. Supplementary Pension Plan	32.274	$ 6,840,766	$0
S. J. Jones	Air Products and Chemicals, Inc. Pension Plan for Salaried Employees	12.3653	$ 305,499	$0
	Air Products and Chemicals, Inc. Supplementary Pension Plan	12.3653	$ 787,219	$0
R. D. Dixon	Air Products and Chemicals, Inc. Pension Plan for Salaried Employees	28.3654	$ 771,011	$0
	Air Products and Chemicals, Inc. Supplementary Pension Plan	28.3654	$ 2,171,879	$0
J. D. Stanley	Air Products and Chemicals, Inc. Pension Plan for Salaried Employees	23.3654	$ 658,308	$0
	Air Products and Chemicals, Inc. Supplementary Pension Plan	23.3654	$ 1,357,543	$0

The table above illustrates the actuarial present value of accrued pension benefits for each of the Named Executive Officers under the Company s defined benefit plans. Actuarial present values are complex calculations that rely on many assumptions. The Company has calculated the amounts shown above generally using the same assumptions used in determining the pension cost recognized in its financial statements which are described in footnote 15 to the financial statements and under Critical Accounting Policies in the Management Discussion and Analysis

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in the financial statements, both of which are included in the Company s Form 10-K filed with the SEC on November 22, 2011, except that, in accordance with SEC requirements, the Company has calculated these values assuming payment begins the earliest date the Named Executive Officer can receive an unreduced early retirement benefit. The Company has also used actual fiscal year 2011 annual incentive awards in the calculation; whereas the value in the financial statements is based on estimated annual incentive awards.

The Company s Pension Plan for Salaried Employees (Salaried Pension Plan) is a funded, tax qualified defined benefit plan funded entirely by the Company. All U.S. salaried employees hired before October 1, 2004 are eligible to participate; however, participants as of January 1, 2005 were given the opportunity to make a one-time election to prospectively receive their primary retirement benefit under the Company s qualified defined contribution plan, the Retirement Savings Plan. All Named Executive Officers, except Mr. Jones, elected to remain in the Salaried Pension Plan. Benefits under the Plan are paid after retirement in the form of a monthly annuity. Participants may select from monthly payments for their lifetime or smaller monthly payments for their life and the life of a beneficiary.

The amount of the benefit under the Salaried Pension Plan is based on the following formula:

1.184% x Years of Service x Average Monthly Compensation (Up to the Average Social Security Maximum Taxable Wage Base)

Plus

1.5% x Years of Service x Average Monthly Compensation (In excess of the Average Social Security Maximum Taxable Wage Base)

Average Monthly Compensation is generally the participant s base salary. The Average Social Security Maximum Taxable Wage Base is the average of the U.S. Social Security Wage Bases over a 35-year period.

Benefits under the Salaried Pension Plan become vested after a participant has completed five years of service. The Normal Retirement Age under the Salaried Pension Plan is age 65. A participant with at least five years of service may retire after attaining age 55 and receive a benefit reduced by 3% per year for the number of years prior to his attaining age 62. Participants who were age 50 on or before January 1, 2005 are eligible for early retirement at age 55 with no reduction in benefit if the sum of their age and credited service under the Plan equals 80 or more at the time of retirement. Participants who had not attained age 50 on January 1, 2005 may receive the portion of their benefit accrued on that date unreduced upon retirement at age 55 or later if the sum of their age and credited service under the Plan equals 80 or more at the time of retirement.

Under U.S. federal tax laws, benefits payable under the Salaried Pension Plan, and compensation which can be considered in calculating the benefits, are limited. The Supplementary Pension Plan (Supplementary Plan) is a nonqualified, unfunded pension plan that provides benefits that cannot be provided under the Salaried Pension Plan due to these limits. Benefits under the Supplementary Plan are calculated using the same formula as the Salaried Pension Plan, but there is no limit on the amount of base salary that can be covered by the pension formula, and Average Monthly Compensation under the Supplementary Plan also includes Annual Incentive Plan awards.

Supplementary Plan benefits are subject to the same vesting and early retirement terms as the Salaried Pension Plan. Supplementary Plan benefits are generally payable following retirement in one of the annuity forms available under the Salaried Pension Plan or, at the election of the participant, in a lump sum. In the case of the Named Executive Officers and certain other executives, distribution of benefits under the Supplementary Plan, whether in annuity or lump sum form, is delayed for six months after termination of employment to comply with U.S. federal tax laws.

2011 Nonqualified Deferred Compensation

Amounts shown in this table are provided under the Company s nonqualified Deferred Compensation Plan.

Name	Executive Contributions in Last FY(1)	Registrant Contributions in Last FY(2)	Aggregate Earnings in Last FY	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last FYE(3)
J. E. McGlade	$ 177,231	$ 33,231	$ 59,179	$0	$ 1,712,789
P. E. Huck	$ 94,923	$ 17,798	$ 195,458	$0	$ 3,848,997
S. J. Jones	$ 58,154	$ 48,885	$ 25,704	$0	$ 552,822
R. D. Dixon	$ 60,369	$ 11,319	$ 22,791	$0	$ 481,411
J. D. Stanley	$ 11,423	$ 5,712	$ 4,638	$0	$ 103,604

(1) All amounts reported in this column were voluntary deferrals of base salary or Annual Incentive Plan awards by the Named Executive Officers. These amounts are also reported in the Summary Compensation Table.

(2) Amounts reported in this column are Company matching credits based on each Named Executive Officer s voluntary deferrals of base salary; and, in the case of Mr. Jones, a Company contribution credit of 5% of his base salary in excess of tax law limits on Retirement Savings Plan contributions and his Annual Incentive Plan awards, because he has elected to receive his primary retirement benefit under the Company s defined contribution plans rather than the pension plans. These amounts are also reported in the Summary Compensation Table.

(3) The following portion of these accumulated balances has been previously reported as compensation in the Summary Compensation Table of the Company s proxy statements for prior years:

Officer	Amount Previously Reported
J. E. McGlade	$ 984,606
P. E. Huck	$3,248,019
S. J. Jones	$ 76,190
R. D. Dixon	$ 204,104
J. D. Stanley	$ 0

The Company provides the tax qualified Retirement Savings Plan (the RSP) to all U.S.-based salaried employees of the Company. Currently, U.S. tax laws limit the amounts that may be contributed to tax-qualified savings plans and the amount of compensation that can be taken into account in computing benefits under the RSP. The Deferred Compensation Plan is intended to make up, out of general assets of the Company, an amount substantially equal to the benefits an employee did not receive under the RSP due to these limits. U.S. employees who participate in the Annual Incentive Plan, including all Named Executive Officers, are eligible to participate in the Deferred Compensation Plan. Participants can elect to defer up to 16 percent of base salary on a before-tax basis (offset by amounts deferred under the RSP). The Deferred Compensation Plan provides a Company matching credit in the same amounts as matching contributions under the RSP; *i.e.*, 75 percent of the first three percent of base salary deferred by participants and

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25 percent of the next three percent of base salary deferred. In addition to base salary, Plan participants may also elect to defer Annual Incentive Plan awards. No matching credit is provided for these deferrals.

This RSP also provides an enhanced matching contribution of elective deferrals up to 4% of base salary and a defined contribution primary retirement benefit contribution of 4 to 6% of base salary, depending on years of service, for employees who elected to receive their primary retirement benefit under the Company s defined contribution plans rather than the pension plans. The Deferred Compensation Plan provides a comparable matching credit and primary retirement benefit credit for base salary to the extent not covered under the RSP due to tax law limits. The Plan also provides the primary retirement benefit credit for Annual Incentive Plan awards.

Participants may elect to have their Deferred Compensation Plan balances earn interest at a corporate bond rate or be deemed to be invested in Company stock and earn dividend equivalents and market appreciation on the stock. If a participant chooses the Company stock alternative, his account balance will be distributed in shares of Company stock, except for dividend equivalents.

Participants can elect to receive payments of their Deferred Compensation Plan balances in one to ten annual installments following termination from service. The Named Executive Officers and certain other executives cannot commence distribution until six months following termination to comply with tax laws.

Potential Payments Upon Termination or Change in Control

Termination Prior to Change in Control. Potential payments to Named Executive Officers upon termination prior to a change in control vary depending on the exact nature of the termination and whether the Executive Officer is retirement eligible at the time of the termination. Retirement eligibility for U.S. employees, including all the Named Executive Officers, generally occurs upon the attainment of age 55 after completing at least five years of service to the Company.

Voluntary Termination Other Than Retirement. A voluntary termination by Mr. McGlade or Mr. Huck would be a retirement. If Mr. Jones, Mr. Dixon, or Mr. Stanley voluntarily terminated employment with the Company prior to retirement eligibility, like all salaried employees of the Company, he would receive any unpaid salary and accrued vacation, RSP balances and nonqualified deferred compensation shown in the table on page 62, and earnings thereon. Once he attained age 55, he could commence his accrued benefits under the qualified and nonqualified pension plans described on pages 60-62 on the same terms as all other participants under these plans. Outstanding awards under the Long-Term Incentive Plan would be forfeited, including all unexercised stock options, all restricted stock, and all performance shares, whether or not earned. Executive Officers and other eligible employees generally must remain employed until the last day of the fiscal year to receive an Annual Incentive Plan award for the fiscal year. Therefore, if Mr. Jones, Mr. Dixon, or Mr. Stanley voluntarily terminated, he would forfeit any Annual Incentive Plan award for the fiscal year of termination, unless he terminated on the last day of the year. If he voluntarily terminated on September 30, 2011, he would have received a fiscal year 2011 Annual Incentive Plan award in an amount, if any, determined by the Committee.

Retirement. Upon retirement, Named Executive Officers are entitled to unpaid salary and accrued vacation, the qualified and nonqualified pension and deferred compensation described above, and retiree medical benefits on the same terms as for all salaried employees meeting age

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and service conditions. Retiring Named Executive Officers may also receive, in the discretion of the Committee, an Annual Incentive Plan award for the year of retirement. In addition, like all Long-Term Incentive Plan participants, they will receive the following treatment of their outstanding long-term incentive awards:

All outstanding stock options which were granted one year or more prior to retirement will continue to become exercisable in accordance with the normal schedule as if the Named Executive Officer remained employed, and will be exercisable for the normal term. Options granted less than one year prior to retirement are forfeited.

Restricted stock awarded at least one year prior to retirement will vest immediately upon retirement. Restricted stock granted less than one year prior to retirement is forfeited.

Career-vesting deferred stock units and all dividend equivalents thereon will vest and be paid six months after retirement. Career-vesting deferred stock units comprise several types of awards granted over the career of Executive Officers that vest upon death, disability, or retirement, including earned performance shares granted prior to fiscal year 2004.

All earned performance shares and dividend equivalents thereon will be paid on the normal schedule (except career-vesting performance shares). A pro-rata portion of unearned performance shares awarded at least one year prior to retirement and associated dividend equivalents will be paid in accordance with the normal schedule and at the normal payout level if performance thresholds are met. Performance shares awarded less than one year prior to retirement are forfeited.

Estimated Payments Upon Retirement

As of September 30, 2011

The table below shows the value of outstanding long-term incentive awards that would have vested upon the Named Executive Officer s retirement as of September 30, 2011, and the value of awards that would have been forfeited. Amounts are based on the closing price of a share of Company stock as of September 30, 2011 which was $76.37. Mr. Jones, Mr. Dixon, and Mr. Stanley are not eligible for retirement; so no amounts are shown for them.

Officer	Unvested Stock Options(1)	Restricted Stock	Career-Vesting Deferred Stock Units	Unearned Performance Shares(2)	Value of Awards Forfeited
J. E. McGlade	$ 805,954	$ 4,276,720	$ 896,436	$ 1,753,031	$ 4,743,585
P. E. Huck	$ 190,499	$ 1,469,664	$ 1,448,357	$ 414,302	$ 1,215,811

(1) Options are shown at their intrinsic value.

(2) Unearned performance shares are shown at the maximum payout level since the target performance level has been exceeded.

Corporate Executive Committee Separation Program. The Company maintains a Separation Program for members of the Company s Corporate Executive Committee (CEC) which, during fiscal year 2011, included all the Named Executive Officers. A CEC member becomes eligible for program benefits upon involuntary termination of employment other than for Cause or upon voluntary termination for Good Reason . A termination for Cause occurs upon the Executive Officer s failure to perform his duties, willful misconduct, certain illegal acts, insubordination, dishonesty, or violation of the Company s Code of Conduct. Good Reason includes:

An adverse change in the Executive Officer s position,

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A decrease in the Executive Officer s salary, benefits, or annual incentive compensation if not similarly applied to other highly compensated employees, or

A relocation of the Executive Officer s principal workplace more than 50 miles from the existing location.

Benefits under the Separation Program are contingent upon the CEC member s continuing to perform the duties typically related to his position (or such other position as the Board reasonably requests) until termination, and assistance in the identification, recruitment, and/or transitioning of his successor. The CEC member also is required to sign a general release of claims against the Company and a two-year noncompetition, nonsolicitation, and nondisparagement agreement. If all these requirements are met, the CEC member is entitled to cash benefits as follows:

A cash severance payment of one times (two times in the case of Mr. McGlade) the CEC member s annual base salary and average annual incentive award for the three of the last five years for which his award was highest;

A bonus for the year of termination equal to a pro-rata portion of the CEC member s average annual incentive award for the three of the last five years for which his award was highest;

Outplacement assistance;

A cash payment equal to the actuarial equivalent of pension benefits that would have accrued based on two additional years of service in the case of Mr. McGlade and one additional year of service in the case of the other Named Executive Officers, except for Mr. Jones;

A cash payment for the three Named Executive Officers who are not eligible for early retirement equal to the value of the early retirement subsidy provided under the pension plans on the Executive Officer s accumulated benefit. The benefit is calculated, except for Mr. Jones, with an additional one year of service; and

For Mr. Jones, because he has elected to receive his primary retirement benefit under the Company s defined contribution plans, a cash payment equal to the additional (nonmatching) contributions, and credits he would have received under the RSP and the Deferred Compensation Plan, respectively, had he remained employed an additional year, assuming his base salary remained the same and his Annual Incentive Plan award was the higher of his most recent award or the average of the last three awards.

Noncash benefits are also provided or maintained under the Separation Program as follows:

Medical and other welfare benefits are continued for two years in the case of Mr. McGlade and one year in the case of other Named Executive Officers.

Nonretirement eligible Named Executive Officers will forfeit unexercisable stock options. Their exercisable options will remain in effect for the normal term. Retirement provisions described above apply to the stock options of retirement eligible Named Executive Officers.

A pro-rata portion of four-year vesting restricted stock and retention grants of deferred stock units will vest. The remaining four-year vesting restricted stock and retention grant deferred stock units will be forfeited. However, retirement provisions described above apply to outstanding restricted stock held by the retirement eligible Named Executive Officers if more favorable.

Career-vesting restricted stock and deferred stock units will become fully vested.

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All Named Executive Officers will receive a pro-rata portion of unearned performance shares based on actual performance at the end of the performance period and will forfeit the remainder. The unforfeited shares will be paid in accordance with the normal schedule and at the normal payout level if performance thresholds are met. Retirement provisions apply to retirement eligible Named Executive Officers if the treatment is more favorable.

Upon involuntary termination, Named Executive Officers, like all salaried employees, are entitled to receive their accrued qualified and nonqualified pension and deferred compensation described above on pages 60-63 above in accordance with the terms of the relevant plans and, if retirement eligible, retiree medical benefits.

Estimated Payments on Severance

As of September 30, 2011

The table below shows estimated cash payments that would have been made to the Named Executive Officer upon an involuntary termination on September 30, 2011 covered under the Corporate Executive Committee Separation Program, and the estimated value of long-term incentive awards that would have vested upon the termination.

					Long-Term Incentive Plan(1)(2)		
Officer	Severance Benefit	Pro-rata Bonus	Pension Payment(3)	Benefits(4)	Restricted Stock(5)	Deferred Stock Units(6)	Unearned Performance Shares(7)
J. E. McGlade	$ 6,190,000	$ 1,895,000	$ 1,179,832	$ 54,897	$ 4,276,720	$ 896,436	$ 2,618,481
P. E. Huck	$ 1,441,667	$ 766,667	$ 229,367	$ 51,844	$ 1,469,664	$ 1,448,357	$ 640,040
S. J. Jones	$ 810,667	$ 340,667	$ 658,002	$ 63,182	$ 242,068	$ 172,467	$ 321,475
R. D. Dixon	$ 870,333	$ 400,333	$ 490,964	$ 63,208	$ 242,068	$ 782,442	$ 321,475
J. D. Stanley	$ 707,333	$ 257,333	$ 401,640	$ 63,135	$ 102,298	$ 333,273	$ 319,187

(1) Based on September 30, 2011 closing price of $76.37. No stock options are reflected as no vesting or acceleration of vesting occurs as a result of a severance. Nonretirement eligible Executive Officers retain only options that were already exercisable and retirement eligible Executive Officers options continue to become exercisable on the same schedule as a voluntary retirement.

(2) The value of long-term incentive awards which would have been forfeited in the event of involuntary termination on September 30, 2011 are as follows:

Officer	Value of Forfeited Awards
J. E. McGlade	$ 3,878,135
P. E. Huck	$ 990,073
S. J. Jones	$ 1,032,169
R. D. Dixon	$ 687,236
J. D. Stanley	$ 573,978

Performance share values are calculated at the maximum payout level since the target performance level is currently exceeded. Values also include forfeited dividend equivalents.

(3) Includes payment in lieu of Company contributions and credits under the RSP and Deferred Compensation Plan for Mr. Jones.

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(4) Includes the value of outplacement benefits estimated based on current arrangements for these services; the value of medical benefits extended under the Separation Program for those not already eligible for retiree medical benefits; and the value of dental, life insurance, and disability benefits.

(5) Restricted stock which vested under the terms of grant on October 1, 2011 is not included as the value of a one-day acceleration of vesting is de minimis.

(6) These amounts reflect the value of career-vesting deferred stock units, including earned performance shares granted before fiscal year 2004; and time-based deferred stock units such as four-year restricted stock units and special retention grants, and dividend equivalents thereon.

(7) Unearned performance shares that are not forfeited upon a covered involuntary termination are reflected at the maximum payout level since the target performance level is currently exceeded. Amounts include accumulated dividend equivalents.

Termination for Cause. Notwithstanding the above, upon involuntary termination for cause, Named Executive Officers who are not retirement eligible will receive only unpaid salary and accrued vacation, and qualified and nonqualified pension and deferred compensation. If a retirement eligible employee is terminated for cause, it is treated as a retirement.

Death or Disability. Upon termination due to death or disability of an Executive Officer, in addition to insurance, continuation of medical benefits, and other benefits provided to all salaried employees and their families to help with these circumstances, the Long-Term Incentive Plan has provisions that provide continued vesting or accelerated payout of equity awards as follows:

- All stock options that have been outstanding for at least a year at the time of termination continue to be and become exercisable on the normal schedule as if the employee had remained active. All other stock options are forfeited.

- All restrictions on restricted stock outstanding for at least one year are removed. All other restricted stock is forfeited.

- All earned but deferred performance shares, all career-vesting deferred stock units, and retention grants of deferred stock units are paid out.

- A prorated portion of unearned performance shares outstanding for at least one year continues to earn out and be payable as if the employee had remained active. All other unearned performance shares are forfeited.

Change in Control Arrangements

The Company provides individual change in control severance agreements for all of the Named Executive Officers. For purposes of the agreements, a change in control occurs upon a 30% stock acquisition by a person not controlled by the Company, a greater than 50% change in membership on the Board during any two-year period unless approved by two-thirds of directors still in office who were directors at the beginning of the period, or other events determined by the Board.

The severance agreements give each Named Executive Officer specific rights and certain benefits if, within two years after a change in control, his employment is terminated by the Company without Cause (as defined below) or he terminates employment for Good Reason (as defined below). In such circumstances the Named Executive Officer would be entitled to:

- A cash severance payment equal to two (three for Mr. McGlade and Mr. Huck) times the sum of his annual base salary and target bonus under the Annual Incentive Plan;

- A cash payment of a pro-rata target bonus for the year;

A cash payment equal to two (three for Mr. McGlade and Mr. Huck) times the value for the most recent fiscal year of the Company s contributions and/or credits on his behalf under the RSP and the Deferred Compensation Plan;

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For all Named Executive Officers, except Mr. Jones, a cash payment equal to the actuarial present value of the pension benefits he would have been entitled to receive under the Company s pension plans had he accumulated two (three in the case of Mr. McGlade and Mr. Huck) additional years of credited service after termination;

For Named Executive Officers who are not eligible for early retirement as of the date of termination, a cash payment equal to the actuarial present value of the early retirement subsidy on his pension benefit, calculated with an additional two years of credited service;

For Mr. Jones, a cash payment equal to the additional (nonmatching) contributions and credits he would have received under the RSP and the Deferred Compensation Plan, respectively, had he remained employed for an additional two years at the same base salary and the higher of his most recent Annual Incentive Plan award or the average such award for the three full fiscal years preceding the Change in Control; and

Continuation of medical, dental, disability, and life insurance benefits for a period of up to two years (three years in the case of Mr. McGlade and Mr. Huck), and provision of outplacement services and legal fees.

If any payment, distribution, or acceleration of benefits, compensation, or rights that is made by the Company to the covered Executive Officers under the severance agreement or otherwise results in a liability for the excise tax imposed by Section 4999 of the U.S. Internal Revenue Code, the Company will pay an amount equal to such excise tax, but only if the benefits to which the Executive Officer is entitled under the agreement are at least 110% of what the Executive Officer would receive if his benefits were reduced to a level that would not be subject to excise taxes[25]. Also, each severance agreement provides for indemnification of the Executive Officer if he becomes involved in litigation because he is a party to the agreement.

A termination for Cause occurs under the agreements upon the Executive Officer s willful failure to perform his duties or willful misconduct. Good Reason includes:

A material adverse change in the Executive Officer s position;

A decrease in the Executive Officer s salary, benefits, or incentive compensation if not applied to other highly compensated employees; or

Relocation of the Executive Officer s principal workplace more than 50 miles from the existing location.

In addition to the change in control severance agreements, the Company s Long-Term Incentive Plan and its nonqualified pension and deferred compensation plans provide change in control protections for all participants. Specifically, upon a change in control (as defined by the applicable plan):

All outstanding stock options become exercisable and remain exercisable for their full term on the earlier of the change in control or six months after the grant date.

Restrictions lapse on all restricted stock.

All forms of deferred stock units, except unearned performance shares and related dividend equivalents, will fully vest and be paid immediately. A pro-rata portion of unearned performance shares and related dividend equivalents will be paid out in shares at the target performance level.

[25] This provision has been eliminated from change in control agreements entered into after 2010.

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Accrued benefits under the nonqualified pension and deferred compensation plans (described on pages 60-63) are paid out. The Committee, in its discretion, may pay out the value of stock options, restricted stock, and deferred stock units in cash.

Estimated Payments Upon Change in Control

On September 30, 2011

The table below shows the estimated value of long-term incentive awards that would have automatically vested [upon a change in control occurring on September 30, 2011, whether or not the Executive Officer was terminated]. These acceleration provisions apply to all Long-Term Incentive Plan participants. In the case of Mr. McGlade and Mr. Huck, who are retirement eligible, most of these amounts would be paid on voluntary termination, but payment, lapse of restrictions, or exercisability would be accelerated upon a change in control. For Mr. Jones, Mr. Dixon, and Mr. Stanley, most of the amounts shown would become vested or payable if his active employment continued until his retirement eligibility without a change in control, but payment, lapse of restrictions, or exercisability would be accelerated upon a change in control.

Officer	Unvested Stock Options(1)	Restricted Stock(2)	Unearned Performance Shares	Other Deferred Stock Units(2)
J. E. McGlade	$ 805,954	$ 5,547,440	$ 1,309,240	$ 896,436
P. E. Huck	$ 190,499	$ 1,801,110	$ 320,020	$ 1,448,357
S. J. Jones	$ 95,249	$ 501,751	$ 160,738	$ 517,400
R. D. Dixon	$ 95,249	$ 501,751	$ 160,738	$ 782,442
J. D. Stanley	$ 26,383	$ 312,964	$ 159,593	$ 342,476

(1) Options are shown at their intrinsic value based upon the September 30, 2011 closing price of $76.37.

(2) Restricted stock and restricted stock unit awards which vested under the terms of their grant on October 1, 2011 are not included as the value of a one-day acceleration of vesting is de minimis.

Additional Estimated Payments Upon Termination

On September 30, 2011 After Change in Control

The table below shows additional amounts that would be payable under the change in control severance agreements if the Executive Officer were terminated following a change in control.

Officer	Severance	Pro-rata Bonus	Matching Contribution Payment	Pension Payment(1)	Outplacement/ Financial	Benefits(2)	Tax Gross-Up

J. E. McGlade	$ 7,920,000	$ 1,440,000	$ 108,000	$ 1,769,748	$ 50,000	$ 7,417	$ 4,943,482
P. E. Huck	$ 3,645,000	$ 540,000	$ 60,144	$ 688,778	$ 50,000	$ 5,602	$ 0
S. J. Jones	$ 1,598,000	$ 329,000	$ 128,210	$ 705,002	$ 50,000	$ 27,278	$ 1,238,557
R. D. Dixon	$ 1,598,000	$ 329,000	$ 28,038	$ 604,601	$ 50,000	$ 27,330	$ 0
J. D. Stanley	$ 1,440,000	$ 270,000	$ 25,386	$ 533,988	$ 50,000	$ 27,184	$ 1,028,780

(1) Includes payment in lieu of Company nonmatching contributions and credits under the RSP and Deferred Compensation Plan for Mr. Jones.

(2) Includes continuation of dental, disability, and life insurance benefits. Also includes continuation of medical benefits for Mr. Jones, Mr. Dixon, and Mr. Stanley. Mr. McGlade and Mr. Huck are currently eligible for retiree medical benefits upon any termination of employment on the same basis as other retirement eligible salaried employees, so there is no incremental benefit.

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INFORMATION ABOUT STOCK OWNERSHIP

Persons Owning More than 5% of Air Products Stock

as of September 30, 2011

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
State Farm Mutual Automobile Insurance Company(1)	15,480,105	7.0%
(State Farm)		
One State Farm Plaza		
Bloomington, IL 61710		

(1) In the aggregate, State Farm has sole voting power over 15,393,100 shares, shared voting power over 87,005 shares, sole power to direct disposition of 15,393,100 shares, and shared power to direct disposition of 87,005 shares.

Air Products Stock Beneficially Owned by Officers and Directors

The table below shows the number of shares of common stock beneficially owned as of November 1, 2011 by each member of the Board and each Named Executive Officer, as well as the number of shares owned by the directors and all Executive Officers as a group. None of the directors or Executive Officers own one percent or more of the Company s common stock.

Name of Beneficial Owner	Common Stock(1)(2)(3)	Stock Options(4)	Currently Distributable Deferred Stock Units(5)	Total(6)
M. L. Baeza	0	4,000	9,301	13,301
S. K. Carter	0	0	0	0(6)
W. L. Davis, III	1,000	0	11,315	12,315
C. C. Deaton	0	0	2,429	2,429
R. D. Dixon	21,861	117,358	0	139,219
M. J. Donahue	0	4,000	0	4,000
U. O. Fairbairn	1,135	8,000	10,400	19,535

W. D. Ford	0	4,000	23,471	27,471
E. E. Hagenlocker	0	8,000	11,002	19,002
E. Henkes	0	0	0	0(6)
P. E. Huck	77,208	335,870	0	413,078
S. J. Jones	14,226	90,796	0	105,022
J. E. McGlade	139,847	842,392	0	982,239
M. G. McGlynn	0	0	18,404	18,404
L. S. Smith	5,950	2,000	0	7,950
J. D. Stanley	6,676	63,933	0	70,609
Directors and Executive Officers as a group (20 persons)(7)	323,641	1,803,848	86,322	2,213,811

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(1) Certain Executive Officers hold restricted shares which we include in this column. The Executive Officer may vote the restricted shares, but may not sell or transfer them until the restrictions expire. The individuals in the table hold the following number of restricted shares:

Name	Shares
R. D. Dixon	6,570
P. E. Huck	23,584
S. J. Jones	6,570
J. E. McGlade	72,639
J. D. Stanley	4,098
All Executive Officers	131,442

(2) Includes share units held by Executive Officers in the Company s qualified 401(k) plan. Participants have voting rights with respect to such units and can generally redirect their plan investments.

(3) Shares reported include the following shares owned jointly by the indicated officer and his spouse: Mr. McGlade, 35,875 shares and Mr. Jones, 2,073 shares. Shares reported also include shares held by, or for the benefit of, members of the immediate families or other relatives of certain of the indicated officers and directors: Mr. Huck, 11,705 shares; Mr. Jones, 121 shares; Mr. McGlade, 21 shares and Mr. Smith, 1,100 shares. The indicated officers and directors disclaim ownership of such shares.

(4) The directors and officers have the right to acquire this number of shares within 60 days by exercising outstanding options granted under the Company s Long-Term Incentive Plan.

(5) Directors deferred stock units shown in the table are distributable within 60 days upon a director s retirement or resignation, based upon the director s payout elections. Deferred stock units held by directors who have elected to defer payout for longer periods are described in note (6). Deferred stock units entitle the holder to receive one share of Company stock and accrued dividend equivalents. Deferred stock units accrue dividend equivalents, but do not have voting rights.

(6) Executive Officers and directors also own the deferred stock units reflected in the table below which are not distributable within 60 days and which have been awarded, earned out, or purchased. Directors with deferred stock units shown below have elected to defer receipt of those units beyond their retirement or resignation. Certain deferred stock units held by Executive Officers are subject to forfeiture if employment ends before death, disability, or retirement, or for engaging in specified activities such as competing with the Company.

Name of Beneficial Owner	Deferred Stock Units
S. K. Carter	1,063
R. D. Dixon	12,015
M. J. Donahue	21,632
E. Henkes	9,556
P. E. Huck	22,651
S. J. Jones	10,054
J. E. McGlade	52,127
L. S. Smith	19,505
J. D. Stanley	3,668

(7) Not counting their deferred stock units, directors, nominees, and Executive Officers as a group beneficially own 1.0% of the Company s outstanding shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and Executive Officers to file reports of holdings and transactions in Company stock and related securities with the Securities and Exchange Commission and the NYSE. Based on our records and other information, we believe that in 2011 all of our directors and Executive Officers met all applicable Section 16(a) filing requirements.

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APPENDIX A

GAAP RECONCILIATION

	Sales	Operating Income	Operating Margin	Income From Cont. Ops.	EPS Cont. Ops.	ROCE	Cost of Capital	Spread
FY08 Reported (no Adjustments)					$ 4.97	12.9%	8.5%	**4.4%**
FY09 Reported	8,256.2	846.3	10.3%	639.9	$ 3.00	8.2%	8.4%	-0.2%
Q109 Global Cost Reduction Plan		174.2		116.1	$ 0.55			
Q309 Global Cost Reduction Plan		124.0		84.2	$ 0.39			
Q309 Asset Actions		9.9		7.1	$ 0.04			
FY09 Non GAAP	8,256.2	1,154.4	14.0%	847.3	$ 3.98	10.4%	8.4%	**2.0%**
GAAP Growth FY09					-39.6%			
Non GAAP Growth FY09					**-19.9%**			
FY10 Reported	9,026.0	1,389.0	15.4%	1,029.1	$ 4.74	11.8%	8.5%	3.3%
FY10 Acquisition Related Costs		96.0		60.1	$ 0.28			
FY10 Non GAAP	9,026.0	1,485.0	16.5%	1,089.2	$ 5.02	12.4%	8.5%	**3.9%**
GAAP Growth FY10					58.0%			
Non GAAP Growth FY10					**26.1%**			
FY11 Reported	10,082.0	1,622.2	16.1%	1,215.3	$ 5.59	13.0%	8.5%	4.5%
FY11 Acquisition Related Costs		48.5		31.6	$ 0.14			
FY11 Non GAAP	10,082.0	1,670.7	16.6%	1,246.9	$ 5.73	13.3%	8.5%	**4.8%**
GAAP Growth FY11		16.8%	0.7%		17.9%			
Non GAAP Growth FY11		**12.5%**	**0.1%**		**14.1%**			
GAAP 3 Year Average					12.1%			2.5%
Non GAAP 3 Year Average					**6.8%**			**3.6%**

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APPENDIX B

MARKET REFERENCE GROUP

Alticor, Inc.

Apache Corporation

Ashland, Inc.

Avon Products, Inc.

Baker Hughes, Inc.

Cameron International

Celestica

Chesapeake Energy Corporation

ConAgra Foods, Inc.

Dean Foods Company

Dole Food Company, Inc.

Dover Corporation

EOG Resources, Inc.

Estee Lauder Companies, Inc.

Federal-Mogul Corporation

Fortune Brands, Inc.

Gerdau Ameristeel

Goodrich Corporation

H. J. Heinz Company

Harley-Davidson, Inc.

Hexion Specialty Chemicals

Kellogg Company

Kinder Morgan, Inc.

Land O Lakes, Inc.

MeadWestvaco Corporation

Micron Technology, Inc.

Newmont Mining Corporation

Owens Corning

Owens-Illinois, Inc.

Peabody Energy Corporation

Pitney Bowes, Inc.

Praxair, Inc.

Reynolds American, Inc.

Rockwell Automation, Inc.

Smith International

SPX Corporation

Stryker Corporation

The Sherwin-Williams Company

The Williams Companies, Inc.

Transocean

VF Corporation

Visteon Corporation

Weatherford

Western Digital

XTO Energy, Inc.

PEER REFERENCE GROUP

3M Co.

Cooper Industries Ltd.

Danaher Corp.

Dover Corp.

Du Pont (E. I) De Nemours

Eastman Chemical Co.

Eaton Corporation

Ecolab Inc.

Illinois Tool Works

ITT Corporation

Parker-Hannifin Corp.

PPG Industries Inc.

Praxair, Inc.

SPX Corporation

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Driving Directions to Air Products and Chemicals, Inc. Corporate Headquarters

Air Products and Chemicals, Inc.

7201 Hamilton Boulevard

Allentown, PA 18195-1501

610-481-4911

From Pennsylvania Turnpike (US 476)

Take Lehigh Valley Exit 56 (formerly exit 33) from Turnpike to Route 22 West, Harrisburg.

Follow Route 22 West to Trexlertown Exit (Exit 49A off Route 22 and I-78) onto Route 100 South.

Proceed on Route 100 South for 3 miles; continue straight, and at this point Route 100 becomes Trexlertown Road.

Proceed one more mile to the traffic light at Trexlertown Road and Hamilton Boulevard.

Turn left onto Hamilton Boulevard. Go under the RR bridge and proceed to the second traffic light.

Turn left at the Visitor Entrance sign (Gate 2) into the Air Products complex.

From Route 22

Take Exit 49A from Route 22 and I-78 onto Route 100 South.

Proceed on Route 100 South for 3 miles; continue straight, and at this point Route 100 becomes Trexlertown Road.

Proceed one more mile to a traffic light at Trexlertown Road and Hamilton Boulevard.

Turn left onto Hamilton Boulevard. Go under the RR bridge and proceed to the second traffic light.

Turn left at the Visitor Entrance sign (Gate 2) into the Air Products complex.

From Route 309 North and I-78 West

Take Exit 54A to Route 222 South (Hamilton Boulevard).

Follow 222 South to the traffic light at Mill Creek Road.

Turn left on Millcreek Road Proceed to Hamilton Boulevard.

Proceed south on Hamilton Boulevard.

Corporate Office is located on right side of highway. Turn right at the Visitor Entrance sign (Gate 2) into the Air Products complex.

From Route 309 South and I-78 East

Take Exit 54. At the bottom of the ramp, turn right onto Route 222 South (Hamilton Boulevard.).

Follow 222 South to the traffic light at Mill Creek Road.

Turn left on Millcreek Road Proceed to Hamilton Boulevard.

Proceed south on Hamilton Boulevard.

Corporate Office is located on right side of highway. Turn right at the Visitor Entrance sign (Gate 2) into the Air Products complex.

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AIR PRODUCTS AND CHEMICALS, INC.

7201 HAMILTON BLVD.

ALLENTOWN, PA 18195-1501

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: M39209-P18305-Z56766 KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

AIR PRODUCTS AND CHEMICALS, INC.

The Board of Directors recommends you vote FOR the following proposals:

1. ELECTION OF DIRECTORS: To elect each of the nominees listed below as director for a

three-year term:

Nominees:	**For**	**Against**	**Abstain**
1a. Mario L. Baeza	¨	¨	¨
1b. Susan K. Carter	¨	¨	¨
1c. John E. McGlade	¨	¨	¨

	For	**Against**	**Abstain**
2. APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS. To ratify appointment of KPMG LLP, as independent registered public accountants for fiscal year 2012.	¨	¨	¨
3. ADVISORY VOTE ON EXECUTIVE OFFICER COMPENSATION. To approve the compensation of Named Executive Officers.	¨	¨	¨

NOTE: Such other business as may properly come before the meeting or any adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

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Admission Ticket

Annual Meeting of

Air Products and Chemicals, Inc.

Thursday, January 26, 2012 - 2:00 p.m.

Air Products and Chemicals, Inc. Corporate Headquarters

7201 Hamilton Boulevard

Allentown, PA

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement and Annual Report on Form 10-K are available at www.proxyvote.com.

M39210-P18305-Z56766

Air Products and Chemicals, Inc.

Annual Meeting of Shareholders - January 26, 2012

Proxy

This proxy is solicited on Behalf of the Board of Directors

Your signature on the reverse appoints John E. McGlade, Paul E. Huck and John D. Stanley, or any one of them, with full power of substitution, to represent you at the annual meeting of shareholders of Air Products and Chemicals, Inc. on Thursday, January 26, 2012, at 2:00 p.m., and at any adjournments thereof; to vote at such meeting the shares which you would be entitled to vote if personally present, as directed on the reverse side; and to vote in their judgment upon all other matters which may properly come before the meeting and any adjournments thereof.

This proxy will be voted as directed, but if no instructions are given for voting on the matters listed on the reverse side, this proxy will be voted as recommended by the Board of Directors. If any other matters are properly presented for consideration at the Annual Meeting, the proxy holders will have discretion to vote on those matters in accordance with their best judgment. Shareholders who are present at the meeting may withdraw their proxy and vote in person if so desired.

Air Products and Chemicals, Inc. Retirement Savings Plan Participants

The person signing on the reverse directs that Fidelity Management Trust Company As Trustee for the Air Products and Chemicals, Inc. Retirement Savings Plan (the Plan) vote the shares of common stock of Air Products and Chemicals, Inc. (shares) represented by units of interest allocated to his or her account under the Plan at the annual meeting of shareholders of Air Products and Chemicals, Inc. to be held on January 26, 2012 as directed on the reverse side.

The Trustee will tabulate the instructions from all participants and vote shares held in the Plan according to the instructions. The Trustee will vote shares held in the Plan for which no voting instructions are received by January 23, 2012 in the same proportions and manner as shares held in the Plan for which instructions have been received.

Continued and to be signed on reverse side